# 8. Risk management

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The ENI CBC Programme requires all funded projects to apply a result based combined with a risk management approach. If the approved projects underperform, the Programme will not be able to deliver its expected results.

This shared responsibility requires a risk management approach applied to both Programme and project in parallel. This chapter contains the Programme guidance for applying risk management successfully in ENI CBC projects.

Risk management brings substantial benefits during the lifetime of any project and it can save a time and money by enabling partnerships to deal proactively with uncertain events. In particular, it helps to:

- Minimise the impact of threats to successful delivery;
- Implement the project on time and on-budget;
- Ensure the quality of outputs and results envisaged.

A risk event is an occurrence that may affect the project positively or negatively. The type of risk event can be divided into the following areas:

- **Strategic:** relating to the rationale, quality and timely delivery of the project objective, final result or the main project outputs (e.g. project results not achievable, major difficulties in delivering key project outputs);
- **Technology or innovation:** linked to the development or implementation of innovative technology or solutions; intellectual property rights should also be thoroughly considered;
- **Action plan:** related to the sequencing of individual activities and how this affects other parts of the work plan; the adequacy of the time required for each activity – realism of the delivery timetable; the parameters determining whether an activity can be implemented; underperformance of individual partners or partnership as a whole; qualitative and quantitative modifications to the project deliverables that might affect the main project outputs; modifications in the type and scope of activities, etc;
- **Investment plan:** associated to the investment delivery stages (feasibility study, permits and agreements including political approval and planning, procurement – including unsuccessful procurement, types of works to be undertaken), ownership as well as intellectual property rights, etc;
- **Procurement:** apart from the investment angle mentioned above – linked to the involvement of external experts or consultants in project implementation (e.g. externalized project management, etc.);

- **Communication:** potentially ineffective project communication strategy with internal or external effects (e.g. on target groups or stakeholders and hence the quality of outputs or deliverables), poor visibility on the ENI territory, non-compliance by partners or sub-contractors with Programme visibility rules, etc;
- **Finance:** related to match-funding required for the project, accuracy of budgeting or financial milestone-setting for ENI Grant contracts, State aid or *de minimis* rule related, individual partner cash flows, etc.

## 8.1. Seven rules for risk management

### 1. Make risk management part of project management practice

As delivering any output is always subject to risk, risk management should be embedded in both project development and management practice. In order to do this, it is essential to consider a project as a process, with several dimensions, components, parameters, as well as recognize that it involves a range of people and organisations.

### 2. Identify risks early

Although not all risks can be identified before they occur, if all the parties involved are consulted, the vast majority of them can be defined (see Progress Report section 3.3).

To identify risks early you have to analyze:

- The work plan, consisting of the outputs and activities overview, showing the delivery timetable and the dependencies between the individual components;
- The complete mapping and involvement of the parties required to ensure successful project delivery and roll-out (partners, sub-partners, sub-contractors, target groups, other stakeholders).

### 3. Consider both threats and opportunities

Although risk management has negative connotations, unexpected events which are beneficial for the project or for participating organisations can also occur during a project, bringing new opportunities. These opportunities can have a high pay-off and often do not require an allocation of substantial time or resources. Examples can include unexpected events in the project that allow partners to:

- Amplify the project results and hence increase the project’s impact (e.g. adding a new dimension to the result);
- Enhance its long-term effects (e.g. Extend the roll-out of solutions to other sectors or stakeholders originally not foreseen).

**4. Clarify ownership issues**

The identification of risks is insufficient if it is not attributed to the risk owners and not related to a "Mitigation Strategy":

- The risk owner is the organisation responsible for the activity (e.g. for overseeing an investment process, for delivering a specific output);
- Risk ownership might require contractual agreements or assignments (internally within the partner organisation or externally, e.g. with a sub-contractor) or imply liabilities, which should be set at the project outset, in line with public procurement rules.

**5. Communicate about risks**

Communication is an important aspect of risk management. Risks should become a default item on the agenda of project meetings. The lead partner will also need to report to the MA/JTS on any risks related to the key components of the project (i.e. rationale and objectives, envisaged project result, quality and timely completion of the main project outputs and investments, expected long-term effects, financial milestones).

**6. Plan and implement risk responses**

A risk response is the activity that adds value to a project by either preventing a threat from occurring or by minimizing negative effects. The response options are the following:

- Avoiding risk by **eliminating the cause**. This could mean, for example, changing a partner or a sub-contractor or, when dealing with a critical risk, terminating the project (e.g. the project objective is no longer viable for the target group).
- Mitigating risks – minimizing their impact or likelihood. This can be done as a preventive measure (**influencing the causes**) or decreasing the negative effects that could result from the risk (**risk reduction**). Although many response alternatives can be identified, the selected response should always allow the project's objectives and results to be achieved.
- **Transferring risks** – shifting some or the entire responsibility for risks that are medium to low in terms of impact and likelihood to **third parties** (e.g. via sub-contracting).
- Accepting risks with low impact and/or likelihood. This is a good choice if the effects on the project are **minimal** or the chances of influencing it prove to be very difficult or time consuming.

Responses to events bringing opportunities to the project rather than risks are the reverse of the ones for threats. Project partnerships should implement an opportunity watch process with a view towards maximizing opportunities or ignoring them if their benefits are negligible.

**7. Monitor risks and track associated tasks**

Risk monitoring is the process of keeping track of the identified risks and defining new ones, thereby ensuring that risk management is carried out.

Registering risks is meaningless however if the actions taken to address them are not evaluated. Evaluation needs to be performed continuously to examine whether corrective actions can be further improved.