

Enterprise Risk Management United Nations Organization-wide Implementation



ERM Symposium

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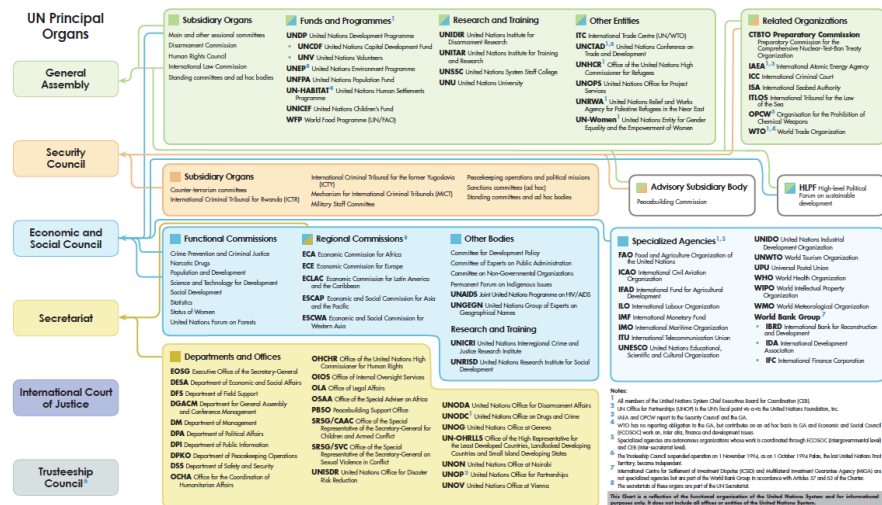


About the United Nations

- **International Organization** founded in 1945 to maintain international peace and security, and promote human rights and social progress – in 2015 its 70th Anniversary
- Guided by the purposes and principles contained in its founding **Charter** and the Universal **Declaration of Human Rights**
- Unique forum for its **193 Member States**
General Assembly the only body with universal representation
- Other main organs – **Security Council**, Economic and Social Council, Trusteeship Council, International Court of Justice, UN Secretariat
- Work of **43,000 staff members** covers every corner of the globe



The UN System



What we do

- Due to the powers vested in its Charter, the UN takes action on the issues confronting humanity in the 21st century
- Longer-term objectives include:**
 - Promotion of **sustainable development**
 - Maintenance of **international peace and security**
 - Development of Africa
 - Promotion of **human rights**
 - Effective coordination of humanitarian assistance
 - Promotion of justice and international law
 - Disarmament
 - Drug control, crime prevention and combating international terrorism
- Objectives and relevant strategies defined at programme level for each department, office, mission, commission and tribunal

EVERY DAY THE UNITED NATIONS WORKS TO TACKLE GLOBAL CHALLENGES

THE UNITED NATIONS

- PROVIDES FOOD TO 90 MILLION PEOPLE IN 75 COUNTRIES**
- COMBATS CLIMATE CHANGE; WORKS WITH 140 NATIONS TO PREVENT HARMFUL MERCURY EMISSIONS**
- ASSISTS OVER 34 MILLION REFUGEES AND PEOPLE FLEEING WAR, FAMINE OR PERSECUTION**
- VACCINATES 58% OF THE WORLD'S CHILDREN, SAVING 2.5 MILLION LIVES A YEAR**
- KEEPS THE PEACE WITH 120,000 PEACEKEEPERS IN 16 OPERATIONS ON 4 CONTINENTS**
- USES DIPLOMACY TO PREVENT CONFLICT; ASSISTS SOME 50 COUNTRIES A YEAR WITH ELECTIONS**
- PROTECTS AND PROMOTES HUMAN RIGHTS ON SITE AND THROUGH 80 TREATIES/DECLARATIONS**
- FIGHTS POVERTY HELPING 370 MILLION RURAL POOR ACHIEVE BETTER LIVES IN THE LAST 30 YEARS**
- MOBILIZES US\$ 12.5 BILLION IN HUMANITARIAN AID TO HELP PEOPLE AFFECTED BY EMERGENCIES**
- PROMOTES MATERNAL HEALTH, SAVING THE LIVES OF 30 MILLION WOMEN A YEAR**

International Peace and Security

- Working to prevent conflict; helping parties in conflict make peace; peacekeeping; and creating the conditions to allow peace to hold and flourish
- Since 1948, 69 PK operations deployed (56 since 1988) more than 3,300 UN peacekeepers from over 120 countries died in service

