

# RISK AND HUMANITARIAN CULTURE:

## An ICVA Briefing Paper

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A GLOBAL NGO NETWORK  
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# EXAMINING RISK MANAGEMENT IN THE HUMANITARIAN SPACE: AN ICVA BRIEFING SERIES

For anyone that has spent time working with humanitarian aid, risk is a familiar concept. Humanitarians inherently work in places of high fragility, conflict, or instability. These characteristics define where humanitarian action is meant to occur, determine where actors choose to work, and impact their ability to accomplish the humanitarian mission of reducing human suffering. In order to operate effectively in such high-risk environments, it is critical for NGOs to understand how to identify and manage risk. Doing this well will result in better outcomes for affected populations as well as improved relations with the donors funding humanitarian operations.

In practice, the identification and management of risk in the humanitarian space is difficult. Despite the existence of a substantial body of work on risk management, humanitarians struggle to apply existing guidance and tools. Responding to this gap in practical application, this ICVA briefing series will examine the current risk landscape in humanitarian aid with three core objectives:

**1. Make the discussion on risk management more accessible to practitioners and decision-makers.** Successful risk management requires staff at all levels of an organisation to understand the role they play in managing risk. It is important to frame the discussion on risk management in a way that is understandable, accessible, and applicable to practitioners in the field as well as policymakers and headquarters leadership.

**2. Examine some of the core risk management issues unique to the humanitarian space.** One of the factors that contributes to the successful application of risk management practices to the humanitarian sector is the degree to which risk issues unique to humanitarian work are appropriately defined.

**3. Ensure existing risk management tools and lessons are identified and understood.** While there are already many good resources on risk management available to humanitarian practitioners, existing tools and lessons learned are not consistently applied in humanitarian work

Over the next few months, ICVA will release a series of briefing materials to support these objectives. The topics to be examined in this series include:

- Organisational culture
- Addressing the gap between risk tolerance and appetite
- Security risk management
- Resources for risk management

The series includes the March 2020 ICVA Annual Conference on the theme of “**Protecting Principled Humanitarian Action: An honest conversation on risk.**”

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# INTRODUCTION

While risk awareness is clearly embedded in the culture of humanitarian work, risk management is not. The fundamental acceptance of a culture of risk is established in the humanitarian imperative and associated humanitarian principles, followed by organisations and agencies that define themselves as humanitarian:

**ICRC Code of Conduct:** “...The prime motivation of our response to disaster is to alleviate human suffering amongst those least able to withstand the stress caused by disaster....”

**Sphere Humanitarian Charter:** “Humanitarian imperative: that action should be taken to prevent or alleviate human suffering arising out of disaster or conflict, and that nothing should over-ride this principle.”

**OCHA Humanitarian Principles:** “Humanity: Human suffering must be addressed wherever it is found. The purpose of humanitarian action is to protect life and health and ensure respect for human beings.”

The intent of these descriptions is clear: that those calling themselves humanitarians should be willing to serve the needs of the most vulnerable and needy, in any circumstance or location. A commitment to this imperative clearly involves the acceptance of a high degree of risk in carrying out humanitarian operations as the most vulnerable people will inherently be located in disaster zones, war zones, and contexts with weak civil and government institutions. This willingness to adhere to the humanitarian imperative defines a culture of risk acceptance that is part of the core identity of humanitarians.

While the responsibility to people in need is clear in humanitarian culture, the implications of this responsibility on the operations of humanitarian NGOs are not always well understood. This gap is a critical weakness in the effective management of risk. Humanitarians have a responsibility to both accept and manage risk if they seek to uphold the commitment to meet the needs of suffering people.

## DEFINING CONCEPTS

Although well-covered by many resources, a part of building a better culture around risk management requires a good common understanding of existing resources and key concepts. The origins of risk management as a discipline are in the private sector, and the majority of resources were developed from a business perspective. There are currently two primary bodies providing standard guidance and tools on risk management that are widely used by the private sector:

### 1. The International Standards Organisation (ISO).

Currently managing a group of standards known as ISO 31000 which identify principles, guidelines, and tools for risk management. The ISO 31000 standard was published in 2009 and, in its evolutions, is currently seen as the primary international standard for enterprise risk management (ERM).

### 2. The Committee of Sponsoring Organisations of the Treadway Commission - better known as COSO.

The work of COSO is less known outside of the accounting and audit practices than ISO as the group was initially formed to combat corporate fraud. However, since 2004 COSO has published “Enterprise Risk Management - Integrated Framework” which provides guidance on risk management practice, generally tailored to the private sector.

