

Risk Assessment in The Procurement and Supply Management of UNDP Programmes

**Procurement Support Office
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Outline

To discuss Procurement and Supply Management (PSM) risk assessment and management responsibilities of COs

This presentation is as follows:

- 1) Present PSM risk in the GF programme**
- 2) Meaning and Types of Risk**
- 3) Risk Assessment Toolkit for PSM**
 - Identifying Risks**
 - Ranking Risks**
 - Prioritizing Risks**
- 4) Risk Management, Monitoring & Reporting for PSM**
- 5) How do we use this model for the field of elections ???**

***1) Why assess PSM risk in the
GF grant programme or for
electoral procurement activities
??***

The GF Programme and the UNDP

- **There are several UNDP policies that require risk management be addressed as a key part of management responsibilities;**
- **The UNDP as Principal Recipient (PR) is responsible for program results and is legally accountable to the GFATM for all funds.**
- **In relation to each existing and every new grant the Assistant Administrator of the UNDP now requires that there be a detailed mapping and analysis of UNDP's responsibilities and the corresponding capacities of each Country Office to effectively deliver on the associated accountabilities.**

PSM Risk Management

- **The PSO has developed a framework to undertake this mapping and inform UNDP HQ on possible risk management responses.**
- **The PSO has also sought to develop this framework to assist Country Office managers to recognise and monitor their risks.**
- **It is primarily the responsibility of the COs to develop plans for the management of these risks.**

The GF Programme

- **Within the PSM cycle there are numerous responsibilities, and risks are associated with all of these;**
- **Inadequacies in the PSM cycle can result in a range of consequences including:**
 - **Patient treatment failures and deaths**
 - **Wastage and theft**
 - **Breach of GF contractual commitments**
 - **Reputation damage to the UNDP and individuals**
 - **Cancellation of further funding**

2) Meaning and Types of Risk

Definition of Risk

Risk is the chance of something going wrong, and the consequences to the programme and the organisation if it does go wrong

- Risk thus has two parts:
 - Likelihood of something going wrong
 - Consequences if it does go wrong
 - Risk is calculated by combining these as follows
 $Risk = Likelihood \times Consequence$
- Risk is something that relates to the future. Issues facing the CO today are problems rather than risks.
- Problems that are not fully addressed today are risks for the future. The future means the next few weeks, months or years depending on the context.

Risk Categories

There are two broad categories of PSM risk facing the COs:

1) Endogenous Risks:

These are risks that are largely within the control of the organisation such as poor procurement planning, poor contract management, inadequate forecasting procedures, etc.

2) Exogenous Risks:

These are risks that are largely outside the control of the organisation such as risks of the weather, military activity, political activity, etc.

Both types of risks need to be part of a risk management plan. Endogenous risks need to be addressed through management controls and practices. Exogenous risks require contingency planning.

3) PSM Risk Assessment Toolkit

Methodology

Risk assessment comes in three parts:

- 1) Identifying the risks**
- 2) Measuring and evaluating each risk**
- 3) Prioritizing and ranking each risk**

These steps form the first three steps required under the UNDP Enterprise Risk Management (ERM) policy.

The remaining two steps are for each CO to develop and these are: a risk management plan and continuous monitoring and reporting.

For the GF program, we have developed the tools to assist COs to address the first three steps above for PSM.

Identification of PSM Risks

PSM risks that are applicable to the UNDP objectives and accountabilities as PR in relation to its processes are classified as endogenous risks and include:

- Budget based on unrealistic assumptions
- Weak GF Unit capacity
- Poor contract management capacity
- Lack of accredited suppliers & LTAs
- Lack of coordination between procurement and programme areas in COs.
- Distribution plan inadequate
- Inadequate storage facilities at central dispersion point
- Inadequate storage facilities at distribution points
- Inadequate monitoring & reporting of inventories
 - Inadequate forecasting procedures
- Weak quality of PSM plan
- Lack of procedural compliance with procurement
- Poor procurement plan
- Poor procurement capacity
- Lack of coordination with national authorities
- Inadequate facilities and processes for testing
- Poor programme for rational use of medicines
- Poor Audit Rating

