The IRTI/SESRIC/ECO Training Workshop for Project Risk Management for ECO Member States

28-31 March, Ankara

Sub-Theme: Project Processes and Risk Identification in ECO

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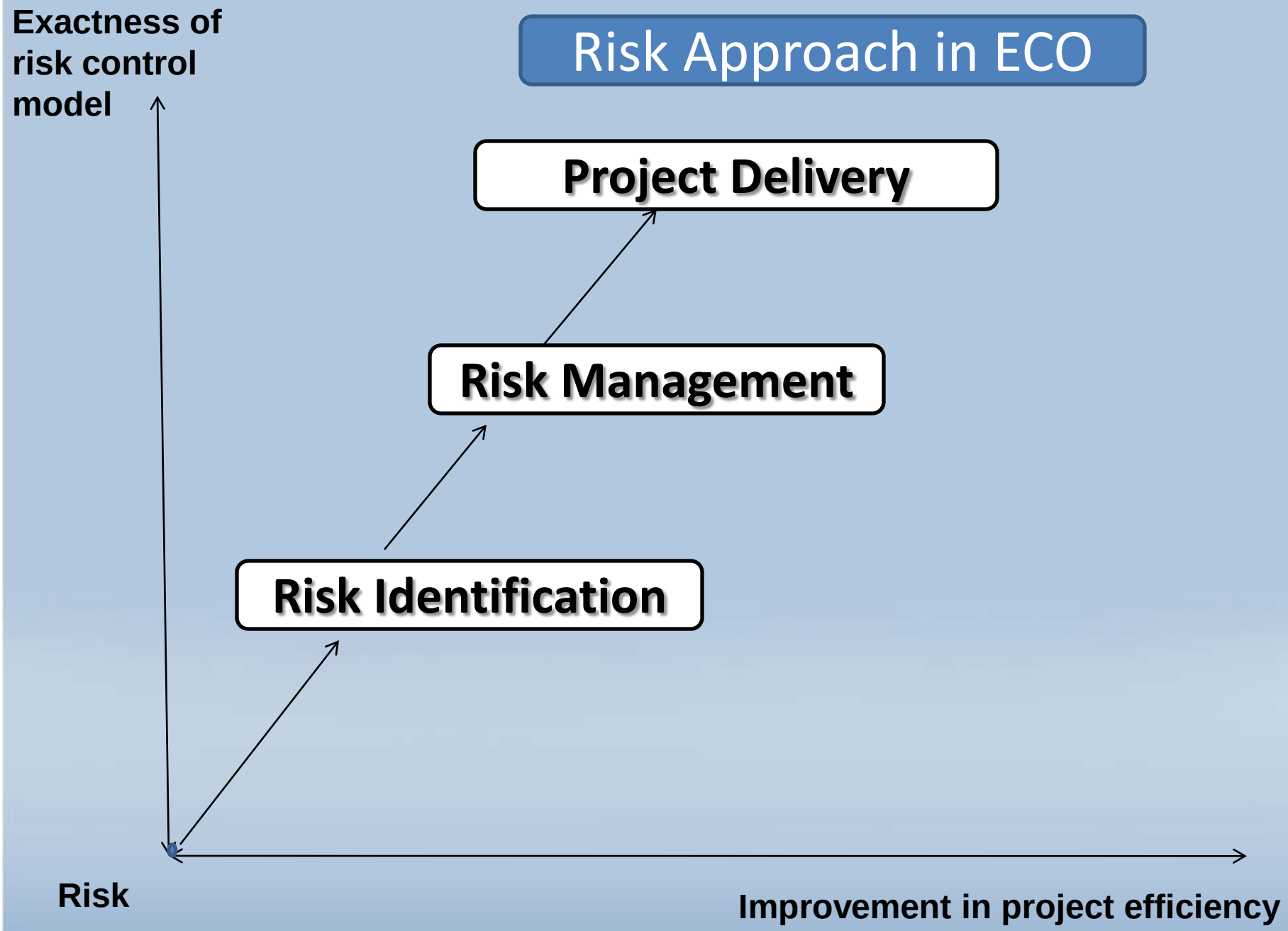
Risk Approach in ECO



Definition of a Risk in ECO

ECO follows a broad definition of the risk which is **an uncertainty of a project outcome**.

The common perception of a risk also implies that:

- Risk is a return; the higher the risk the higher is the return of the project.
- Risk is inevitable in achieving project delivery. It is imperative that it be identified and contained.