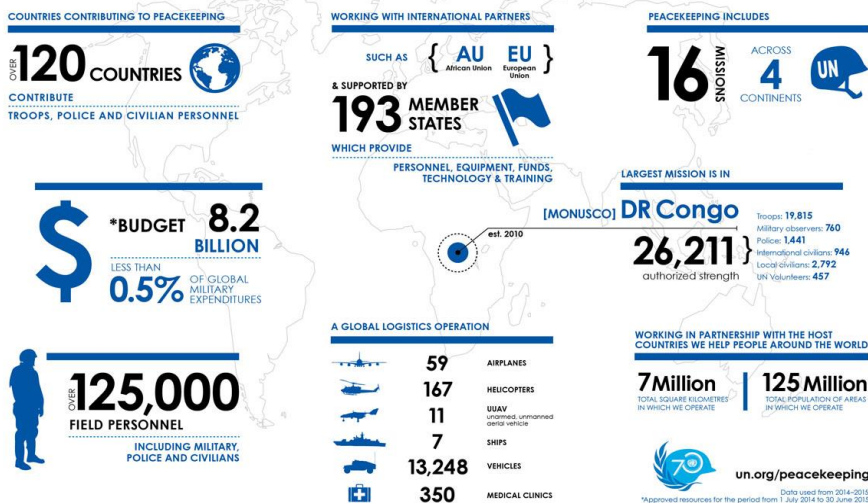
KEEPS THE PEACE WITH 120,000 PEACEKEEPERS IN 16 OPERATIONS ON 4 CONTINENTS



United Nations Mission in the Democratic Republic of the Congo (MONUSCO) – escorting members of militias to talks with the Government on disarmament and integration




International Peace and Security



Humanitarian Aid

- Coordinating humanitarian relief operations due to natural and man-made disasters in areas beyond the relief capacity of national authorities


ASSISTS OVER **34** MILLION REFUGEES AND PEOPLE FLEEING WAR, FAMINE OR PERSECUTION



PROVIDES FOOD TO **90** MILLION PEOPLE IN 75 COUNTRIES



MOBILIZES US\$ **12.5** BILLION IN HUMANITARIAN AID TO HELP PEOPLE AFFECTED BY EMERGENCIES




Tawila, North Darfur – a meal at a food distribution centre in the camp for internally displaced persons (IDPs)

Human Rights

- Universal Declaration of Human Rights (1948) – human rights into the realm of international law the Organization is protecting human rights through legal instruments and on-the-ground activities

PROTECTS AND PROMOTES HUMAN RIGHTS ON SITE AND THROUGH **80** TREATIES/DECLARATIONS



USES DIPLOMACY TO PREVENT CONFLICT; ASSISTS SOME **50** COUNTRIES A YEAR WITH ELECTIONS




Abu Shouk Camp for IDPs near El Fasher, North Darfur – women attending classes facilitated by the African Union-United Nations Hybrid Operation in Darfur (UNAMID)

Enterprise Risk Management

- **Management of high risk** – inherent part of the daily activities of the UN
- Important **managerial tool to support effective decision making** at strategic level
- 2005 – **World Summit Outcome** for action by the Secretary-General
- 2006 – **Comprehensive review of governance** within the United Nations
- **General Assembly** welcomed the Organization-wide implementation
 - **2010: Resolution 64/259** – enhance “the current capabilities in the Secretariat responsible for risk assessment and mitigation and internal control”
 - **2013 and 2014: Resolutions 67/253 and 68/264** – “the General Assembly is responsible for determining the risk tolerance of the Organization”, and welcomes “the progress made towards the implementation of enterprise risk management”
- **Policy Framework** – Management Committee, May 2011
purpose, governance mechanisms and principles
- Common *Methodology* – focus on outcome: how risks are managed

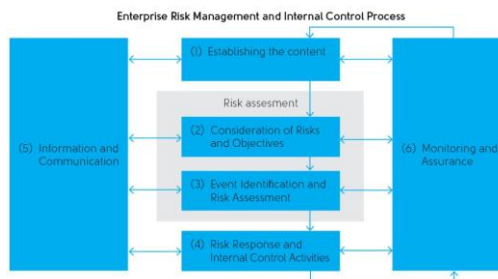
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Purpose and Definition

- **ERM** defined as:
“The process of coordinated activities designed to direct and control an organization with regard to risk, the effect of uncertainty on objectives. It is applied in strategy-setting throughout the Organization.”