While both ISO and COSO provide a range of useful materials for both understanding and applying principles of risk management, they do not represent specific experience in applying these materials to the humanitarian space. This presents one of the core challenges in encouraging a more disciplined approach to risk management in humanitarian work. Although many risk management resources are now well-established over the past 15 years, the primary focus on implementation has been in the private sector.

# Humanitarian risk management resources

In recent years this has begun to change, with an increasing number of resources developed specifically for humanitarians. With this steady expansion in resources tailored to humanitarians, there will hopefully be a corresponding increase in the consistency and depth of

application of risk management concepts in humanitarian work so long as the benefits are clear. For those interested in a more detailed look at technical details of risk management overall as well as what has been done in the humanitarian space, the following resources provide a good starting point:

HUMANITARIAN RISK MANAGEMENT RESOURCES	
<b>InterAction / Humanitarian outcomes 2016, “NGOs and Risk: How international humanitarian actors manage uncertainty.”</b>	<a href="https://www.interaction.org/wp-content/uploads/2019/02/ngos_and_risk_-_february_2016.pdf">https://www.interaction.org/wp-content/uploads/2019/02/ngos_and_risk_-_february_2016.pdf</a>
<b>InterAction / Humanitarian Outcomes 2019, “NGOs and Risk: Managing uncertainty in local-international partnerships.”</b>	<a href="https://www.interaction.org/blog/managing-risk-in-international-and-local-ngo-partnerships/">https://www.interaction.org/blog/managing-risk-in-international-and-local-ngo-partnerships/</a>
<b>EISF, “Security risk management: A basic guide for smaller NGOs”</b>	<a href="https://www.eisf.eu/library/security-risk-management-a-basic-guide-for-smaller-ngos/">https://www.eisf.eu/library/security-risk-management-a-basic-guide-for-smaller-ngos/</a>
<b>COSO, “Enterprise Risk Management - Understanding and communicating risk appetite.”</b>	<a href="https://www.coso.org/Documents/ERM-Understanding-and-Communicating-Risk-Appetite.pdf">https://www.coso.org/Documents/ERM-Understanding-and-Communicating-Risk-Appetite.pdf</a>
<b>HPG 2011, “Risk in humanitarian action: Toward a common approach.”</b>	<a href="https://www.odi.org/publications/5463-risk-common-action-humanitarian-approach-management">https://www.odi.org/publications/5463-risk-common-action-humanitarian-approach-management</a>
<b>ISO 31000, Risk management framework.</b>	<a href="https://www.iso.org/iso-31000-risk-management.html">https://www.iso.org/iso-31000-risk-management.html</a> Note: Full versions of ISO materials must be purchased.
<b>COSO, Enterprise Risk Management - Integrated Framework.</b>	<a href="https://www.coso.org/Pages/erm-integratedframework.aspx">https://www.coso.org/Pages/erm-integratedframework.aspx</a>
<b>ISO Guide 73:2009 , “Definitions of terms related to risk management.”</b>	<a href="https://www.iso.org/standard/44651.html">https://www.iso.org/standard/44651.html</a> Note: Full versions of ISO materials must be purchased.

# Key risk concepts

In addition to more detailed guidance, it is also important to briefly share definitions of key risk concepts relevant to the discussion. In general, the ISO 31000 standard is considered to be the primary point of reference for consistency in definitions, however, for certain concepts, there can be differences in how organisations interpret meaning and usage. In part, there is a challenge in applying risk concepts that were developed within the private sector to humanitarian work - where there can be a pre-existing understanding of what is meant by risk.

The intent in this section is not to provide an exhaustive list of all risk terms, but to present core concepts that are critical to understand when addressing risk. Even if there is not a consensus on the definition of all terms, a consistent understanding of key concepts is a necessary first step in order to move forward with improving the culture of risk management in the humanitarian space. Unless otherwise noted, the following definitions are included in the ISO Guide 73 which details terms related to risk management.

## Risk

“The effect of uncertainty on an organisation’s objectives.” Note that the ISO definition does not suggest that risk is always a negative. In practice, risk is typically defined by the likelihood that unplanned or uncontrolled events will prevent us from completing our mission. The broader ISO definition is still important to consider as it highlights the uncertainty involved in risk. Uncertainty can lead to unplanned benefits, but these are not necessarily a “positive” when they fall completely outside our control.

## Risk management

Extending directly from the definition of risk, defined as “the coordinated activities to direct and control an organisation with regard to risk.” Essentially, risk management is an organisation’s formal reaction to risk, including guidelines, tools, and procedures. Given the neutral ISO definition of risk outlined above, good risk management practice helps improve the identification of both opportunities and threats, and how to effectively allocate resources to respond. Risk management is an intentional process that goes beyond simply reacting to risks as they become incidents.