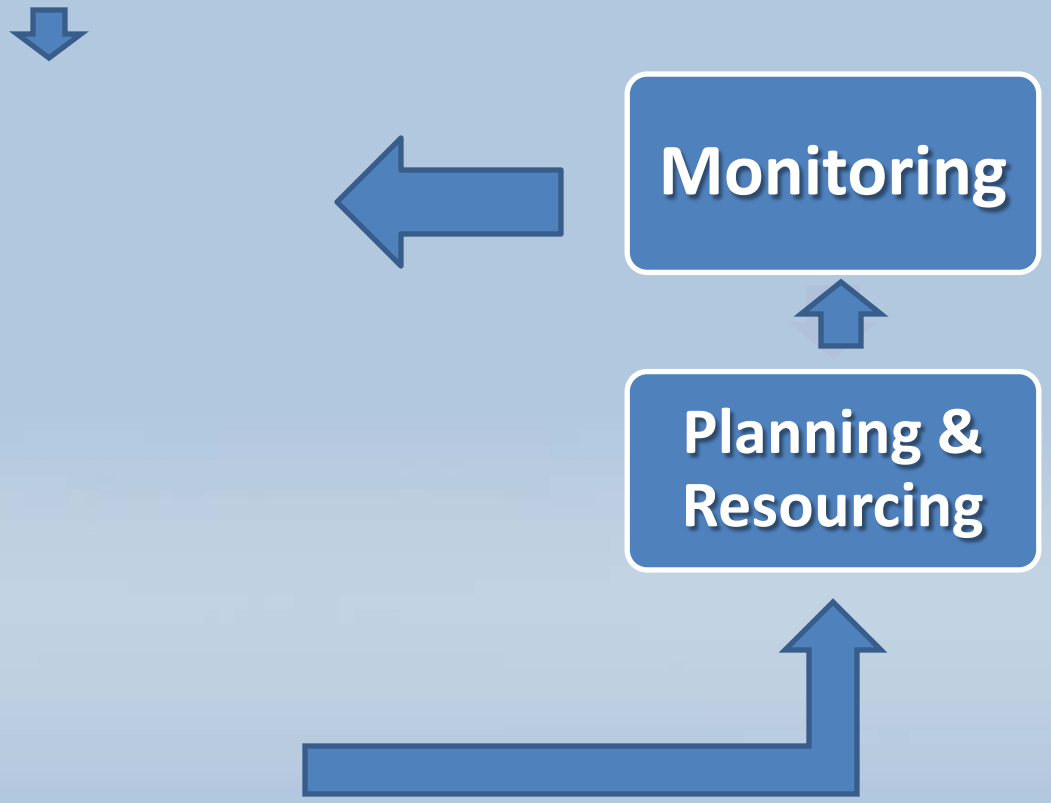
Prerequisites for Identifying the Risks at Project Initiation Stage

- Access to up-to-date information about risks;
- The decision making processes must be supported by the risk analysis framework;
- Risk monitoring technical capacity should be part of built-in project management processes.
- Awareness of project staff about risk safeguard policies and risk principles.

Compliance with Risk Principles

- ✓ Promotion of risk management to contain risks
- ✓ Compliance with risk policies and safeguards
- ✓ Incorporation of the **Risk Approach** in the overall project management framework, and
- ✓ Detailed structuring of the risk process at each level of risk identification.

Risk is construed as a Process



Risk Identification

- Identifying risks or opportunities of a project at project initiation stage through:
- Step I: Brainstorming.
- Step II: Documenting characteristics of each risk.
- Step II: Selection of Immediate Risks.
- Step III: Creating a Risk Log.

Opportunity cost of risk processes in ECO

- Initial risk management – from 1 to 3 percent of the total project budget.

- Risk monitoring through project cycle – 2 percent of the project budget.

Risk Processes in the PO

- Risk identification is a regular process not one time exercise.
- Risk identification and risk quantification are viewed as one process.
- Risk mitigation and risk response control are considered as risk management.
- Risk identification addresses both risks, Internal and External.

Identification of Internal Risks in the PO

Sources

- ✓ Understaffing
- ✓ Technical capacity of the Secretariat and Implementing Agencies
- ✓ Cost estimate
- ✓ Technical skills
- ✓ Project processes
- ✓ Capacity to apply risk processes to internal and external risks

Effects

- ➢ influences due fulfillment of project assignments
- ➢ influences prompt project communication and effectiveness of linkages with IA
- ➢ influences timely completion of project stage plans

Identification of External Risks in the PO

Sources

- Systemic
- Government action
- Macroeconomic factors (economic transition)
- Force majeure

Effects

- Market shifts
- Modification of development strategies in member states
- Floods, earthquakes

Inputs to Risk Identification

Product Description

The PO uses the products with proven technology which reduce risk exposure

Planning Outputs

Cost estimates derived from limited data entail greater risk exposure for the PO

Historical Data

The PO uses internet databases, stored project files and project team knowledge

Tools for Risk Identification

Checklists

- Sources of risk are basically derived in the PO from previous project files relevant to an involved sector

Flowcharting

- The PO abstains from using this tool type due to technical considerations

Interviewing

- The PO uses pre-project discussion records filed during execution of feasibility studies

