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Agenda Item 4

WFP/EB.1/2016/4-C

Policy Issues

For consideration

Executive Board documents are available on WFP's Website (<http://executiveboard.wfp.org>).

Risk Appetite Statement

Draft decision*

The Board takes note of “Risk Appetite Statement” (WFP/EB.1/2016/4-C) taking into account considerations raised by the Board during its discussion.

Introduction

1. WFP's risk appetite reflects its overall approach to risk management. Since different strategies expose WFP to varying levels of risk, it is crucial that all decisions and actions taken by WFP staff are aligned with this risk appetite. WFP's risk appetite statement sets out the vision for how risks are viewed within the organization. It allows WFP to communicate with partners and stakeholders about the acceptable level of risk, and allows its proactive engagement in operational decision-making. WFP staff are accountable to beneficiaries and donors alike, and the Executive Board is accountable for ensuring that WFP's risk appetite reflects an acceptable level of risk.
2. WFP's original risk appetite statement was approved in 2012. The revised risk appetite statement incorporates themes and issues that have emerged from subsequent quarterly Executive Management Group meetings on enterprise risk management. The risk appetite statement is part of the enterprise risk management framework.

* This is a draft decision. For the final decision adopted by the Board, please refer to the Decisions and Recommendations document issued at the end of the session.

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WFP Risk Appetite Statement

3. The humanitarian imperative obliges WFP to provide humanitarian assistance wherever it is needed or requested. While it seeks to do so, it is committed to protecting its beneficiaries, staff and the resources entrusted to it. WFP recognizes that the benefits of engagement outweigh the risks of failing to engage. WFP's decisions to engage will incorporate analysis of the benefits of engagement and the costs of mitigation actions.

Security, Wellness and Safety Risks to Personnel

4. WFP recognizes that exposure to significant security risks in certain contexts can endanger the lives of staff or compromise their health and wellness, especially long-term exposure. WFP will take robust measures to protect its staff, consistent with the United Nations security framework, and ensure their well-being.

Risks to the Well-Being of Beneficiaries

5. WFP acknowledges that in-kind or cash-based distributions may endanger beneficiaries unless they are managed properly. It will mitigate this risk by ensuring that WFP and its partners are conscious of the protection and nutrition needs of beneficiaries and that they design and implement programmes accordingly, with a special focus on women, men, girls and boys.

Risks to Operations

6. WFP accepts that in some contexts, the need to provide a timely response will result in higher operating costs. While it incorporates value for money into all activities, WFP's paramount consideration is to ensure that the right assistance reaches people in need at the right time. WFP accepts the residual risk of higher costs in order to ensure timely emergency response.
7. WFP requires safe and unhindered humanitarian access in order to ensure effective and timely operations. It strives to assist people in need but accepts that assisting all beneficiaries may require engaging with other actors to ensure access. This will be done in accordance with international law, the humanitarian principles of humanity, neutrality and impartiality, and with respect for national sovereignty.
8. WFP acknowledges that in some contexts, access may be compromised. It will mitigate this risk by determining the most critical needs for specific activities and the timeframe for response in order to ensure that the highest-priority activities are carried out in line with United Nations strategies and plans. WFP accepts the residual risk of temporary suspension of its operations in some high-risk contexts.
9. WFP acknowledges that where humanitarian access is restricted, there may be risks related to the safety of assets. It accepts the residual risk to its assets in insecure environments and will continue to minimize this risk by observing United Nations system-wide procedures.
10. WFP recognizes that in insecure environments, the risk of resource loss is heightened. Its transfer modalities and operational context carry the risks of fraud, corruption and collusive practices. These risks are also present when WFP pre-positions assets near its operations. WFP will mitigate these risks through due diligence and investment in the "three lines of defence". It accepts the residual risk of loss of resources in certain high-risk environments.
11. WFP recognizes that the ability to provide effective assistance is contingent upon preparedness, and that investments in preparedness allow for cost-effective response. It will invest in preparedness activities and promote early action when an emergency is imminent based on emergency preparedness and response protocols. WFP recognizes that deploying staff and assets prior to an event risks increasing costs if the event does not materialize. It will mitigate this risk through analysis and early warning mechanisms, but accepts the residual risk of investing financial resources in preparation for emergencies that do not actualize.