## Risk treatment or mitigation

The “process of developing, selecting and implementing controls.” As defined by ISO, there are a number of activities that are involved in implementation of risk treatment, including:

- avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;
- seeking an opportunity by deciding to start or continue with an activity likely to create or enhance the risk;
- removing the source of the risk;
- changing the nature and magnitude of likelihood;
- changing the consequences;
- sharing the risk with another party or parties; and
- retaining the risk by choice.

## Residual risk

Normally defined as “risk remaining after risk treatments.” This is effectively what remains after any efforts to treat, mitigate, or control risks. This may include unidentified risk that were not originally mapped, or an organisation must make a choice as to whether remaining residual risk can be accepted or is too great for the organisation’s capability and mission.

## Risk appetite

The “amount and type of risk an organisation is prepared to pursue or take.” The appetite is the willingness or desire to take on risk. While this can (and should) vary between organisations, within the humanitarian community risk appetite can generally high based on the inherent high-risk qualities of humanitarian action described above.

## Risk tolerance

A subtle difference from appetite, this is an “organisation’s readiness to bear the risk after risk treatments in order to achieve its objectives.” If appetite is the willingness to take on risk, tolerance is the ability to do so. The distinction between risk appetite and tolerance is critically important for humanitarian organisations and will be explored further in this series.

## Risk transfer

While there is no formal ISO definition for risk transfer, it is a frequent topic of discussion in the humanitarian space. Risk transfer can be identified as a strategy to contractually shift risk to a different party. This typically occurs in grant agreements between donors and NGOs where risk for any loss is transferred completely to the NGO recipient of the grant. Risk can further be transferred between the NGO and local partners receiving funds to assist in implementation.

## Enterprise Risk Management (ERM)

A distinct definition from risk management, as defined by COSO: “Enterprise risk management is a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.” This is a very broad definition by intent, as ERM is intended to focus on the approach an organisation takes toward implementation of risk management as a whole, rather than only the technical aspects of risk management,

# ZERO TOLERANCE RISK

**“... We need to be honest that there are no zero-risk activities to deal with the kind of the problems that we are all trying to confront. The only thing that is zero risk is not to do anything. And, of course, that’s not zero risk either, because the cost of inaction is often substantial. So we, and I’m really talking to States here, need to accept a reasonable degree of the risk. Certainly, lots of the organisations that I talk to in the humanitarian space think that States are moving too much from a State responsibility onto organisational responsibilities.”**

– Mark Lowcock, Under-Secretary-General for Humanitarian Affairs, Emergency Response Coordinator, 25 September 2019

Language suggesting zero tolerance for incidents of fraud, corruption, mismanagement, etc. in the humanitarian system has become increasingly prevalent, particularly in agreements between donors and NGO partners. At the same time, all stakeholders in the humanitarian system recognise that needs are greatest in the very contexts where these problems are the most likely to exist. There is no standard definition for “zero tolerance”, however,

## Risk matrix

One of the key tools used in risk management: A “tool for ranking and displaying risks by defining ranges for consequence and likelihood.” Essentially, the risk matrix is used for identifying risks that are likely to have the greatest negative impact and therefore require greatest attention. Consistent use of the risk matrix is dependent on good definitions of risk areas and terms such as likelihood, and impact.

## Risk register

The “record of information about identified risks.” Also one of the key tools used in risk management, the risk register is frequently used as an initial step to the full risk matrix. The register functions as a catalogue of the identified risks affecting the work of an organisation with relevant details: category of risk, description, effects, owner, etc. In some usage, there is overlap with the risk matrix, and probability and impact are also included. The register can be updated as appropriate to ensure an accurate reflection of current key risks.

the phrase suggests a focus on reducing incidents to zero with limited attention to whether organisations have the appropriate controls in place to handle them when they inevitably do happen.

The result of this contradiction is an added stress on the humanitarian system, whereby practitioners are pressured to transfer risk through to partners without accepting and managing an appropriate level of risk internally. This characteristic of risk transfer through the system was explored in detail by InterAction in their 2019 risk study (see reference above). Eventually, a significant level of risk can be transferred toward increasingly local NGO partners who have fewer resources available to manage the risk.

There are circumstances where a “zero tolerance” for incidents can be a reasonable, and sometimes necessary, aspirational goal. For example, in the focus on prevention of sexual exploitation and abuse (PSEA), there is no acceptable level of incidents. However, when the focus is on a count of incidents alone, rather than including the measures necessary to prevent SEA incidents from happening, the goal of zero incidents is unlikely to be achieved.