Outputs from Risk Identification

Risk Quantification

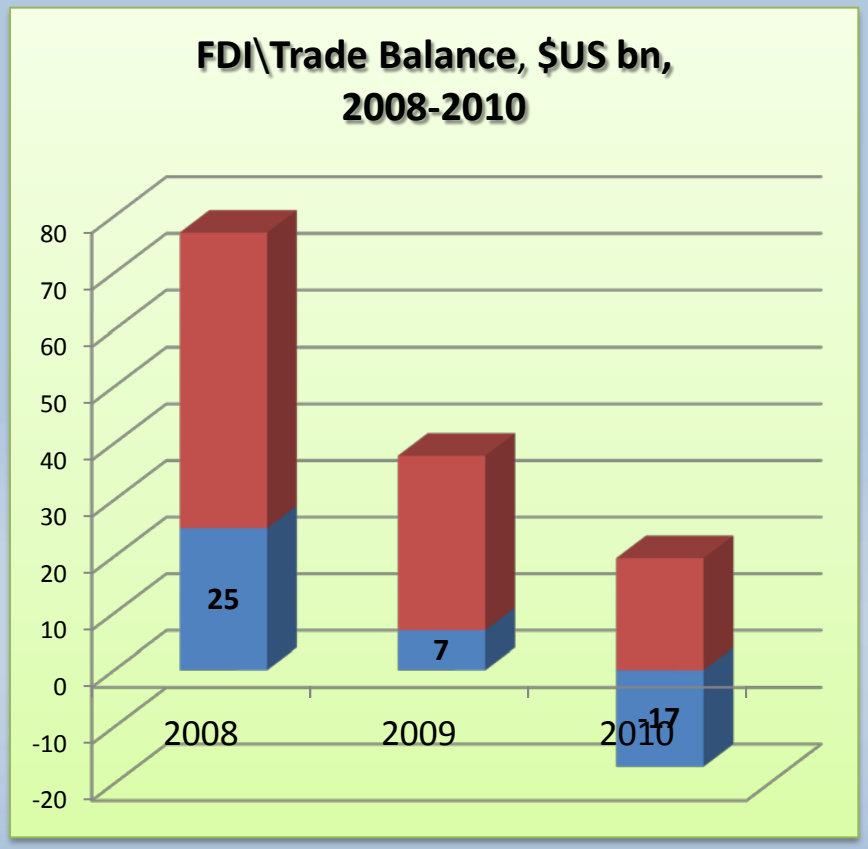
The PO abstains from risk quantification practices due to technical considerations.

The PO views a risk as an opportunity. One of the PO sector risks is in the area of FDI.

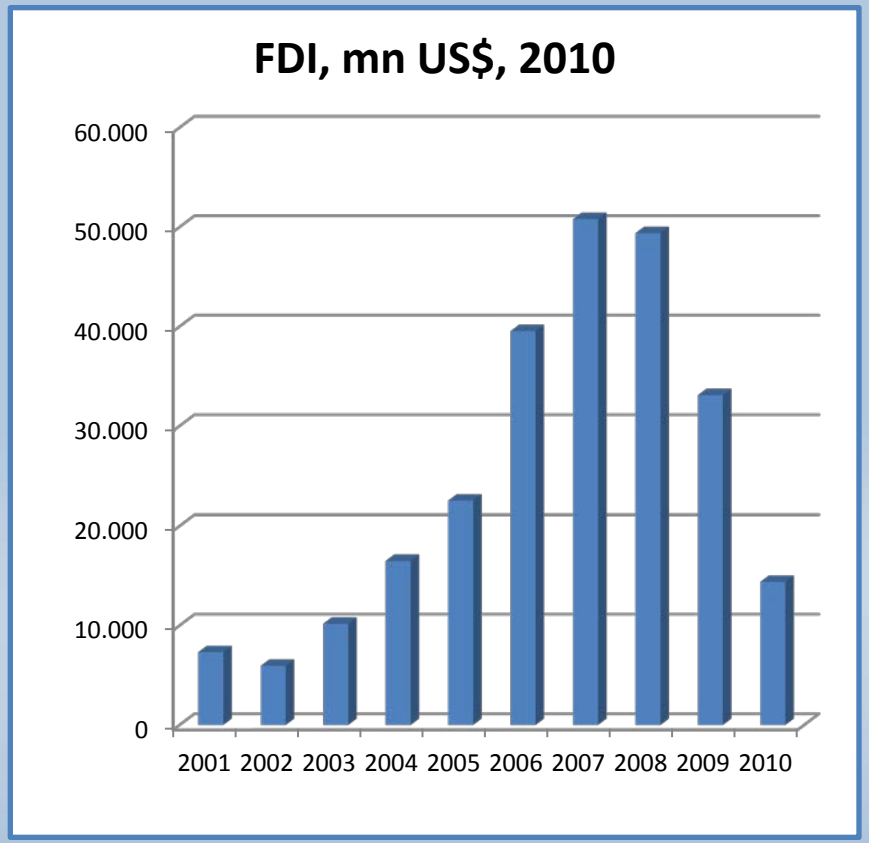
Opportunity is initiation of new FDI investment projects in the sector.