12. WFP recognizes the need for effective corporate systems to meet its Strategic Objectives. These systems need to be developed with the flexibility to adapt to new requirements, including new transfer modalities. WFP recognizes the risk that there may be insufficient interoperability among these systems initially; and the need for investing in system improvements and staff capacity. It will mitigate this risk by coordinating system development and roll-out, and taking into account the technical capacity of all offices. WFP accepts the residual risk that resources will be required for continuous staff training and that the systems may not be fully aligned at roll-out.
13. WFP recognizes that global changes in how it operates present new challenges: the increase in cash-based transfers, digital transfers and the use of commercial service providers may lead to gaps in oversight. WFP will mitigate this risk through an increased investment in expertise and new controls in areas related to information technology, and financial and operational compliance. In line with its commitment to optimizing efficiency and effectiveness, WFP accepts the residual risk associated with innovative change and its ability to provide proactive oversight.
14. WFP acknowledges that distributions in complex environments may affect food quality as a result of inadequate control of quality management. It will mitigate this risk by integrating food quality and safety across the supply chain and through staff training in food safety and quality. WFP accepts the residual risk of quality issues resulting from lack of control.
15. WFP acknowledges that the quality of its operations and support services may be compromised in remote and complex environments. It will mitigate this risk through stringent implementation, oversight and internal controls. WFP accepts the residual risk that operating in challenging environments may hinder optimal programming and support.
16. WFP recognizes that as a voluntarily funded organization, it relies on contributions to initiate and sustain operations. Without sufficient resources, WFP's ability to implement humanitarian and development projects and invest in organizational strengthening will be limited. WFP will mitigate the risk of insufficient funding by developing and maintaining funding partnerships, demonstrating results and communicating its comparative advantages as a humanitarian and development actor. WFP accepts the residual risk that contextual factors may limit its ability to implement operations and fulfil its commitments.

Risks to Demonstrating Results

17. WFP recognizes the need for robust and credible needs assessment, monitoring and evaluation of results, and the limits of its current systems, capacity and resourcing. This may lead to programming and reporting with an inadequate evidence base. To mitigate this risk, WFP will invest in and prioritize assessment, evaluation and monitoring throughout the organization and ensure these areas receive adequate resourcing and capacity. WFP accepts the residual risk that without sufficient investment and prioritization in assessment, evaluation and monitoring, it will be unable to demonstrate results.
18. WFP recognizes that in areas where humanitarian access is restricted, its ability to monitor activities may be impeded. The humanitarian imperative compels it to continue providing critical support in those areas. This risk will be mitigated through the use of third-party monitors, remote access tools and partner selection, but WFP accepts the residual risk of being unable to fully monitor operations in some circumstances.

Risks Related to Staff Capacity

19. WFP recognizes that its new roles within shifting humanitarian and development contexts require enhanced staff skills and that it will need to rapidly mobilize skilled staff when required in these contexts. It will mitigate the risk of being unable to mobilize skilled staff in emergency contexts through investments in training, sourcing of staff with the required skills, and mechanisms to deploy staff rapidly. WFP accepts the residual risk of lacking sufficient staff with the appropriate skill sets to provide full operational support during the onset of emergencies.

Risk Related to Partnerships

20. Within the framework of its Corporate Partnership Strategy, WFP engages in partnerships to achieve more efficient, effective and innovative outcomes by combining resources. It subscribes to partnership principles that promote transparency, equity, and mutual benefit, which involves sharing risks, responsibilities and accountability. The reputational, staffing, mobilization and access risks that its partners face affect WFP's operations. WFP will mitigate these risks by implementing activities according to its partnership principles, strengthening partner capacity through risk-sharing and joint-mitigation actions whenever possible. WFP accepts the residual risk that building partner capacity may require additional investment.

Risks to WFP's Reputation

21. WFP recognizes that its activities are subject to public scrutiny and that its work may generate or contribute to negative public perceptions and media coverage, which affects its reputation. It will mitigate this risk through transparent and open communication with stakeholders, and through investments in communication in high-risk environments. WFP accepts the residual risk of negative media coverage stemming from perceptions of its operations in certain contexts.

Risk Tolerance

22. WFP's risk appetite incorporates its tolerance for risk. Risk tolerance comprises: i) functional areas with quantifiable thresholds for risk identified through established processes; and ii) areas in which thresholds for risk tolerance cannot be quantified precisely and decisions need to be taken on a case-by-case basis.
23. One area in which a threshold may not be identified relates to deciding when to suspend or resume operations. It is accepted that this decision must be based on a combination of factors including humanitarian need, contextual analysis, external factors including stakeholder interest, and operational capacity to manage the risk.
24. Since the complexity of operations may preclude identification of quantifiable thresholds, they can be identified based on core principles elaborated in the risk appetite statement, which enable managers to make decisions on operational issues – recognizing that all available options may entail risks.
25. WFP managers are provided with tools for empowered leadership and operational decision-making. They are supported by a reporting structure that enables them to escalate decisions. WFP supports decision-making based on its overall risk appetite.