2023

RISK MANAGEMENT POLICY

CARIBBEAN EXPORT DEVELOPMENT AGENCY

Contents

Policy Statement

The Caribbean Export Development Agency (Caribbean Export) is committed to implementing an effective Risk Management Policy. This policy is an integral component of the Agency's operations to safeguard its resources (funds from Caribbean governments and external donors) and reputation and ensure timely delivery of its projects/programmes in achieving its approved strategic goals, objectives and programme delivery targets.

Purpose and Scope

This policy aims to provide guidance to the Agency in applying risk management processes across its operations, to identify, assess and mitigate potential risks that may impact its stated objectives and targeted results. Further, this will allow for the Agency to adapt to an ever-changing environment, where international and regional development focus areas change overtime.

By systematically evaluating uncertainties and preparing for eventualities, the Agency will protect its investment in development, as well as its reputation as being the only private sector development agency in the region. This must be done en-tandem with constant monitoring and review of potential risks, mitigating measures and implementation of effective controls on a regular basis.

This policy applies to the Agency's management, staff, consultants, board members, implementing partners, donors and other stakeholders. A robust risk management strategy will allow the Agency to respond quickly and effectively to unexpected events or changes in the environment in which it operates.

Principles

The following principles guide Caribbean Export's risk management policy and processes:

- Risk management applies to all aspects of the Agency's business and activity;
- Risk management is a shared responsibility of all staff, management and Board members;
- Risk management is a continuous improvement process where the Agency continually strives to reduce and manage the likelihood and negative impact of risks.

Outcomes

The outcomes of this policy are that Caribbean Export**:**

- Makes informed business, operational and project delivery decisions while remaining fully aware of risks and impact. This will lead to more effective resource allocation and management planning.

- Staff, management and Board members understand their roles and responsibilities in relation to risk management to safeguard the Agency's financial resources, assets and investments from potential loss or damage.
- Risks and risk impact are minimised through compliance with relevant regulatory, legal and financial obligations, and implementation of risk treatments.
- Improves its success rates for project/programme delivery, as proper risk management can reduce the likelihood of project delays and cost overruns and allow for realistic timelines to be developed.

Policy implementation

All Staff must adhere to the Risk Management Policy. This policy is implemented in combination with all other Agency's policies and procedures.

The Agency's Risk Management Policy involves several key processes to identify, assess, mitigate and monitor risks. The Agency's robust risk management would evaluate and address evolving risks and challenges in the dynamic environment in which it operates.

Risk Management Processes

Caribbean Export develops and implements consistent risk management strategies and processes to effectively identify, assess, manage, monitor and treat risk, to enhance its operations in the attainment of its strategic goals and programme delivery requirements. These processes include:

1. Risk Identification

This process involves identifying potential internal and external risks that could affect the Agency's operations and programme/project delivery. These potential risks are placed into specific contexts as follows:

Strategic context:	» Regulatory, financial and political environment along with various opportunities and challenges » Partnerships and resource mobilisation efforts to carry out mandate » Stakeholders including: management, staff, board members, external donors, clients and customers/beneficiaries » Agency's reputation, » Agency's mandate and strategic plan » Governance structure » Financial resources » Legal considerations

Financial Context:	» Rising costs in labour and materials » Challenges in securing funding » Exchange rate/Currency losses » Dependence on traditional donors for funding » Non payment of membership contributions » Fraud/perceived fraud
Organisational /Operational context:	» Agency's size, structure and locations » Management expertise » Agency's culture » Strengths and weaknesses within the Agency » Existing systems and processes » Available resources (human and financial)
Programmatic or developmental context:	» Project complexity » Project risk and project performance » Implementation progress » Results delivery » Stakeholders
External Context:	» Natural disasters » Changes in government and/or government policy » Legislation changes » Market volatility » Strikes » Civil unrest » Global Health crises » Climate Change

2. Risk Assessment

After risks are identified they should be assessed to determine the potential impact and likelihood of occurrence. Risk assessment involves quantifying risks using a pre-defined scale to prioritise for action. Risk assessment also includes reviewing existing controls, whether specific to that risk or by default. Risk assessment includes risk rating, risk likelihood, risk impact which creates a risk matrix.

Risk Rating – provides the logic and methodology used by Caribbean Export in evaluating and assessing identified risks. It provides a structured approach for evaluating the likelihood and impact of each risk and the level of priority and attention required. Risk rating is applied to all identified risks to determine their level of risk based on two categories: likelihood and impact.

The risk rating scale below shows how risks should be rated for action:

High	Requires immediate action to mitigate the risk
Medium-High	Requires short-term action to mitigate the risk
Medium	Requires medium-term action to mitigate the risk (work within other priorities)
Low-Medium	May require attention
Low	Manage by routine procedure

Risk Likelihood – refers to the probability or possibility that a specific event will occur and affect Caribbean Export from the various contexts described above. The likelihood of a potential risk should take into account the various factors that could influence or trigger the risk based on environmental, social, political, legal and the interdependencies of these risks.

