



UNITED REPUBLIC OF TANZANIA

MINISTRY OF INDUSTRY AND TRADE

ENTERPRISE WIDE RISK MANAGEMENT POLICY AND FRAMEWORK

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background

The Ministry of Industry and Trade (MIT) has undergone structural reforms since 1961. In the period of 1961-1965, the Ministry had three portfolios of Industry, Trade and Mineral Development and was known as the Ministry of Commerce and Industry. Between 1965 and 1967, the industry and commerce sectors were placed under two separate Ministries with the Ministry of Industry and Power being created to supervise the industry, Power and Mining sectors and the Ministry of Commerce and Cooperatives being created to take the responsibility for Commerce and Development of Cooperatives.

The Industry and Commerce portfolios were once again unified and placed under one Ministry on the re-introduction of Ministry of Commerce and Industry between 1967 and 1975. During this period, the Ministry's role was relatively flexible and, for instance, between 1967 and 1972, the Ministry of Commerce and Industry was also responsible for mining and power sectors.

Between 1972 and 1975, the mineral resource portfolio was retained while the power sector was shifted to another Ministry. Fundamental changes were later introduced in the Ministry's structure as a response to the demand of implementing the Basic Industry Strategy (BIS) in 1975, with the Ministry retaining only the portfolio of industry and being named the Ministry of Industry until 1984. From 1984 to December 2005 the Ministry was called Ministry of Industry and Trade. During this period the portfolios of industry and trade were unified. The Ministry of Industry Trade and Marketing (MIT) came into being in 2006 through the *Presidential Circular No. 2 of 2006* by bringing in the Commodity Marketing Department. Toward the end of 2010, the name of the Ministry changed into Ministry of Industry and Trade by Government Notice No. 494 of 2010 mandated with the same industry, trade and marketing sectors in Tanzania.

There are a number of support organisations and agencies under the Ministry. These organisations are broadly categorised as: Industrial Support Organisations (i.e., National Development Corporation–NDC, Tanzania Industrial Research Development Organisation–TIRDO, **Tanzania Engineering and Manufacturing Design Organisation–TEMDO**, Centre for Agricultural Mechanisation and Rural Technology–CAMARTEC, Export Processing Zone Authority–EPZA and Small Industries Development Organisation–SIDO), Business Support Organisations (i.e., Tanzania Trade Development Authority–TANTRADE, College of Business Education–CBE, Tanzania Bureau of Standards–TBS, Copyright Society of Tanzania–COSOTA, The Fair Competition Commission–FCC, The Fair Competition Tribunal–FCT, Tanzania London Trade Centre–TLTC, Tanzania Dubai Trade Centre–TDTC and Tanzania Warehouse Licensing Board–TWLB) and Agencies (i.e., Business Registrations and Licensing Agency–BRELA and Weights and Measures Agency–WMA). These Organisations support the Ministry to

achieve its national objectives. In terms of strategic planning the organizations must plan in tandem with the Ministerial strategic plan.

Vision

The vision of the Ministry is to see that Tanzania become a competitive, export-led economy and semi-industrialized country by 2025

Mission

The Mission is to create an enabling environment for sustainable growth of Industry, Trade, Marketing and SME sectors through effective policies and strategies, private sector participation, entrepreneurship development, and facilitating diversification of production, services and markets.

1.2 Mandate of the Ministry of Industry and Trade

The Government notes N0 494, published on 17th December, 2010 and came into operation on the 24th day of November, 2010, mandated the Ministry of Industry and Trade the following:

- a) Industrial, Internal Trade, External trade and Marketing Policies and their Implementation.
- b) Copyright and Neighbouring Rights.
- c) Intellectual Property Matters.
- d) Trade Practices Tribunal.
- e) Trade Practices Bureau.
- f) Weight and Measures.
- g) Intra and Inter – Region Trade Market Research and Surveys.
- h) International Organization (WIPO, ARIPO, GATT, UNCTAD, UNIDO, SADC and GROUP 77)
- i) Performance Improvement and Development of Human Resources under this Ministry.
- j) Extra –Ministerial Departments, Parastatal Organizations, Agencies, Programmes and Projects under this Ministry.