It is not possible to manage risk down to zero in the difficult contexts in which humanitarians work; reducing risk toward zero would take infinite resources and leave nothing available to implement projects. Despite the fact that it is not a practical concept for humanitarian work, the simple popularity of the term “zero tolerance” from a communications perspective makes it likely that it will continue to be used. In that case, the best alternative is to encourage common usage of “zero tolerance” that captures the more realistic intent of the term:

**zero tolerance for a lack of policies, guidelines, tools, or systems to effectively manage risk.**

Ultimately, shifting the thinking on zero tolerance from counting of incidents to implementation of risk management is a critical step in moving toward appropriate sharing of risk in the humanitarian space. Maintaining a zero tolerance approach focused only on incidents is a reactive approach, rather than a proactive approach to risk management and mitigation before

incidents occur. While it is certainly appropriate to have good practices in place for responding to serious incidents, an effective zero tolerance approach should also focus on the controls that need to be in place to reduce the likelihood of risks turning into incidents. The goal of the proactive risk management approach is to reduce residual risk (risk that remains after controls are put in place) to levels that are within the risk appetite of the organization.

This shift in thinking on how to apply the concept of zero tolerance encourages both organisations and donors to adopt a more formal and realistic assessment of the risks involved in implementation of humanitarian work. Zero tolerance language is used to reinforce the need to manage and reduce risk, not only ensure that there are no incidents without implementing the steps needed to truly prevent them. With that change, a discussion on how to share responsibility for ensuring that risks are appropriately managed should be part of every funding agreement.

## EMBEDDING THE CULTURE OF RISK MANAGEMENT

“Risk management serves as part of the core culture of an organisation, upon which other systems and structures are based. The discipline of risk management can therefore play a key role in addressing the solution criteria targeting the accountability gap. Some particularly helpful aspects of risk management, when applied correctly are:

1. A cross-cutting discipline that encourages a broad view of risk and associated mitigation efforts, where risk is defined as any obstacle to meeting the objectives of an organisation. In other words, the approach encourages analysis that looks across an entire organisation and helps to avoid a siloed approach (ex. just security or fraud risk) to improvements.
2. Affects the culture of an organisation and helps decision makers identify root causes of obstacles to effectiveness. This in turn encourages the creation of tools and systems that are focused on core risk issues rather than existing without clear purpose. It moves away from ‘professional’ risk management staff who alone manage risk registers and tick-list tools.

COSO, “Enterprise Risk Management - Understanding and communicating risk appetite”

The real benefits of developing an organisational culture that embraces risk management goes beyond the value of protection from taking on too much risk as an organisation. When properly embedded in an organisation, good risk management discipline also has the positive effect of enhancing the ability to meet the objectives of the organisation in alignment with the mission. Thinking beyond the technical elements of a risk management, key characteristics of good implementation include: improved decision making, enhanced accountability, more effective organisational controls, and an improved ability to meet humanitarian need. These are some of the anticipated benefits when an organisation is able to move beyond basic risk management and work toward ‘enterprise risk management’ (ERM) as defined above. Successfully embedding a culture of enterprise risk management requires several key steps:

1. Risk management must be truly be viewed as part of organisational culture and not simply a technical exercise.

This is perhaps the most common error made in application of risk tools. As identified in the COSO reference above, there is a need to distinguish between professional risk management staff and the related technical tools they develop and an organisational culture of risk management.

Technical tools and professionals are certainly important elements that contribute to successful implementation of a risk management program in an organisation, however, technical specialists are rarely in key positions of authority with decision-making power over operations or budgets. When risk management is seen as part of organisational culture, it means that every member of the organisation, at all levels, understands the role they play in assessing, controlling, and managing risk. For this type of culture shift to occur, leadership at the top level of the organisation must embrace the approach.

**Key action point:** Senior leaders must set a tone at the top of any organisation that clearly embraces formal risk management methods.

## 2. Good risk management practice is forward looking and preventative.

This is also a frequent point of confusion when it comes to distinguishing between incident management and risk management. Setting up appropriate internal procedures for responding to security incidents, fraud, etc. once they occur is an important activity, however, confirmed incidents are no longer risk. Risk management is first concerned with proper organisational preparedness to understand and prevent risks from becoming incidents.

Doing this well requires the right combination of the technical skills to implement risk management – such as the appropriate application of a risk matrix to map out risks, treatments, and residual risk – as well as senior leadership that understands the importance of using risk tools appropriately. If senior leadership is not able to instill an organisation-wide approach to risk, there is a high likelihood that risk management efforts will remain siloed

within individual functions and become more of a compliance exercise than something actively used by the organisation to take action and prevent exposure to undesired levels of risk.