Consists of:

- **Good governance**
“management in a modern organization”
- **Strategic tool**, future outlook
- **Prioritization of objectives**, risks and managerial responses



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Challenges to the ERM process

- **Nature of the United Nations**
 - Serving the people of the World *vs generation of cash flows*
 - Breadth and political nature of mandates
 - Multiplicity of stakeholders, diversity of goals and multi-year targets
- **Inherent complexity**
 - Governance
193 Member States, General Assembly and other Principal Organs
 - Organizational structure
Departments, Economic and Social Commissions, International Tribunals and subsidiary organs, Funds and Programmes and other entities
 - Budgetary process and sources of funding
 - Size and global presence
43,000 staff members
Over 125,000 field personnel in highest risk regions



Value proposition

- Healthy **dialogue at the most senior managerial level** on the critical matters faced in an environment of growing complexity and uncertainty
- **Enhanced accountability**
- Definition of a best practice governance framework – transparent **prioritization** and clear ownership of objectives, risks, and managerial responses

Enables senior management to make better decisions

“One of the greatest contributions of risk managers – arguably the single greatest – is just carrying a torch around and providing transparency”

Anonymous risk officer



Organization-wide

"If one does not know to which port one is sailing, no wind is favourable"

Seneca



- Risk Identification
 - **Alignment of risks to strategies and objectives**
 - Secretary-General Five-year Action Agenda
 - Strategic Framework
 - Report of the Secretary-General on the work of the Organization
 - **Past experience** – risk areas from oversight bodies’ recommendations
 - Previous Risk Assessments

- Risk Assessment
 - **Top-down strategic view:** Interviews and workshops with all Heads of Departments at Under-Secretary-General level and their senior management teams
 - Difference in approach: Value
 - Participation monitored through Senior Managers’ **Compacts**
 - **Qualitative approach:** limitations and opportunities (conversations)
 - Validation in **dedicated Management Committee workshops**
 - Including all the senior managers of the Organization, under the co-chairmanship of the Deputy Secretary-General and Chef de Cabinet

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Risk Criteria

- **Prioritization through pre-agreed risk criteria**
 - Practical approach vs vague definitions of “appetite”
 - Three dimensions: Impact (*example below*) / Likelihood / Management Effectiveness

Score	Rating	Description of impact					Financial impact (measured in terms of budget)	Recovery
		Safety and security	Duration	Organizational and operational scope	Reputational impact	Impact on operations		
5	Critical	Loss of life (staff, partners, general population)	Potentially irrecoverable impact	Organization-wide inability to continue normal business operations across the Organization.	Reports in key international media for more than one week	Inability to perform mission or operations for more than one month	>6 per cent >\$50 million	Requires significant attention and intervention from General Assembly and Member States
4	Significant	Loss of life due to accidents/non-hostile activities	Recoverable in the long term (i.e. 24-36 months)	Two (2) or more departments/offices or locations: significant, ongoing interruptions to business operations within 2 or more departments/offices or locations	Comments in international media/forum	Disruption in operations for one week or longer	3-5 per cent \$300 million-\$500 million	Requires attention from senior management
3	High	Injury to United Nations staff, partners and general population	Recoverable in the short term (i.e. 12-24 months)	One (1) or more departments/offices or locations: moderate impact within one or more departments/offices or locations	Several external comments within a country	Disruption in operations for less than one week	<2-3 per cent \$200 million-\$300 million	Requires intervention from middle management
2	Moderate	Loss of infrastructure, equipment or other assets	Temporary (i.e. less than 12 months)	One (1) department/office or location: limited impact within department/office or location	Isolated external comments within a country	Moderate disruption to operations	<1-2 per cent \$100 million-\$200 million	Issues delegated to junior management and staff to resolve
1	Low	Damage to infrastructure, equipment or other assets		Not applicable or limited impact			<1 per cent <\$100 million	Not applicable or limited impact