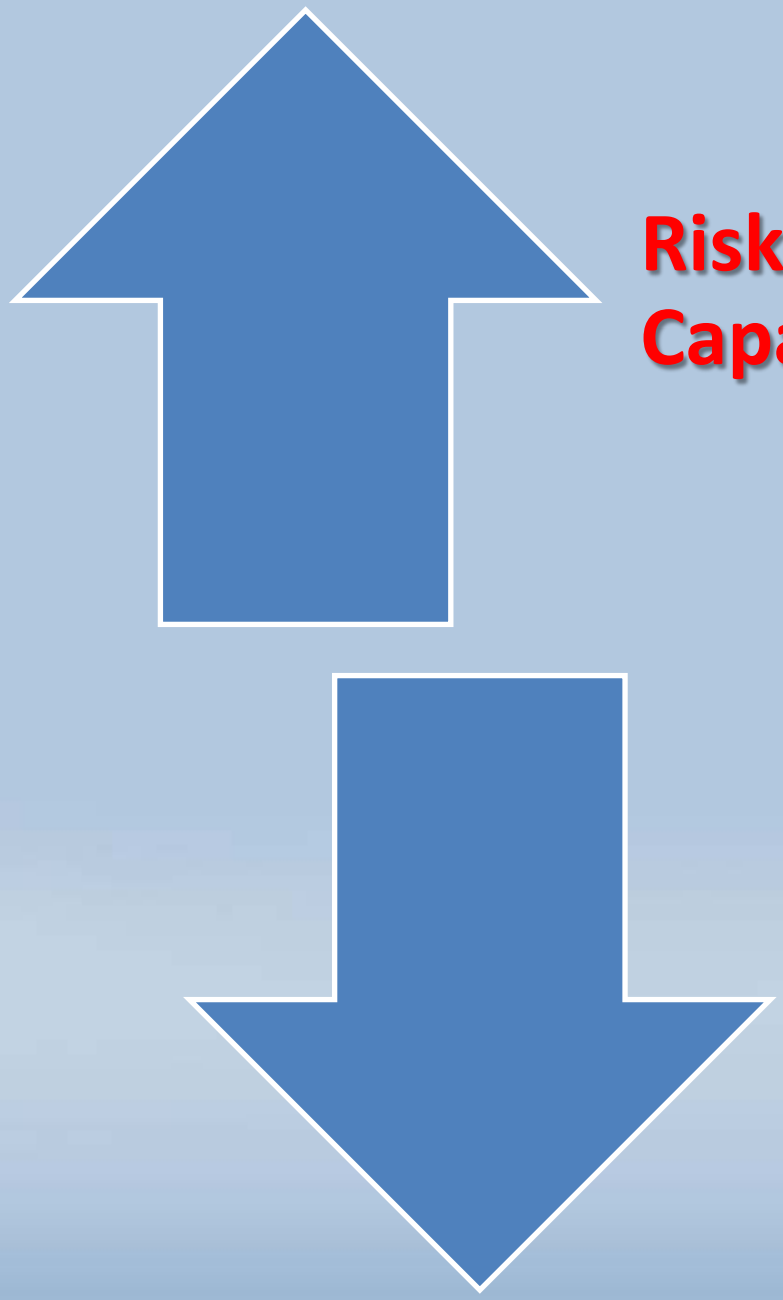
External Risks vs. Internal Opportunities