Identification of Exogenous PSM Risks

Exogenous Risks for PSM Include:

- **Adverse natural environment for delivery of drugs and supplies**
- **Unavailability of required support services, staff and resources required for the implementation of the programme**
- **Significant civil and / or military activity**
- **Inadequate coordination betw. other authorities & NGOs (MOH)**
- **Poor quality of delivery infrastructure**
- **Unsatisfactory political environment**
- **High corruption rating**
- **Low HDI rating**
- **Unsatisfactory CCM functioning**

Likelihood of Something Going Wrong

There are various methods that have been used to measure risk. In this framework a five point scale has been used to rate the likelihood of PSM risks. This scale has been used in a range of cases including for procurement and project management.

Risk Likelihood Scale	Rating
Almost certain	5
Likely	4
Possible	3
Unlikely	2
Rare	1

Consequence of Something Going Wrong

There are various methods that have been used to measure consequence. In this framework a five point scale has been used to also rate the consequence of PSM risks. This scale has been used in a range of cases including for procurement and project management.

Consequence Scale	Rating
Catastrophic	5
Severe	4
Moderate	3
Low	2
Insignificant	1

Prioritizing or Ranking of PSM Risks

Identifying the most significant risks requires that we combine the measures of likelihood and consequence to get a PSM risk prioritization measure which allows us to identify our greatest risks.

We use the approach that:

$$\textit{Risk} = \textit{Likelihood} \times \textit{Consequence}$$

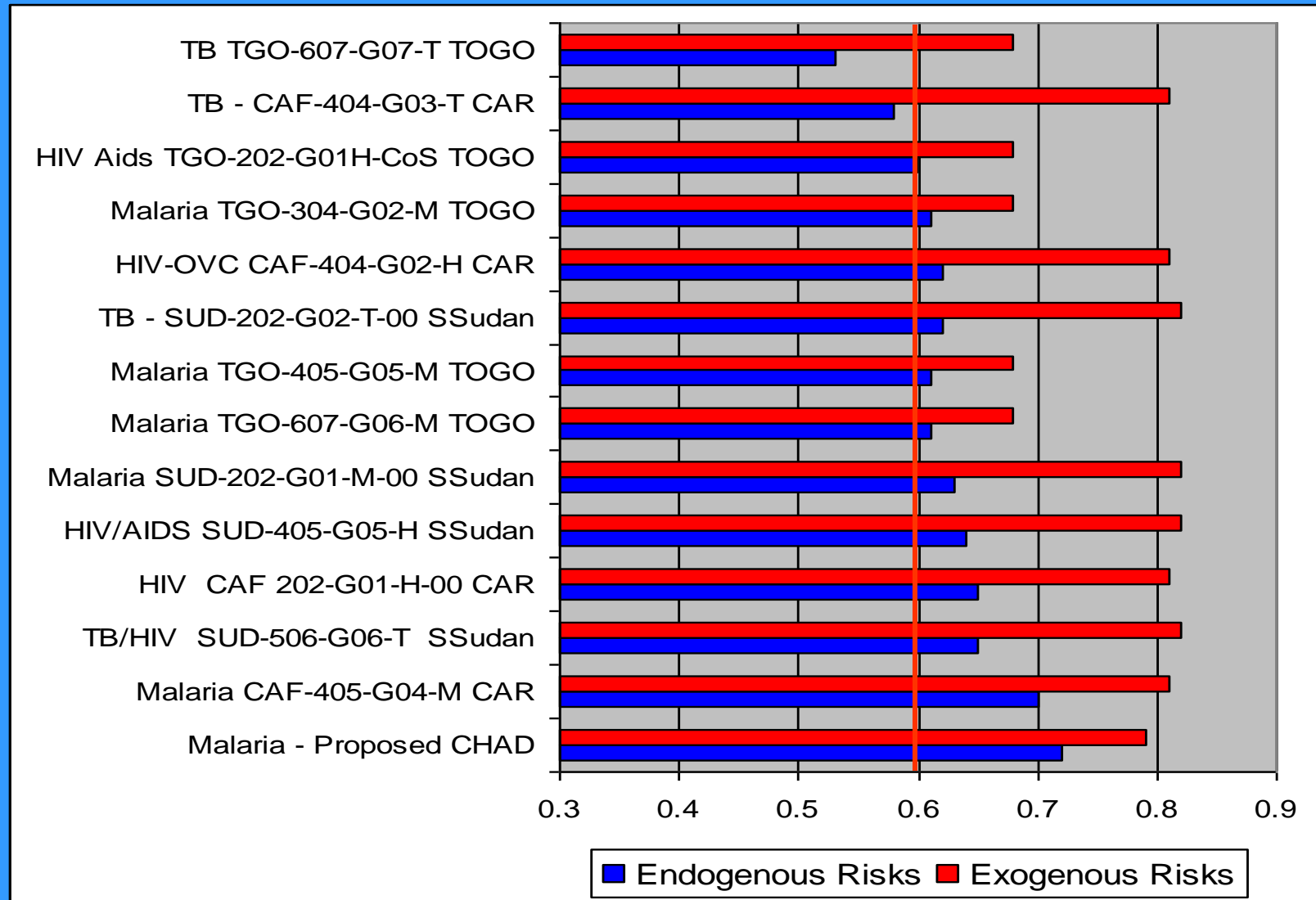
This requires us to combine the tables relating to likelihood and consequence to give a template for PSM risk assessment that can be applied to each country.