Rating	Description	
Almost certain	90% or greater probability	Expected to occur in most circumstances
Likely	50-90% probability	Will probably occur in most circumstances
Possible	20-50% probability	Could occur at some time
Unlikely	10-20% probability	Not expected to occur
Rare	<10% probability	Would occur only in exceptional circumstances

Risk Impact – includes the possible losses, damage or consequences that may occur if a specific risk unfolds. This measures the intensity or magnitude of a specific risks and are labelled below:

Rating	Description
Severe	Agency objectives and/or continuing viability is threatened

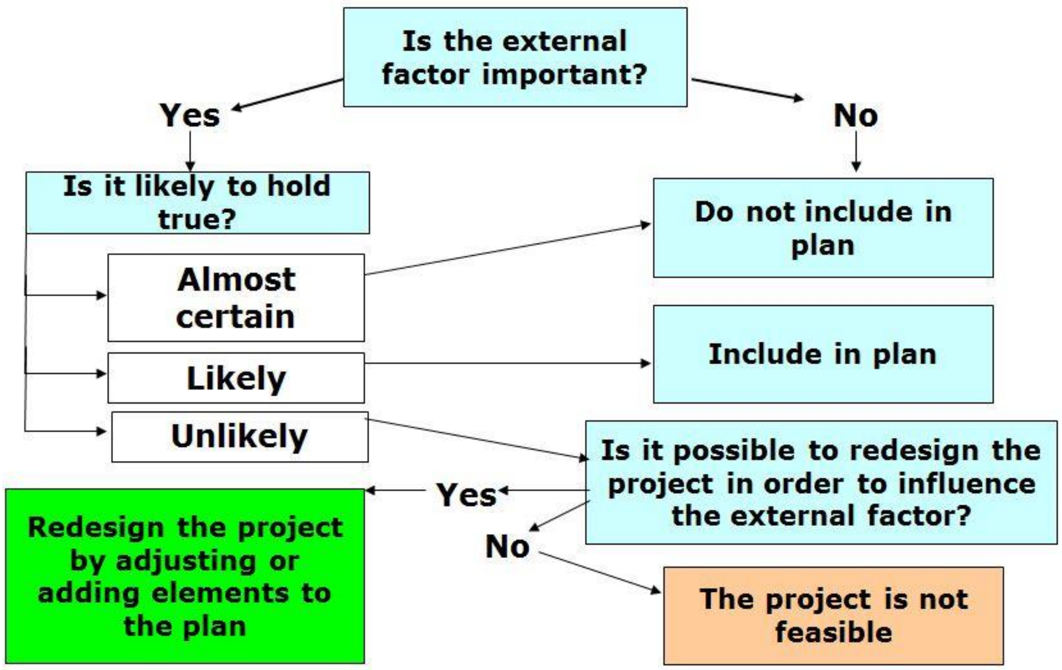
Significant	Agency objectives are not met
Moderate	Agency objectives may be threatened
Minor	Agency objectives require monitoring
Minimal	Agency objectives unlikey to be affected

Risk Matrix – this is the visual that provides Caribbean Export with the risk assessments (rating, likelihood and impact) identified above:

Likelihood					
Almost certain	Low Medium	Medium	Medium - High	High	High
Likely	Low	Low – Medium	Medium	Medium - High	High
Possible	Low	Low	Medium	Medium - High	High
Unlikely	Low	Low	Low – Medium	Medium	Medium - High
Rare	Low	Low	Low	Medium	Medium - High
Impact	Minimal	Minor	Moderate	Significant	Severe

3. Risk Analysis

The Agency may require a more detailed examination of identified risks including their root causes, potential consequences, and possible interdependencies. To assist with analysis, a decision tree may be useful to guide the Agency with the next steps required.



4. Risk Prioritisation

The Agency assesses the likelihood of risk and impact and focus on managing the most significant risk first.

5. Risk Mitigation Planning, Treatment, Monitoring and Control

Action plans, implementing controls, contingency planning and other proactive measures, including risk treatment are taken into account based on the level of risk.

The Agency adopts a system to continuously monitor identified risks and mitigating measures and make adjustments as needed. There are risks that cannot be eliminated and for those, the Agency will develop contingency plans.

The Agency uses a Risk Register to plot all perceived and potential risks, ratings/assessment and mitigating measures to be put in place. The risk register is shown below and is updated on a semi-annually basis.

Category/ Affected Area	Risk/Issue	Likelyhood	Impact	Risk Rating	Mitigation	Contingency/ Back-up	Likelyhood after Mitigation	Impact after Mitigation	Risk Rating after Mitigation	Action By/ Owner	Timeline

6. Communication and consultation with staff and stakeholders

Effective communication and consultation on risks and risk management are crucial to understand, engage and implement risk measures and controls. This process ensures that relevant stakeholders, including staff, management, board members, donors and other external partners and stakeholders are informed about potential risks, and the Agency's approach to managing them.

7. Compliance and legal considerations

This process ensures that the Agency operates in compliance with local and international laws, regulations and industry standards as they relate to risks and risks management. It involves conducting regular reviews and assessments to validate compliance.

8. Documentation, Reporting and Training

Documentation of risk assessments, mitigation strategies and action required are critical, as is reporting any risks and mitigation efforts that were enforced. It is also imperative for the Agency to ensure staff and management are trained to enhance risk awareness and are equipped with relevant knowledge to identify, assess and respond to risks effectively. Training should be included in staff's annual performance assessments.

9. Review and Improvements

Every six months, the Agency will conduct a review and update its risk register and assess other potential risks that could impact the Agency or remove risks that no longer pose a threat to the Agency's operations. Additionally, new projects should be reviewed for any additional risks prior to implementation. This is important to ensure the Agency has the resources and resilience to manage potential risks from a new project that could impact its finances, operations, strategic focus and reputation.

Additionally, the Agency will review and adjust its risk management strategy to ensure it remains effective in addressing evolving risks and challenges in the development space that it occupies. Caribbean Export's risk management strategy also promotes accountability and ultimately, the robust nature of the policy, through its processes, can be sustained by the Agency to achieve its mandate and strategic objectives over the long term.

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Approved By: Deodat Maharaj, Executive Director

Caribbean Export Development Agency

Baobab Tower
Warrens
St. Michael
Barbados
Tel: +1246-4360578
info@carib-export.com
www.carib-export.com