

# Making risk sharing a reality

Outcomes and observations from a  
simulation of the Risk Sharing Framework

January 2024



# Agenda



Risk management and the case for risk sharing

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The Grand Bargain and the origins of the Risk Sharing Framework

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The Risk Sharing Framework: principles and process

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Testing the Framework: Simulation design

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Findings from Simulation

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Key take-aways

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Questions and discussion

# **Risk management, risk sharing and the origins of the Framework**

# Ground rules

- »»» Discussion to be held under Chatham House Rules
- »»» Mics off during call, except when called. Video if possible when speaking is appreciated
- »»» Questions and comments, please raise a hand and wait to be called. Comments in the chat bar also welcome
- »»» Time for full Q&A and discussion after presentation, clarifications at end of each slide
- »»» In the interests of time, no round of verbal introductions, please take a moment to write your name, title and organization in the chat

# Risk management exists to enable delivery



At least 60% of 360m people globally in need of assistance are in just 10 'high-risk' country contexts



Humanitarian actors rely on risk management approaches to enable their work in these contexts



Actors commonly identify risk & take steps to avoid, transfer, reduce, share or accept the risk, so residual risk does not unduly inhibit action

# The problem with orthodox risk management



Humanitarian actors perform different 'functions' within 'delivery chains of assistance', relying on one another to achieve a shared goal



Risk management approaches borrowed from the commercial sector are not designed with shared goals and collaborative action in mind



Unilateral risk management practices can fail to identify risks, and also transfer / generate unmanageable risks for other actors



If risk isn't addressed collectively in the delivery chain, risk management is less effective - & the shared goal becomes vulnerable

# Risk sharing: the missing link



Traditional ideas of risk sharing talk simply about 'a pre-agreed division of risk', the predictability of which is helpful – but limited



With better risk sharing, actors with different risk appetites can responsibly manage more risk - with better impacts on delivery



Actors should work together to ensure *all* risks are identified, then treated in an *equitable* manner



Measures to prevent and reduce likelihood of risks occurring (preventative action) are needed, but so to measures to reduce the impact of materialising risks (reactive action)