External systemic risks create market opportunities



Mega investment projects are an opportunity to boost investments

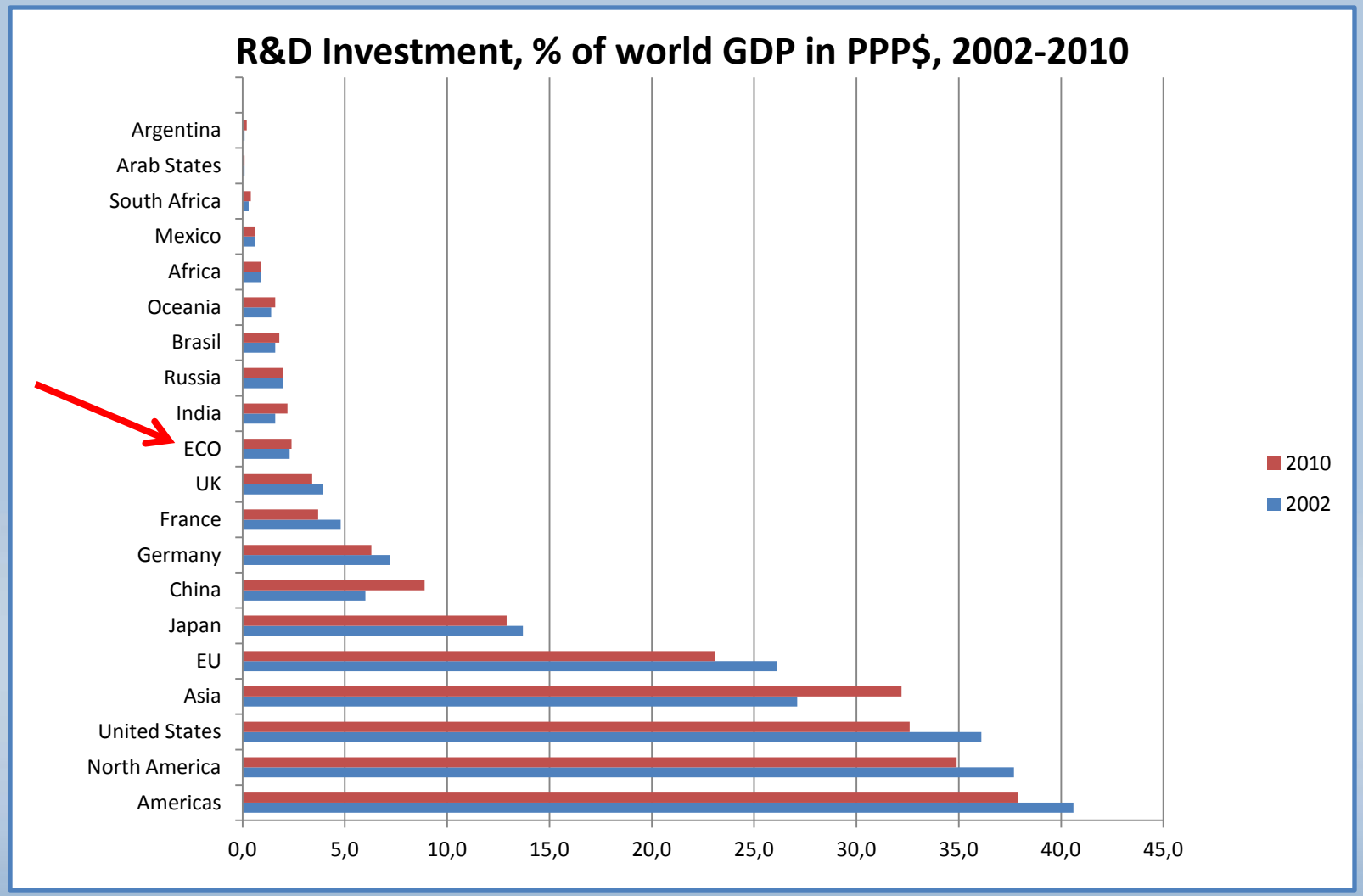




Risk : Modest Technical Capacity

Opportunity: Initiation of Projects on R&D

High Tech Growth through Opportunities in R&D



One of suggested designs for new research project proposals

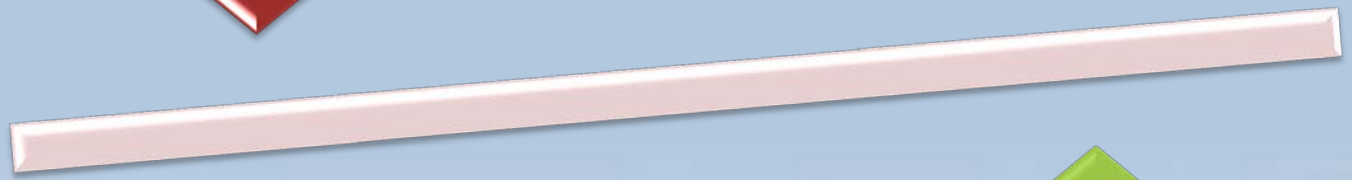
Project Design: knowledge sharing through a pilot case Joint Research/Activity

The Joint Research Theme: Industrial Innovation in ECO:

achieving sustainability through R&D

Risks vs. Opportunities

Change in the Project Design



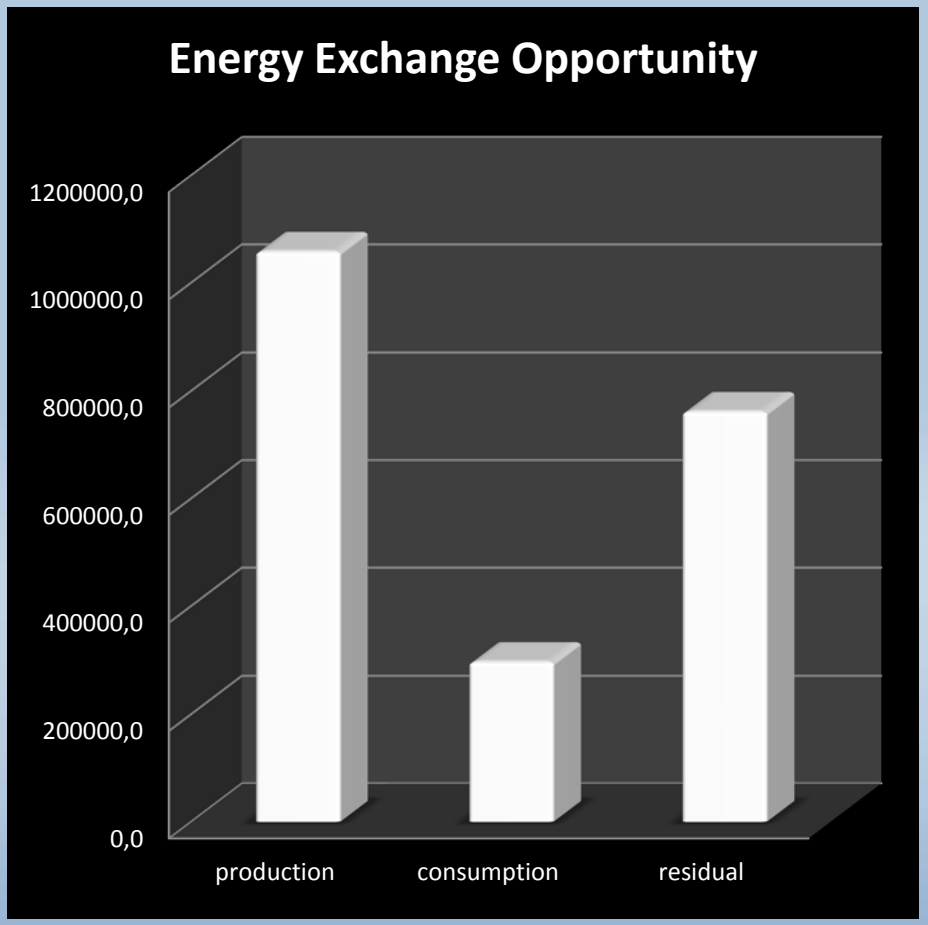
Development of new technologies

Production vs. Trade

Risk Identification as a new opportunity through design change

- The project design change may open new opportunities
- Risk identification through a new design opens a new cross sector opportunity

Production/Consumption/Balance, energy items, 2000-2009



Conventional vs. Alternative

Risk - Development of new technologies

- In the EU, the rate of utilization of alternative energies is at 11 percent.