No	Accountability	Consequence Rating (CR)	Likelihood Rating (LR)					Risk Score CR X LR
			5	4	3	2	1	
Procurement Planning, Capacity and Processes								
13	Forecasting procedures	3	Forecasting does not provide a reasonable basis for clinical planning	Forecasting based mainly on epidemiological data without adequate reference to CO capacity	Forecasting uses mixed epidemiological and clinical data and some reference to service expansion	Forecasting based on facilities planning and budget but not adequately applied to clinical	Forecasting based on facilities planning and budget and scientifically applied to clinical requirements or pharmaceuticals	12
14	Quality of PSM Plan	4	No adequate capacity to plan procurement, distribution and supply	Basic procurement, distribution and supply	Good procurement, distribution and supply	Good procurement, distribution and supply	Good capacity to plan procurement, distribution and supply	12 (See Note 1)
15	Procurement capacity including the use of Atlas	5	No adequate procurement capacity	Basic inexperience and procurement capacity but very inadequate for volume of contracts. No adequate competency	Some procurement skills and experience, inadequate for contracting volume. Minimal Atlas experience	Reasonable procurement skills and experience, adequate for most of the contracting workload. Some Atlas experience	Very good procurement skill with extensive experience and adequate for all expected contracting workload. Extensive	20

Risk Management, Monitoring & Reporting

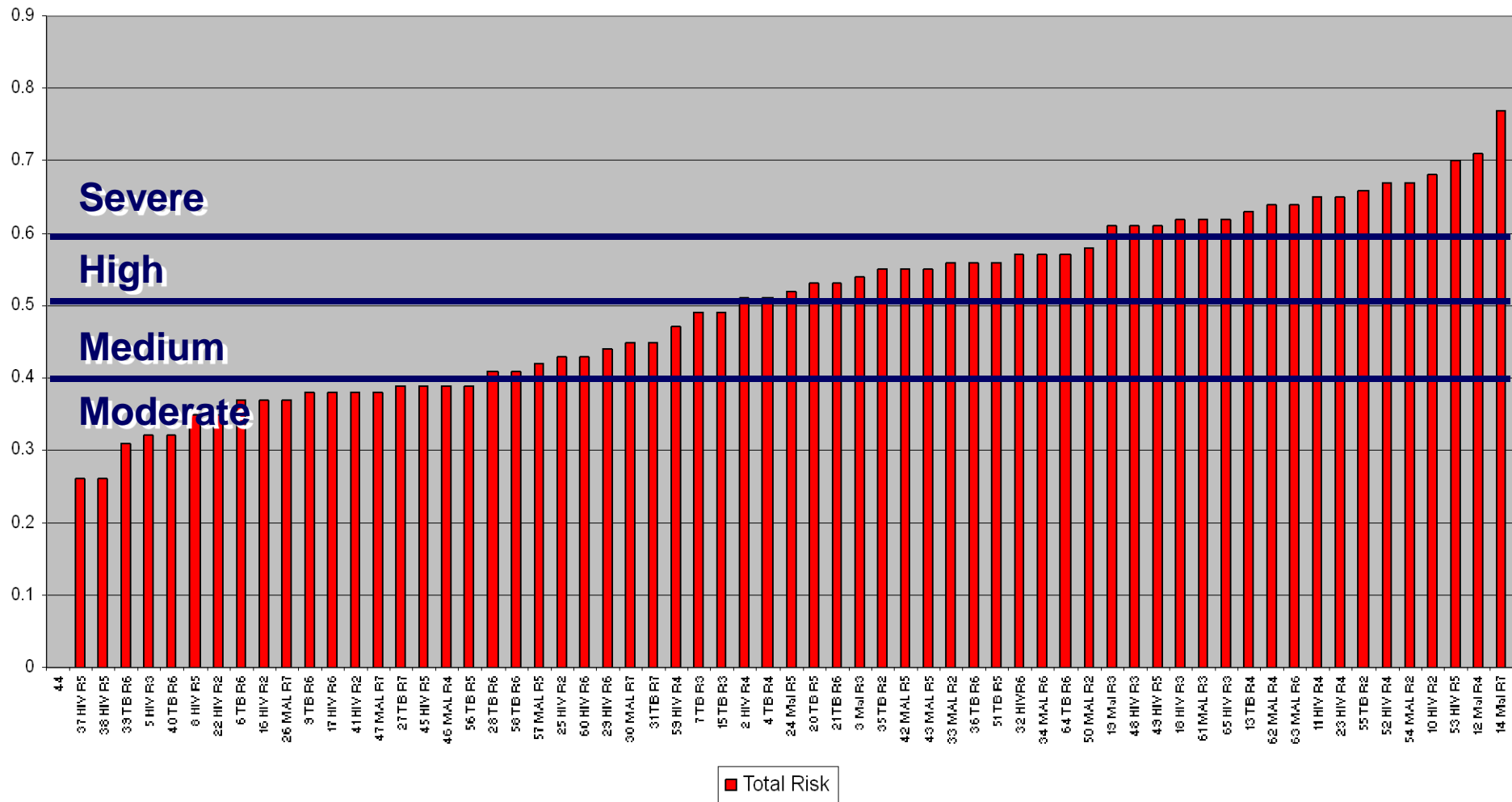
- **These templates allow the PSM risk profiles of each country to be systematically mapped and reported**
- **This forms the basis for each country to develop a PSM risk management plan and for UNDP HQ to monitor its country-specific risks. This may be used by the UNDP for its negotiations with the GF**
- **At the Country Office level, risk management planning is fundamental to good planning and governance.**
- **The template also invites each country to set goals for risk management for the next 3-6 months to assist management planning**

Analysis of Togo, CAR, Sudan South & Chad



All Grants Risk Assessment Mapping

Total Risk



Data Validation

- **Some responses from several COs were not considered accurate. There was sometimes a tendency to understate risks**
- **Responses were validated and sometimes adjusted**
- **Validation came from reference to Audit Reports, GF Ratings, Mission Reports, Regional Bureaux and PSM reporting**
- **In some cases validation was not possible.**
- **Some of these country offices will be followed up with a mission**
- **The risk assessment may also be applied by the Audit Office during their regular audits**

How do we bring this Risk Assessment Model into the field of Electoral Procurement ???

- Open discussion