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Knowledge Bulletin

Issue 17



Risk Management



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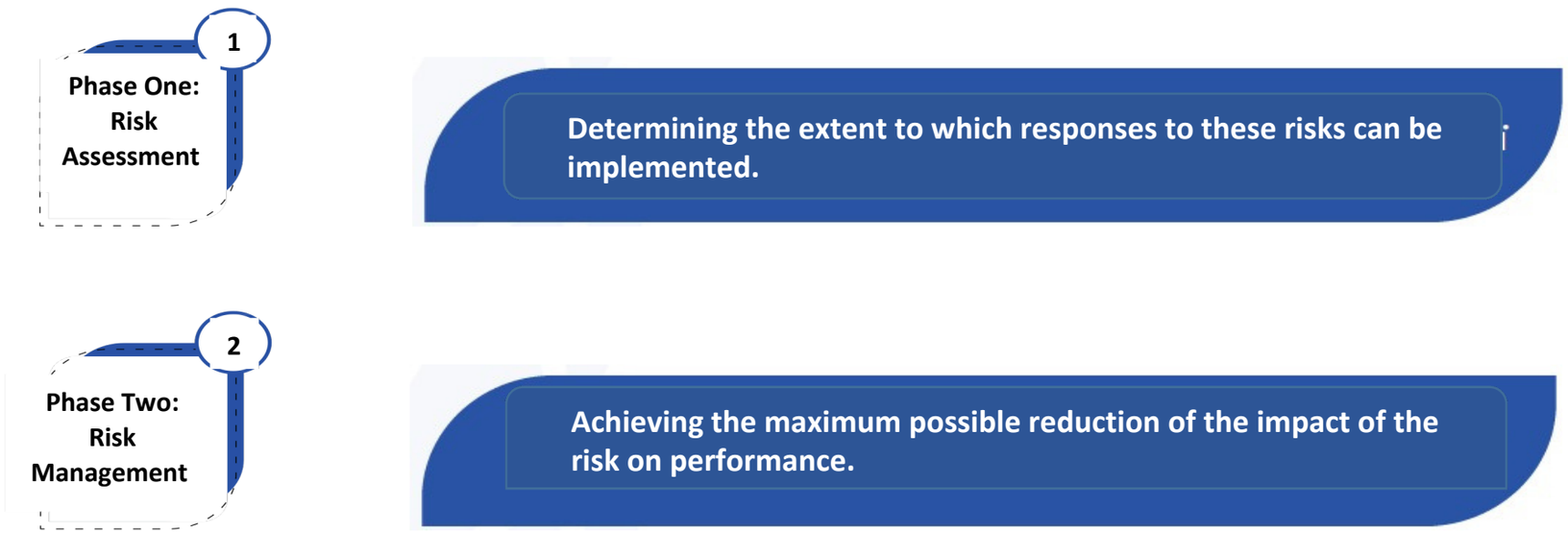
Public and private institutions are now striving to take their approach to
corruption to the next level. They no longer content with just combating it; instead, they are proactively planning to counteract it and implement
measures to shield themselves from its impact.
This is due to the significant danger corruption poses to an institution,
its reputation, the trust of individuals, and the morale of its employees, in addition to the threat it represents to the material and financial resources of institutions, which can ripple across all state agencies and
systems. Ultimately, these institutions are essential to the state's
foundations, its economic stability, and the broader process of development.
As a result, many institutions are now focusing on governance systems and risk management when planning and defining operational procedures, policies, and regulations, which are of great importance in
protecting them and their resources from corruption.

In this knowledge bulletin, we aim to emphasize the importance of managing corruption risks within institutions and its crucial role in promoting organizational integrity and preventing corruption. We must acknowledge that the risk management process does not eliminate risks entirely, but rather focuses on identifying them in order
to understand how to address them and minimize or prevent their impact where possible. Therefore, it is essential to first clarify certain key concepts before delving into the risk management process: Risk is a combination of the likelihood and consequences of an event. Risk management is indicated on the basis of its linkage to the positive and negative aspects of the risk 1. It refers to the potential future harm
that may arise from current behaviors or policies. This harm can result
in various losses, including direct financial setbacks, damage to credibility, missed investment opportunities, or loss of ownership.
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[1] Risk Management Standard: Egyptian Society for Risk Management.

Risk management is a process that involves steps to identify, recognize, and define risks as such, and then eliminate or transform these risks into opportunities before they manifest as threats. Any risk management process is typically divided into two main phases 2:

Risk Management Phases



2 Risk Management Plan, Hashemite Kingdom of Jordan, Cities and Villages Development Bank

Risk assessment of corruption involves identifying potential risks and recognizing that corruption undermines development opportunities, erodes equal access to opportunities, and violates the human right to a dignified life [3].

Types of Risk [4]

- An unlikely event, but with a clear impact if it occurs.
- The potential loss of a valuable resource.
- An effect on the achievement of the institution's objectives.

Objectives of the Risk Management Plan

- The Risk Management Plan is an essential part of strategic management and includes the procedures followed by the institution in an organized manner to address the risks associated with its activities. This plan aims to:

1. Increase the likelihood of success of plans and reduce the likelihood of failure
2. Risk Prediction
3. Efficient and effective risk management
4. Facilitate access to accurate information on the rates of achievement of performance indicators of strategic and operational plans
5. Assist in assessing planned and emergency needs without impeding the achievement of the desired goals.
6. Effective utilization of various resources.
7. Minimize potential losses in various forms that may occur if an event disrupts the implementation of strategic and operational plans.

3 Risk management and anti-corruption legitimacy: Ghada Musa

4 Guidelines for Managing Corruption Risks in Palestinian Public Sector Institutions, 2022

Types of Risks



Elements to be taken into account by the institution in developing a corruption risk management plan: 5



[5] Guidelines for Managing Corruption Risks in Palestinian Public Sector Institutions, 2022

Steps to manage the risks of corruption 6

The steps for managing corruption risks involve interrelated yet theoretically independent processes to identify, assess, and mitigate those risks. The core risk management process consists of six consecutive stages:

- Forming a risk management team in the institution
- Identifying Risks and Creating a Risk Register
- Assessing the Risk Level: Evaluating the magnitude of each type of risk (probability × impact)
- Identification of controls and mitigating procedures
- Response plan to address risks, or reduce-risks by developing the necessary risk reduction measures
- Regular monitoring and follow-up

[6] Guidelines for Managing Corruption Risks in Palestinian Public Sector Institutions, 2022

Recommendations

1. Ensuring the availability of an oversight environment with clear objectives that reflect commitment
2. Ensuring the adoption of a strategic approach to risk management
3. Emphasizing clear oversight and consistent action
4. Establishing an effective monitoring mechanism to ensure quality risk management
5. Implementing public integrity standards
6. Enhancing mechanisms for cooperation and information sharing
7. Promoting transparency in the public sector

In conclusion, risk management is the optimal approach to preventing corruption risks, which can otherwise undermine the effectiveness of institutions. Creation of robust administrative systems can enhance institutional productivity and ensure the optimal utilization of resources, away from any threat to those resources or their reputation.