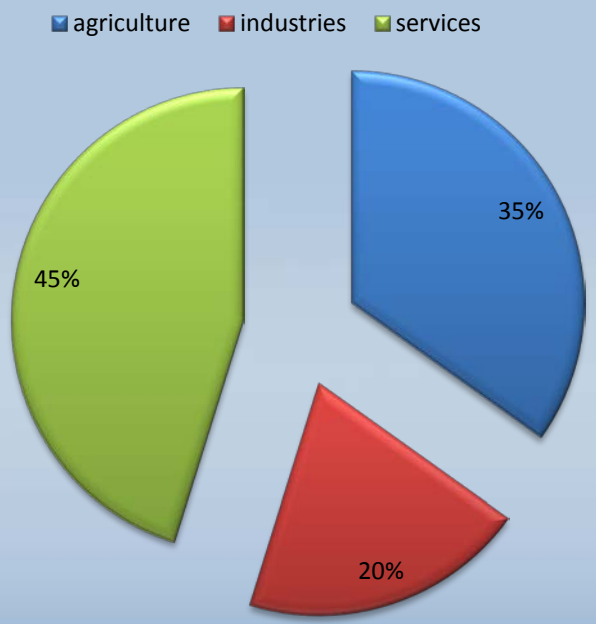
Opportunity – exploring alternative technologies

- In the ECO the same indicator currently stands at 0,1 percent.

Risk of slow process in programmes vs. opportunity of project split

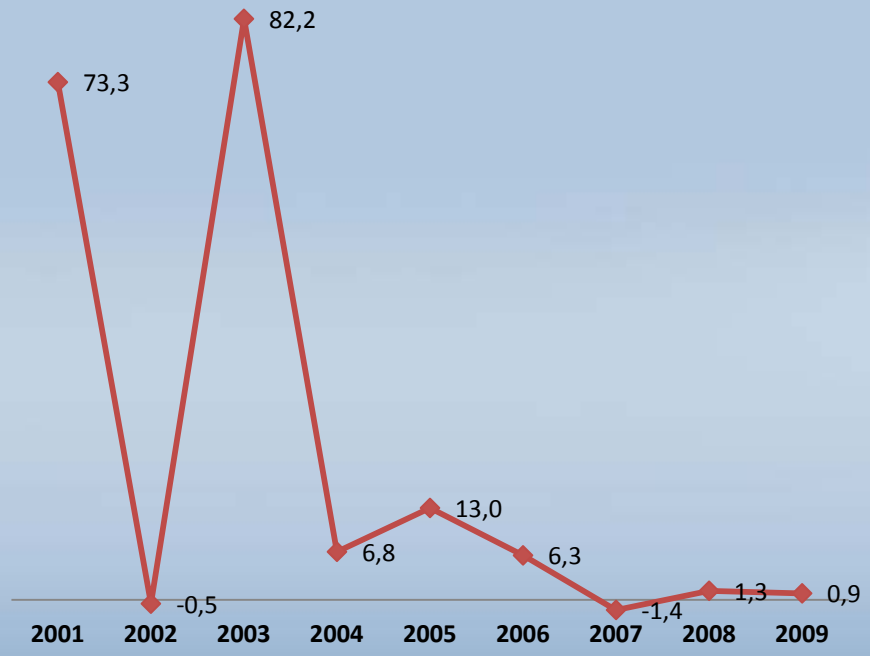
Overweight agriculture relative to average 6 % in advanced world presents regional gains for new projects splits in programmes

Share of agriculture in GDP, %, 2010



Livestock decline opens an opportunity to enhance food security/improve breed

Livestock, % change,2001-2009



ECO

ECO's response to risks/opportunities entails the following inputs of Member States:

On Project Initiation – concept proposal outlines from Member States .

On Training Workshops – suggestions from Member States on the thematic content, format, venue.

ECO may organize study visits, brainstorming via Video-Conferencing facilities available locally.

ECO

need for new project proposals

How to start ?

Send a formal letter to ECO with reference to PERS Directorate for consideration of the ECO PMG, indicating:

- ✓ Specific interest in a sector project
- ✓ Enclose a concept proposal paper (4-5 p.)
- ✓ Specify the contact details of your Focal Point for the project proposal.

Project Initiation Process in the PO

- Project process consists of the following stages: (i) approval of a project concept, (ii) formulation of a project proposal, (iii) endorsement, (iv) feasibility study, (v) fact-finding, (vi) appraisal, (vii) circulation to member states, (viii) consideration and approval by CPR.

Project Design and Monitoring Framework

Project Proposal Number: _____
Date of Project Approval: _____

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting mechanisms	Assumptions/Risks
Impact:			Assumptions: Risks:
Outcome:			Assumptions: Risks:
Outputs: Component 1			
Component 2			
Component 3			
ACTIVITIES: Component 1 Component 2 Component 3			**INPUTS:** $____ financed by the ECO FSF

Remarks: (i) a design and monitoring framework is an active document, progressively updated and revised as necessary, particularly following any changes in project design and implementation; (ii) in accordance with the ECO's Functional Modality (1998), it is disclosed before the final appraisal of the project. This draft framework may change during processing of the project, and the revise version will be disclosed as an appendix to the report and recommendation of the ECO Proj Monitoring Group.

