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Agenda Item 15.6

Risk Management Policy

I. Background

1. Risk refers to the impact of uncertainty on an organization's ability to achieve its objectives in its operational, financial, or legal aspects. Identifying and addressing risks enables informed decisions and timely actions.

2. AFoCO's operations span multiple countries and partnerships, involve complex development challenges, and cover a broad geographical area.

3. This Risk Management Policy seeks to align with recognized standards established by comparable inter-governmental and international organizations, ensuring that risks are effectively addressed by AFoCO. Further, the Risk Management Policy strengthens the AFoCO's Environmental and Social Safeguard (ESS) Policy.

II. Objectives

4. AFoCO seeks to integrate risk management into its strategic planning, decision-making, and resource allocation by adopting a coordinated approach to potential risks. This Policy provides guidance to support evidence-based and effective decision-making on risk management.

5. The Policy focuses primarily on operational and financial risks associated with institutional operations and financial transactions.

6. Building on AFoCO's existing policies, procedures, and project frameworks, the objectives of this Policy are to:

(i) Strengthen AFoCO's capacity to anticipate, respond to, and recover from risks that could disrupt operations, including financial, legal, reputational, and security threats;

(ii) Protect the rights and interests of Member Countries, partners, staff, and beneficiaries by mitigating potential harm;

(iii) Uphold the highest standards of integrity and credibility by aligning with international norms, regulations, and governance frameworks;

(iv) Ensure transparency and evidence-based decision-making through structured approaches to risk identification, assessment, and mitigation;

(v) Manage financial risks such as budget uncertainties, donor dependencies, and fraud prevention to safeguard long-term sustainability;

(vi) Establish a risk management framework to support crisis response in cases of pandemics, conflicts, natural disasters, or cybersecurity incidents; and

(vii) Promote proactive risk management practices that foster awareness, preparedness, and continuous improvement.

III. Principles

7. Linked to AFoCO's ESS Policy, the Risk Management Policy ensures that the implementation and effectiveness of mitigation measures are monitored and that any impacts arising during execution of projects are addressed, consistent with the principles of (a) Sustainable Forest Management; (b) Transboundary Risks and Impact Approach; (c) Equality and Non-Discrimination; (d) Mitigation Hierarchy; (e) Coherence and Links with Relevant Policies and Practices of AFoCO; (f) Continuous Improvement and Best Practices; (g) Stakeholder Engagement and Disclosure; (h) Gender-Sensitive Approach; (i) Knowledge-Sharing; (j) Compliance with Applicable Laws; and (k) Involvement of Local Communities.

IV. Roles and Responsibilities

8. AFoCO applies the "three lines of defense" model to clarify responsibilities. The first line of defense lies with the Staff members, stakeholders, and individuals who are implementing daily operations both at the Secretariat and implementing entities for AFoCO's projects. The second line of defense is the Secretariat, acting through the Risk Management and Audit Committee, which oversees risks not adequately managed at the operational level. The third line of defense is the Assembly.

V. Points for Consideration

9. The Assembly may wish to consider and approve the Risk Management Policy.

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