1.3 Core Functions

In carrying out its mandate, the Ministry of Industry and Trade have a number of functions that are core to its activities and are geared towards ensuring the fulfilment of its mission and the achievement of its vision. The core functions of the Ministry include the following:

- a) Formulation, coordination, implementation and review of policies and strategies for the industry, trade, marketing development and Promotion of SMEs;
- b) Monitoring and evaluation of performance of industry, trade, marketing and SME sectors, industry and trade support institutions;
- c) Awareness creation and promotion of environmental friendly technologies;
- d) Collection, analysis and dissemination of industry, trade, marketing and SME information and creation of industry, trade, marketing and SME databases;

- e) Promotion of domestic and foreign investment, promotion of business support services and value addition and post-harvest management for enhancing public-private competitiveness in the industry, trade, marketing and SME sectors;
- f) Development and promotion of domestic and international trade;
- g) Improvement of the performance of human resources;
- h) Promotion and protection of copyright and intellectual property rights;
- i) Facilitation of industry, trade, marketing and SME related infrastructure; and
- j) Facilitation of Research and Development.

1.4 **Core Values**

Professionalism

In line with one's field of study, Ministry of Industry and Trade staff will strive to achieve the highest standard of work and actively look for opportunities to improve those standards through competence and skill training.

Result Oriented

All staff will be appraised on the basis of output and outcomes achieved for efficient and effective service delivery.

Accountability:

Ministry of Industry and Trade employees should exercise openness, impartiality, accuracy and promptness in sharing information with all stakeholders.

Team Work

Ministry of Industry and Trade employees should demonstrate highest level of commitment, by working together, collaborating and coordinating in discharging their duties.

Customer Care

Ministry of Industry and Trade employees will demonstrate high level of respect, impartiality, courtesy, timeliness in the course of discharging their duties.

Integrity

Ministry of Industry and Trade staff should abide by the ethical code of conduct, respect for laws, not seek or accept gifts favors or inducement, financial or otherwise in the course of discharging their duties.

Participatory Focus

The Ministry of Industry and Trade employees should involve stakeholders in formulating, implementing, monitoring and evaluation of policies, programs and strategies.

Strategic Objectives

The Strategic Objectives addresses:-

- a) HIV/AIDS
- b) Anti-corruption
- c) Industry
- d) Small and Medium Enterprises
- e) Trade
- f) Market
- g) Quality Service

1.5 Rationale for implementing Enterprise Wide Risk Management Policy

The Ministry of Industry and Trade is responsible for formulating, implementation and reviewing policies and programs guiding Industrial, Trade and Small and Medium Enterprises development. On the other hand, the ministry holds the responsibility of safety and welfare of her internal and external clients. The ministry's responsibilities therefore engage in many activities that require substantial financial and human resources. While striving to undertake her responsibilities, the Ministry is also exposed to various opportunities and treats that may have an impact on the achievement of her objectives. The Ministry therefore needs to manage well her opportunities and threats in order to provide better services while maintaining value for money. Managing opportunities and threats effectively is all about managing risk within the organization. Risks are imbedded in all activities of the ministry at different levels. Some risks are not predictable and could lead not only to fail to achieve the ministry's objectives of an organization but also to unpredictable disaster. Hence, the ministry must take reasonable measures to reduce risks. Being this the case, it is worthwhile identifying the risks before they occur as one may have time and space to prepare and to put solutions in place if needed. It is within this context, the Ministry attempts to put in place the Risk Management Policy. The purpose of this policy assist in understanding and manage risks efficiently and effectively and thereby to contribute to improved decision-making.

This Risk Management Policy describes the processes that we will put in place and link together to identify, assess, address and review and report on our risks. The policy provides a holistic framework for the management of risk across the ministry. This policy will be an essential element of our strategic planning and it will encompass all strategic and operational

risks that may prevent the effective achieve of the envisaged goals. Overall, this Policy bears the following benefits:

- (i) It will enable the Ministry to manage risks in accordance with best practice hence ensure compliance of professionalism and ethics in her operations.
- (ii) It will enable the Ministry to have a risk register which will not only document potential risks threatening the Ministry to achieve her objectives but also act as a communicative tools that aids the management to make decisions.
- (iii) It will aid the Ministry in allocating her resources efficiently and sustainably.