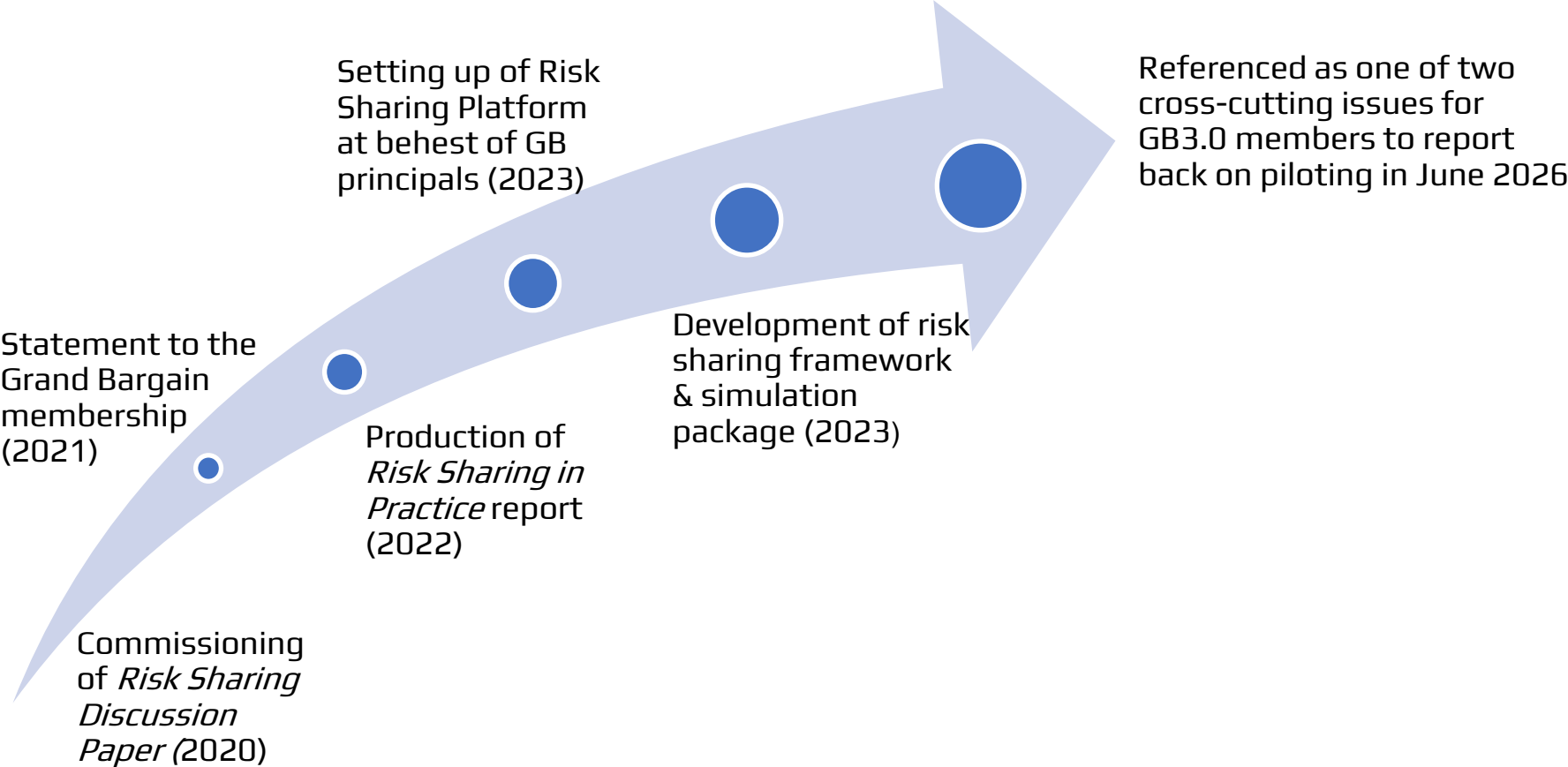
# A new definition for risk sharing

*'A reasonable sharing of the burden of preventative measures and reasonable sharing of responsibility for materialising risks.'*



# The Grand Bargain and the origins of the Framework

# Origins of the Framework





# **The Risk Sharing Framework: principles and process**

# Purpose, Objectives & Goal of the Framework



## Purpose

To provide a principled approach through which humanitarian actors working in a delivery chain of assistance can collectively define and agree on the risks that exist, and how best to respond to them.



## Objectives

- i) enable the holistic identification and understanding of risk and risk sharing in the delivery chain
- ii) Identify risk sharing opportunities that can be exploited to maximise the collective potential reach of partnering organisations
- iii) ensure that actors operationalise these opportunities.



## Goal

To better serve affected people, by improving management of risk within delivery chains through a principled approach to sharing the burden of preventative measures and responsibility for materialising risks.

# Approach used in the Framework



8 core principles guide actors engaging in risk sharing to ensure accurate and representative data and decision-making.



Designed to be adaptable to any deliver chain scenario (simple, project level vs. high, strategic level)



Leverages existing structures and is complementary to not a replacement for existing risk management approaches



Anticipates engagement of different stakeholders within participating organizations

# Risk Sharing Principles

1

Use a **collaborative approach** to pursue mutually acceptable risk sharing solutions that best facilitate delivery of assistance.

2

Strive for a confidential and **non-punitive process of dialogue** to enable collaboration.

3

Identify, **focus on** and seek mitigation for those **key risks** which significantly inhibit the ability of them and other actors in a delivery chain to achieve their shared goal of assisting affected people.

4

**Collectively consider the totality of key risks in the delivery chain**, not just the key risks to their own organization.

5

Consider and define their risk appetites and **evaluate how their compliance and controls-based frameworks**, which should support their risk appetite, affect their ability to achieve humanitarian objectives, including whether they **create obstacles** to doing so.

6

Continuously **consider risks generated by inaction**.

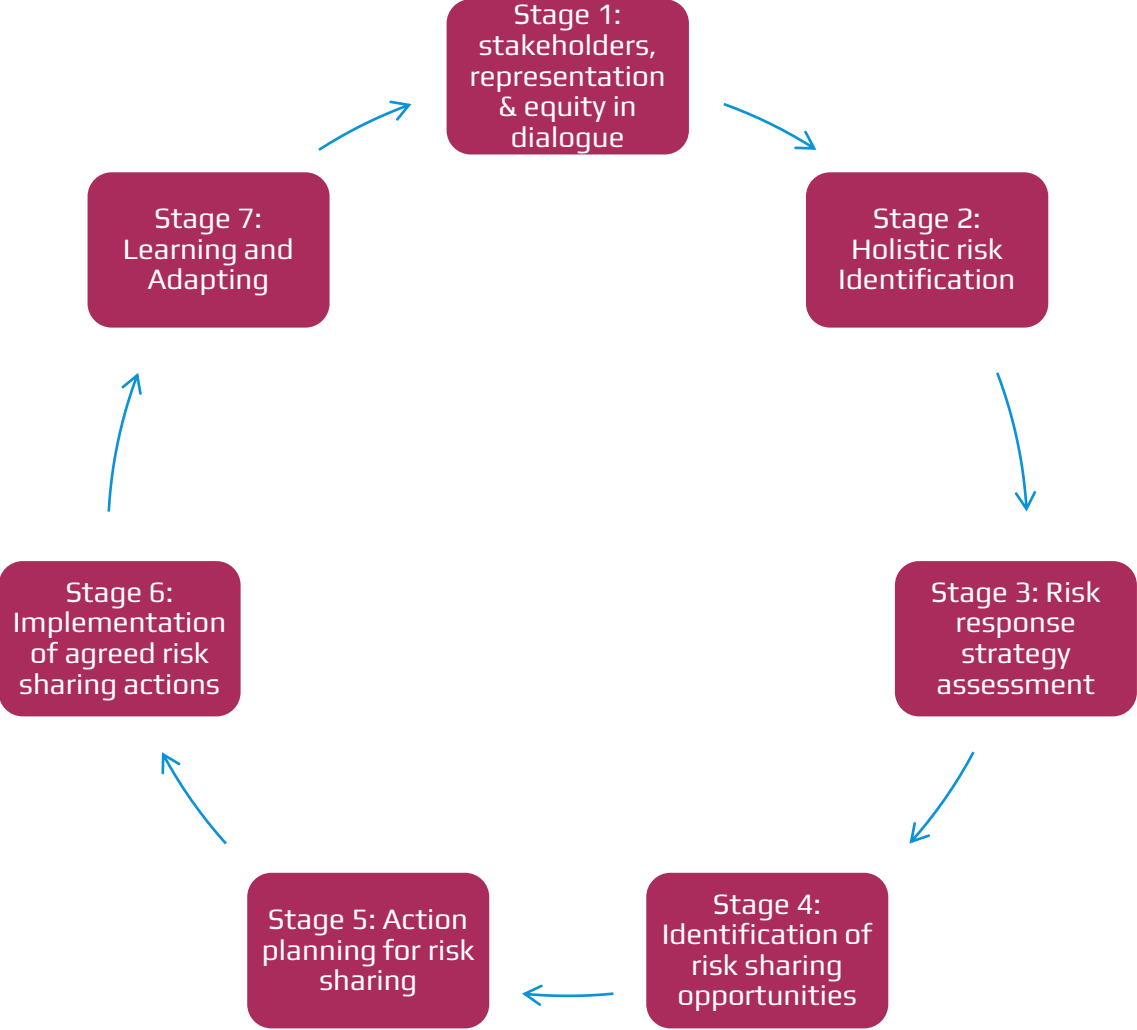
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Deploy best practice and/or innovative **preventive measures** that reduce likelihood of risks occurring **and reactive measures** to address impact of residual risks that may still materialize.