Risk Register – Dashboard

STRATEGIC	GOVERNANCE	OPERATIONAL	OPERATIONAL <i>(continued)</i>	FINANCIAL
Planning and Resources Allocation	Governance	Programme Management	Safety and Security	Funding and Investments
Vision and Mandate	Control Environment and Risk Mgmt	Research, Analysis and Advisory	Safety and Security	XB Funding and Management
Strategic Planning and Budget Allocation	Organization Structure & Synchronization	Mission Activities	Intellectual Property	Accounting and Reporting
HR Strategy, Mgmt & Accountability	Partnership and Coordination	Peacekeeping / SPM Mandates	Knowledge & Inform. Management	Financial Reporting and IPSAS
Internal and External Factors	Leadership and Management	Mission Planning	Information Resources	
Political Climate - External	Staff/Management Relations	Support Services	ICT Strategy, Infrastr. and Security	COMPLIANCE
Organizational Transformation	Ethical Conduct and Reputation	Procurement, Contract & Supplier Mgmt		Regulatory
	Ethics	Business Continuity		Internal Policies and Resolutions
	Public Perception and Reputation			

Legend: Red – Critical and Very High; Orange – High; Yellow – Medium risks

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Examples of Critical Risks

- **Organizational Structure and Synchronization** (Corp. Risk Owner: Deputy Secretary-General)
 - “Siloed” organizational structure and mentality
 - Insufficient clarity of structure might lead to conflicting or redundant activities
 - Inadequate mechanisms to work towards common goals; difficulty of implementing cross-cutting activities
- **Safety and Security** (Under Secretary-General for Safety and Security)
 - Health, safety and security of staff and operations threatened by the nature of the political and physical environments where the UN operates
 - Efforts to manage security risks could as well increase programmatic risks e.g. limited contact with beneficiaries, impacting effectiveness and credibility
- **Extra-budgetary Funding and Management** (Controller)
 - Instability of the operations and impact on the ability to plan strategically
 - Lack of predictable funding perceived as potentially influencing the Organization to focus on donor countries’ priorities
 - Trust fund managers may have limited mechanisms to ensure stewardship of funds by implementing agencies

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Risks Response

- **Secretary-General formal approval** following dedicated Policy Committee / Management Committee Meetings
- **Risk Register** – including definitions, analysis of key risk drivers, established controls, and risk response strategies
- Translation of risk mitigation strategies in detailed **Risk Treatment and Response Plans** approved by the Management Committee in July 2015
 - Defining detailed action plans, responsible parties (risk treatment owners) and applicable timelines, developed by the *Corporate Risk Owners*, supported by *Risk Treatment Working Groups*
- **Status Reports** presented
 - Quarterly to Management Committee
 - Annually to General Assembly

shared understanding of criticalities with Member States



Governance

- **General Assembly** and Independent Audit Advisory Committee
 - Resolution 66/257 – *“The General Assembly is responsible for determining the risk tolerance of the Organization”*
- **Secretary-General**
- Management Committee
 - The Organization’s *most senior* managerial committee as **ERM Committee** (*embedding*)
- **Corporate Risk Owners** – at Under Secretary-General level
 - Supported by *Risk Treatment Working Groups*: expertise from across the entire Organization: **Pockets of innovation** – opportunity
- Management and Staff Members
- **ERM function** – role as *facilitator*: clarity of ownership
- Oversight bodies





Elements of effective ERM

- **Communication** tool
 - *Latin Commūnīco: cum (together) + munus (function, duty)*
 - “Put in common”,
“Fulfill one’s duties with others”
- **Owned** at the highest level
 - *Role of Governing Bodies and Senior Management*
 - *Critical top level initiative*
- **Meaningful**
 - *Value of conversations vs bureaucratic burdens*
- **Strategic** and Simple
 - *Prioritization: Small number of risks*
- **Continuous** process
 - *Simply modern management*

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Linking ERM to decision-making

- **Alignment in the understanding** of objectives and related risks at different levels in the Organization and with Governing Bodies – ***value of dialogue and transparency***
- **Integration** – Progressively informing the **strategic planning** and **resource allocation** process
- **A journey** (“*Steering wheel of a boat*”)
 - Promotion of the development of a **risk-aware culture** at all levels
 - Training and e-learning programmes
 - Communities of Practice: *over 190 practitioners UN system-wide*
 - Communication programmes



Secretary-General:

“Enterprise Risk Management is a key part of my vision to strengthen the United Nations. ERM reinforces stakeholder trust in the way we do business.

It improves decision-making and increases transparency through regular reporting and dialogue with Member States.”

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Rwandan Peacekeepers from the UN Stabilization Mission in Mali patrol the streets of Gao

Questions and Comments

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