

# The Africa Rice Center Risk Appetite

## Preamble

A definition of **risk appetite** is the amount and type of risk that an organization is willing to take in order to meet its strategic objectives. Related to this is the concept of **risk tolerance**, which is the acceptance of the consequences or a risk should they occur, and having the right resources and controls in place to absorb or “tolerate” the given risk, expressed in qualitative and/or quantitative risk criteria.

AfricaRice, a CGIAR center and an Association of member states, with the goal of sustaining rice self-sufficiency contributes, by putting at the disposal of members states as well as any other country in Africa interested in the rice sector, deliverables from research for development activities. AfricaRice takes into consideration the fact that each member country has differing priorities, and possesses varying vitality and speed of achieving the rice self-sufficiency goal. Considering the nature of this strategic objective of AfricaRice, therefore, the Center will be exposed to various factors including resource issues, which would affect the its performance.

In considering its risk appetite, the AfricaRice Board and Management must take into consideration all the intervening factors that could affect the normal operations and eventually performance of the Center, including resource limitations but still with reasonably optimistic prospects, which influence decisions on risks , assuming the concept of risk-reward is valid.

## Risk appetite evaluation scale

In working with its member countries, the One CGIAR and other Centers of the CGIAR, as well as various categories of public and private sector partners, to deliver on the rice self-sufficiency goal in Africa, AfricaRice’s Board and Management will make critical decisions guided by the extent and types of risks that are acceptable in pursuit of its mission. Such decisions on the level of risk to be taken, must be driven by the approach of maximizing the chances of achieving maximum and palpable returns or rewards.

	<b>Classification</b>	<b>Description of Opportunity and Risk Philosophy</b>	<b>Tolerance for Uncertainty</b>
0	Zero	AfricaRice is not willing to accept <b>any</b> level of risk that will significantly affect the attainment of its goal and mission in Africa.	Extremely low tolerance for uncertainty.
1	Low	AfricaRice is not willing to accept risks in <b>most</b> circumstances. In this case the Center is willing to accept risks that are most essential in the achievement of its objectives with a limited possibility of failure.	Very low tolerance for uncertainty.
2	Modest	AfricaRice is willing to accept <b>some</b> risks taken for a good reason and rationale, based on some meticulous analyses of risk-reward in the delivery of an objective.	Limited tolerance for uncertainty.
3	Moderate	AfricaRice is willing to accept <b>reasonable levels</b> of risk options needed to achieve a specified objective with acceptable reward.	Expect some level of uncertainty with internalized and proactive plan to manage potential impact.
4	High	AfricaRice accepts and encourages opportunities that present risk of failure based on Pareto’s principle in which <b>80% of gains come from 20% of risks</b> , i.e. the rewards far outweighing the combine risk level.	Fully anticipate uncertain outcomes or period to period variations.

## Africa Rice Center’s Risk Appetite Statement

The Center’s risk appetite statement is developed with the following fundamental objective:

**“To deploy advanced scientific knowledge systems and outputs/outcomes/impact in support of Africa’s drive to achieve rice self-sufficiency.”**

The following **risk appetite levels** are therefore identified and characterized based on the Center’s assessment of any initiatives to be undertaken with the aim of attaining the Center’s objectives:

	<b>Risk Appetite</b>
<b>Science</b> – AfricaRice will attribute a high premium to a cutting-edge and comprehensive science agenda aligned to the CGIAR vision 2035 and related SDGs.	High
<b>Research</b> – AfricaRice will ensure that the conduct of its research activities meets international standards.	Low
<b>Member countries</b> – AfricaRice places high priority on the demands for reproducible and useful knowledge and support to African countries on their goal to attaining rice self-sufficiency.	Moderate
<b>Partnerships</b> – Innovative and productive partnerships will be sought.	Moderate
<b>Partners</b> – AfricaRice will partner with reputable and appropriate institutions in its drive to achieve its mission.	Low
<b>Research Support operations</b> – Cost-effective and cost-efficient services in support of the Center’s research will be sought.	Low
<b>Financial management</b> – AfricaRice will manage its financial assets according to the most acceptable international standards.	Zero
<b>Compliance</b> – AfricaRice will comply with its agreements with countries and partners.	Low
<b>AfricaRice brand</b> – The AfricaRice brand will be protected.	Low
<b>Information &amp; Communication</b> – AfricaRice will share relevant information and effectively communicate with its national and international stakeholders.	Moderate
<b>People</b> – AfricaRice will strive to recruit and retain the best qualified personnel, whilst ensuring equity, gender diversity and inclusion.	Low
<b>Health and safety</b> – AfricaRice will comply with international Occupational Health Standards (OHS) at the workplace.	Low
<b>Environment &amp; Climate Change</b> – AfricaRice will strive to contribute towards the environmental sustainability and deal with consequences due to climate change.	Low