8

Clarify, **codify**, and resource risk sharing measures to the greatest extent possible **within contracts, budgets, external risk sharing policies and internal guidelines**.

# Guideline Framework steps



# Testing the Framework: Simulation design



# Purpose, Objectives & Goal of the Framework



## Purpose

Contribute to advances in uptake of Risk Sharing by humanitarian donors, UN agencies, and NGOs/INGOs, local actors, etc.



## Objectives

- i. To fill a gap between the Frameworks' inception and its operationalization in complex humanitarian settings.
- ii. To simulate common scenarios within the humanitarian delivery chain that demonstrate the usefulness and need for the Risk Sharing Framework
- iii. To contribute to organizations self-reflection on risk sharing and identifying of best practices
- iv. To enable production of outcome documents demonstrating lessons learned that can inform the efforts of the broader community.



## Goal

To better serve affected people, by improving management of risk within delivery chains through a principled approach to sharing the burden of preventative measures and responsibility for materialising risks.

# Design considerations for simulation

1. Making a simulation relevant requires locating it in a context
2. Relevance for participants requires consideration of the delivery chain for simulation
3. Relevance for participating organisations requires consideration of common function
4. What risk categories to include in simulation requires consideration
5. Productive simulations require frank and unattributable discussion
6. Simulations benefit from using participants real world knowledge and experience
7. Operationalising a framework should be about outcomes as well as process

# Process for Simulation

- Simulation was conducted 'in character' in the Republic of Carana
- First day focused on using the RSF. Second day focused on testing risk sharing agreements
- Different scenarios simulated different processes/situations, using various forms of injects
- Scenarios involved working in functional groups and together as delivery chain members
- Supporting facilitators and note taker accompanied each group and session
- Short debriefs were held between sessions and a full debrief was held at end of day two

# Findings from Simulation

# Findings – conducting framework processes

1. Affected people and their needs must be centered in risk sharing processes
2. Organisations need to be realistic about the time needed to work on risk sharing
3. Organisations need to think how to streamline their risk sharing process
4. Organisations need to consider differences in risk vocabulary and capacities to engage
5. Organisations need to really push to consider reactive not just preventive measures
6. Organisations need to be sensitive to likely points of tension
7. Organisations need to work out how to come back to risks that get sidelined

# Findings – achieving outcomes via framework processes

1. Strategic and tactical risk sharing opportunities exist in different delivery chains
2. Resolving many key risks to humanitarian action will require strategic risk sharing solutions
3. Key risks requiring reactive risk sharing solutions often appear to require strategic responses
4. Reputational risk is a key concern, and its role as a response driver must be better understood

# Key take-aways from simulation

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1. Risk Sharing Framework processes must not lose sight of affected populations they support
2. Successful framework process facilitation requires maintaining sight of framework principles
3. System-wide risk sharing impact requires engagement at strategic as well as tactical levels
4. Reactive risk sharing measures must be part of the solution
5. Successful risk sharing requires proper planning and perspective
6. Simulations can help build internal and external buy-in for risk sharing – and model solutions



# Remember the Risk Sharing Principles...

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# Questions and discussion

# Any Questions?

# Contact Us

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