ECO RULES ON EMPLOYMENT OF CONSULTANTS

- Part I. General Rules

ECO permits consultants with the required technical expertise from all its member countries to bid for the assignments it finances. Selection criteria are applied to ensure that consultants have sufficient expertise to complete assignments. The following general restrictions apply to all assignments:

Consultants must come from ECO member countries. Consulting firms must be registered in ECO member countries, and individual consultants must be citizens of member countries.

Consultants must be fully competent and qualified for the work they will be assigned.

Part II. Authorization

- Staffing, training, or resource person assignments, re-engaging a person as a consultant requires clearance by the relevant ECO department, which monitors project implementation.
- Part II. Organizations and Employees
- The following special restrictions on government organizations and employees apply to all assignments: (i) government-owned enterprises and institutions may work as consultants in their own countries only, if they can prove their legal and financially autonomous status, and (ii) ECO Member States government employees may not work as consultants in their own countries if there is a real or potential conflict of interest.
- Former government employees of Member States may work as consultants in their former ministries, departments, or agencies provided there is no real or potential conflict of interest.

Part III. Legal Experts and Information Technology Experts

ECO's Legal Adviser clears proposals to engage legal experts as consultants for ECO projects. ECO's Information and Technology Department clears proposals to engage information technology experts as consultants for similar assignments.

Part IV. Other Special Cases

The following additional restriction applies to project proposals: project implementation process may exclude consultants from the countries to which ECO cannot make payments to comply with decisions of the United Nations Security Council.

The document has been amended on 28.02.2012.

COST ESTIMASTE SCHEME/CONSULTANTS FEES

Guidelines for ECO Projects: Annex II.2: *PD:7/7/2008*

Item	Foreign Exchange	Local Currency	Total Cost
A. Personnel Costs			
1. Project Manager			
a. Remuneration and Per Diem			
b. International Travel			
2. National Consultant			
a. Project manager			
Subtotal Personnel Costs			
B. Operating Expenses			
1. Training & workshops			
2.Capacity Building			
3. Office equipment			
Subtotal operating costs			
C. Other Costs			
Total			
Grand Total			

PROJECT PROCESS AT INITIATION

➢ Process of a project proposal (formal request letter, concept proposal outline)	✓ 14 days
➢ Preparation of the initial project proposal to CPR	✓ 10 days
➢ Consideration by CPR	✓ 90 days