**Key action point:** Beyond establishing a commitment to risk management, senior leaders must also validate the risk management tools that the organisation will implement, and endorse clear plans for how the tools will be used. Embedding use of risk management tools in the job descriptions and performance assessments of appropriate staff is part of ensuring good implementation.

## 3. It is important to ensure that the risk approach is appropriately focused across the scope of work of the organisation, and not limited to specific pieces of work, such as financial or security controls.

A key part of embedding risk management within organisational culture involves applying risk management tools and approaches across the organisation. Doing so also helps to avoid an imbalanced approach where risk management is viewed as relevant to parts of an organisation and not to others. Within the humanitarian space, the work conducted by InterAction and Humanitarian Outcomes has done a good job of identifying the basic scope of different risk areas typically included in a good risk management approach. Based on the individual mission and needs of an organisation, this may require adjustment.

**Key action point:** As part of embedding risk management culture, organisations must map risk areas that cover the complete scope of work of the organisation. Although some adjustment may be necessary, starting with the core risk areas used by InterAction will encourage consistency in use of risk management tools within humanitarian organisations.

CORE RISK AREAS	
Safety	Accident or illness
Security	Violence, crime
Fiduciary	Corruption, fraud, theft, diversion of resources
Legal/Compliance	Violating the law, not following regulation of host or donor government, human resource issues
Operational	Inability of achieve desired objectives, capacity gaps, access constraints
Reputational	Damage to image and reputation
Information	Data security, loss of data
Ethical	Harm caused by insufficient application of humanitarian principles, sexual misconduct, inadequate duty of care

(see InterAction / Humanitarian Outcomes 2019, “NGOs and Risk: Managing uncertainty in local-international partnerships.”).



**4. There are specific points in the work cycle of an organisation where it is critically important to ensure that risk management is used appropriately.**

While risk management can be understood as a continuous process that is always taking place on some level within an organisation, there are specific points in the work cycle of an organisation where it is critically important to ensure that risk management is used appropriately. As risk management is a forward-looking discipline, there should be a strong

link between risk management and decision-making in an organisation. Three points are important to consider when applying risk management to the decision-making process:

**Key Action Point:** It is critical to link use of risk management tools with specific decision points at different levels in an organisation. These decision points, as suggested above, can be mapped and then it is the responsibility of management (senior leaders at HQ and field managers) to ensure use in decision making.

**KEY LINKED RISK MANAGEMENT CONCEPTS:**

<p><b>Strategic planning: setting high-level, 3+ year goals at the organisation level.</b></p>	<p>Risk appetite: When conducting strategic planning, organisations have an ideal opportunity to identify the level of risk they are willing to accept (risk appetite) in pursuing organisational objectives. Specific risk appetite statements provide an important point of reference for planning during implementation of strategy.</p>
<p><b>Programme / project implementation: designing, implementing, and monitoring programmes and projects within the strategic plan.</b></p>	<p>Risk register, matrix, and treatment: During implementation of programme and project activities, use of the risk register to catalogue risks, and the risk matrix to map risk treatments (controls) and the resulting residual risks are critical to effective risk management.</p>
<p><b>Funding decisions: deciding which donors to pursue, and when to say 'yes' or 'no' to funding once it is offered.</b></p>	<p>Risk appetite vs. risk tolerance: An assessment of whether a funding opportunity exceeds the ability of an organisation to manage risk is rarely done prior to accepting funding. Ideally, organisations should seek funding opportunities that do not exceed risk tolerance (the ability to manage the associated risk).</p>

## CONCLUSION

The presence of risk will always be a core characteristic of the humanitarian space. The approach to how organisations choose to address risk, however, will have a significant impact on the degree to which risk negatively affects the ability of an organisation to achieve its mission. As risk is clearly embedded in the culture of humanitarian work, it is equally important to embed the discipline of risk management. Doing this successfully is not only a technical challenge to implement the right tools. The greater challenge is to ensure that an organisation as a whole understands the basics of risk management and how to make good decisions that include key inputs from risk management tools.

For humanitarian NGOs, there are good potential benefits to taking on this challenge. Good risk management practice can encourage actors in the humanitarian space to take on a more realistic assessment of the risks involved in the work, and hopefully make more informed decisions. The end result for NGOs should be improved agreements with donors on the terms of funding, and more important, an improved ability to manage the risk inherent in meeting the needs of affected populations that NGOs exist to serve.



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