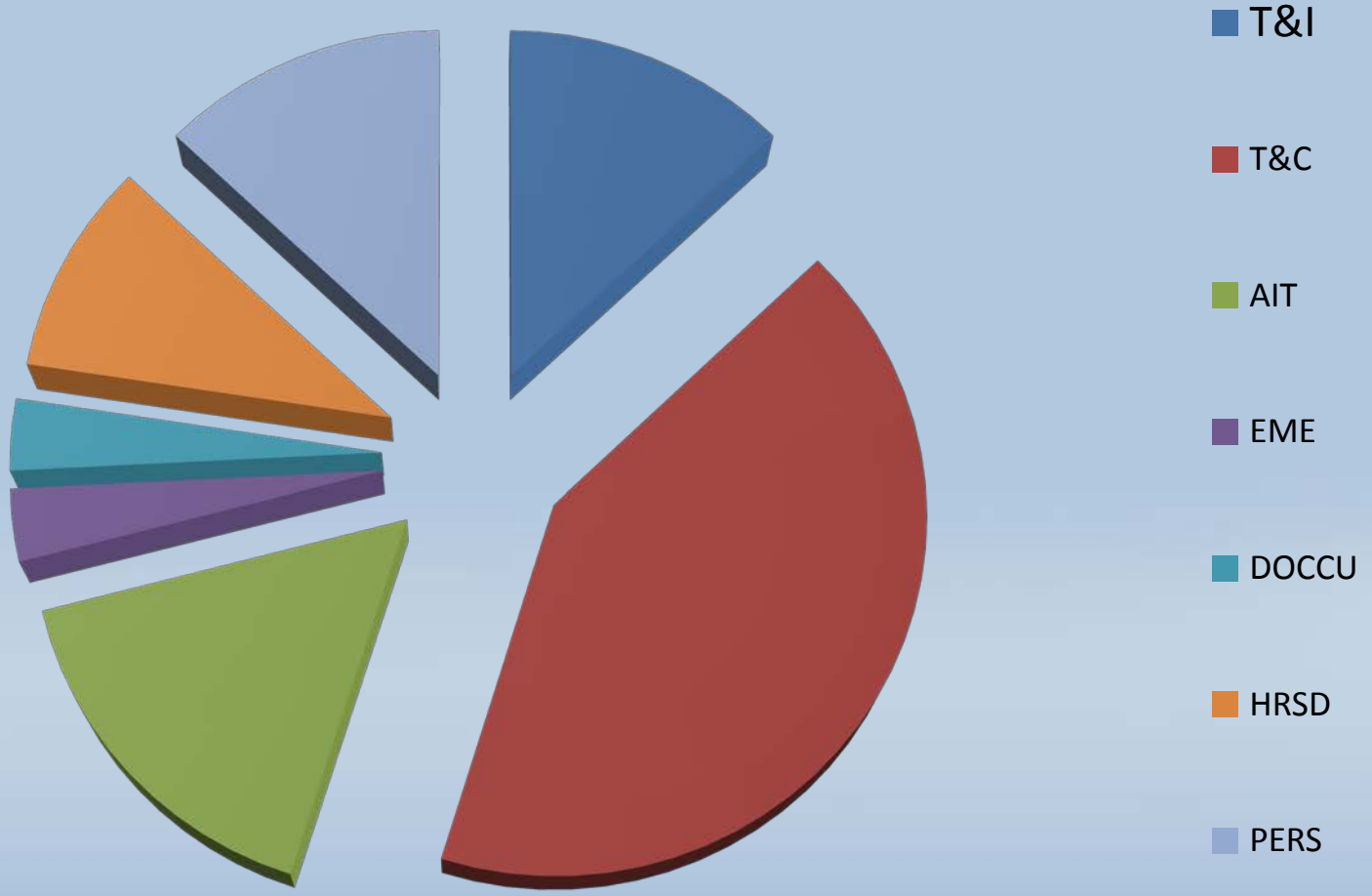
The project starts upon approval by CPR

GENERAL TERMS OF REFERENCE FOR THE ECO PROJECTS

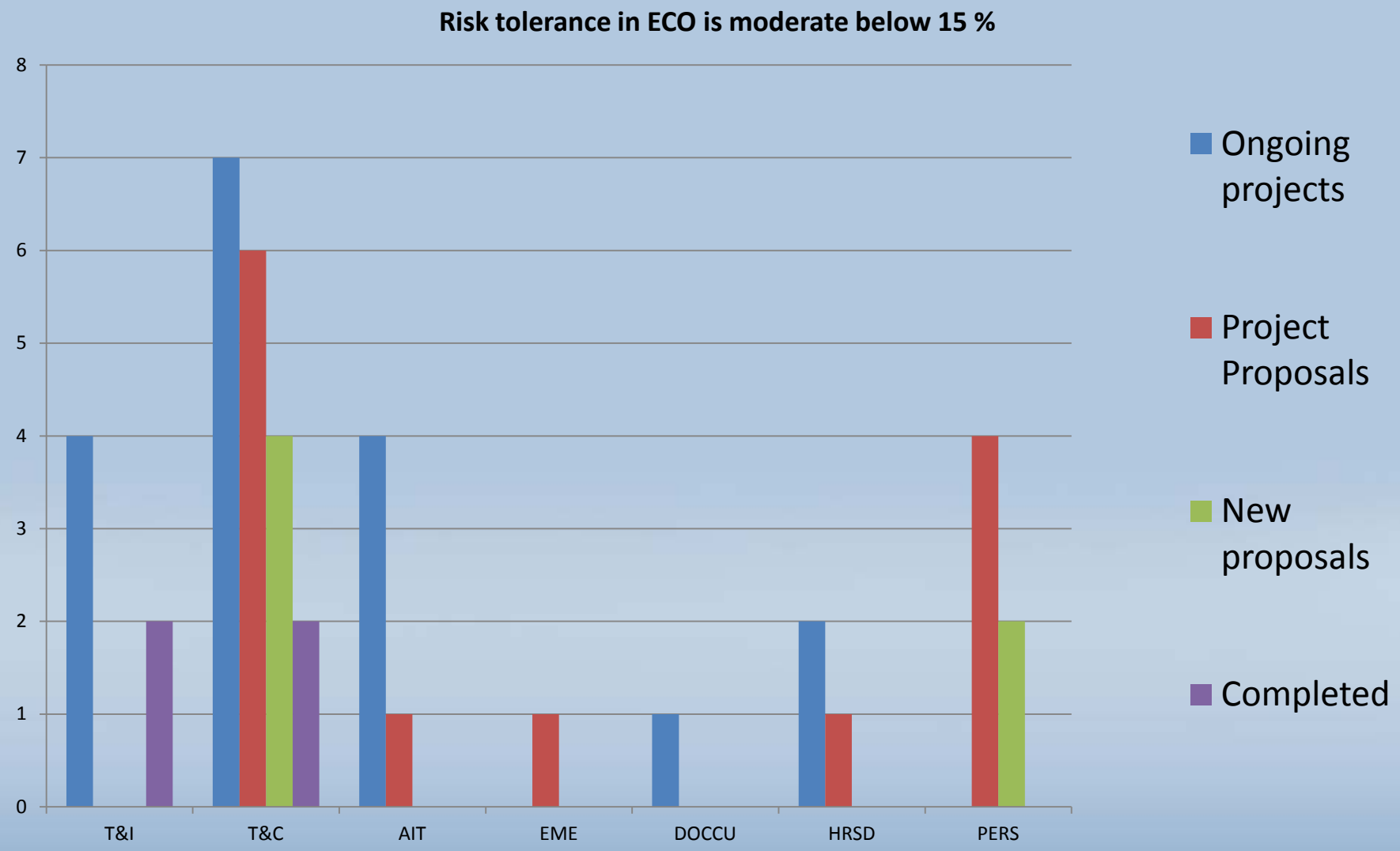
Status of ECO projects

The total estimated cost of ECO projects is US$1,396,500.
The total estimated value of ongoing projects has been at US$ 15,517,566 .

Share by Sectors



RISK TOLERANCE IN ECO



For inquiries please contact ders@ecosecretariat.org with reference to attention of PERS

thank you.