1.6 Enterprise Risk Management Definitions

- (i) **Risk:** Likelihood of event occurring that will have impact on an organization achieving its objectives
- (ii) **Risk assessment:** Overall process of risk identification, analysis and evaluation.
- (iii) **Risk tolerance:** Range of variation acceptable without affecting the achievement of the business objective.
- (iv) **Enterprise wide Risk Management (ERM):** Holistic approach of analyzing risks of the all forms of organizations (profit and non-profit seeking) as a strategy to ensure and support achievement of objectives.
- (v) **Residual risk:** Risk remaining after implementing a risk treatment
- (vi) **Risk appetite:** Amount of risk taken in pursuit the organization goals.
- (vii) **Risk mitigation:** Process of selecting and implementing measures to modify risk (encompasses risk avoidance, risk reduction, risk retention and risk transfer).
- (viii) **Risk strategy:** An approach adopted for associating and managing risks based on the Ministry's objectives and strategies.
- (ix) **Risk treatment:** The process in which action taken by management to reduce the impact of the risk.
- (x) **Risk ranking and prioritization:** - The process of identifying and evaluating the risks in consideration of their impact to the operation in order to decide the proper method to treat.

- (xi) **Risk control:** All procedures and policies made by the organization for the purpose of managing the risks
- (xii) **Risk management:** Is a comprehensive process supported by appropriate strategies and frameworks that are designed to identify, analyze, evaluate, treat and monitor the risks that could prevent organization from achieving its objectives. It covers all areas of operation.
Risk profile: Prioritization of key risks
- (xiii) **Risk Reduction:** Action taken to lessen the likelihood, negative consequences, or both, associated with a risk.
- (xiv) **Risk register:** Comprehensive record of risks across an organization.
- (xv) **Enterprise Risk:** All risk in both profit and non- profit seeking organizations.
- (xvi) **ISO 31000:** Is an international standard which sets out, principles, framework and generic process for the management of risks that are applicable to any type of organization in public or private sector.

CHAPTER TWO

2.0 ENTERPRISE WIDE RISK MANAGEMENT POLICY

2.1 Policy Statement

The MIT shall adopt the Enterprise-wide Risk Management to ensure all risks in the entire operations are systematically managed.

2.2 Policy Objective

To ensure all MIT risks are identified, analysed, treated, monitored and reported timely and in a structured manner.

2.3 Standards

The Ministry's ERM will be based on the general principles and guidelines of ISO 31000 and MIT Enterprise- wide Risk Management Framework.

2.4 Scope

Enterprise Risk Management Policy will be adopted by all Departments and Units

2.5 Policy Implementation Approach

- (i) Each Department and Unit of the Ministry shall implement and operate a structured and systematic process of risk management. All key risks will be managed within a unity framework that is aligned to the Government governance responsibilities.

- (ii) Each department and Unit will be responsible to carry our risk management in all area of its operations starting from the planning to implementation.
- (iii) Each Department and Unit shall maintain an up to date risk register
- (iv) The Permanent Secretary shall appoint Risk Management Committee.
- (v) The Risk Management Committee will be the overall responsible to set strategies to implement and monitor the ERM activities within the ministry
- (vi) The Permanent Secretary shall appoint a coordinator for ERM, whose tenure will be determine by the Permanent Secretary from time to time, and will be responsible to the Risk Management Committee.
- (vii) Heads of Departments and Units shall ensure implementation of ERMP in all respective areas by identifying, analysing, evaluating, treating, monitoring, and reporting.

CHAPTER THREE

3.0 ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK

3.1 Introduction

Risk Management is important to the operations of the Ministry of Industry and Trade. It relates to the cultures, processes and structures directed towards the effective management of potential opportunities and adverse effects within the Ministry environment. The identification, assessment and control of risks are crucial to the success and realisation of the MIT's Vision and Mission. And an important part of risk management is development of effective systems.

Enterprise Wide Risk Management Framework (EWRMF) lays a structure, scope, and guidance in implementing ERM within MIT. Further the framework provides guidance in implementation by setting a structure and responsibilities of varies parties in the performance of risk management function within the MIT.

3.2 Objective of Enterprise Risk Management Framework

The main objective of ERMF is to provide guidance, scope and propose feasible and sustainable implementation strategies.

3.3 Application of the Framework

All Ministry of Industry and Trade Departments and units shall be responsible to implement this framework in all its functions.

3.4 Process for Managing Risks

Ministry of Industry and Trade will adopt the risk management process as specified in ISO 31000 such as to:-

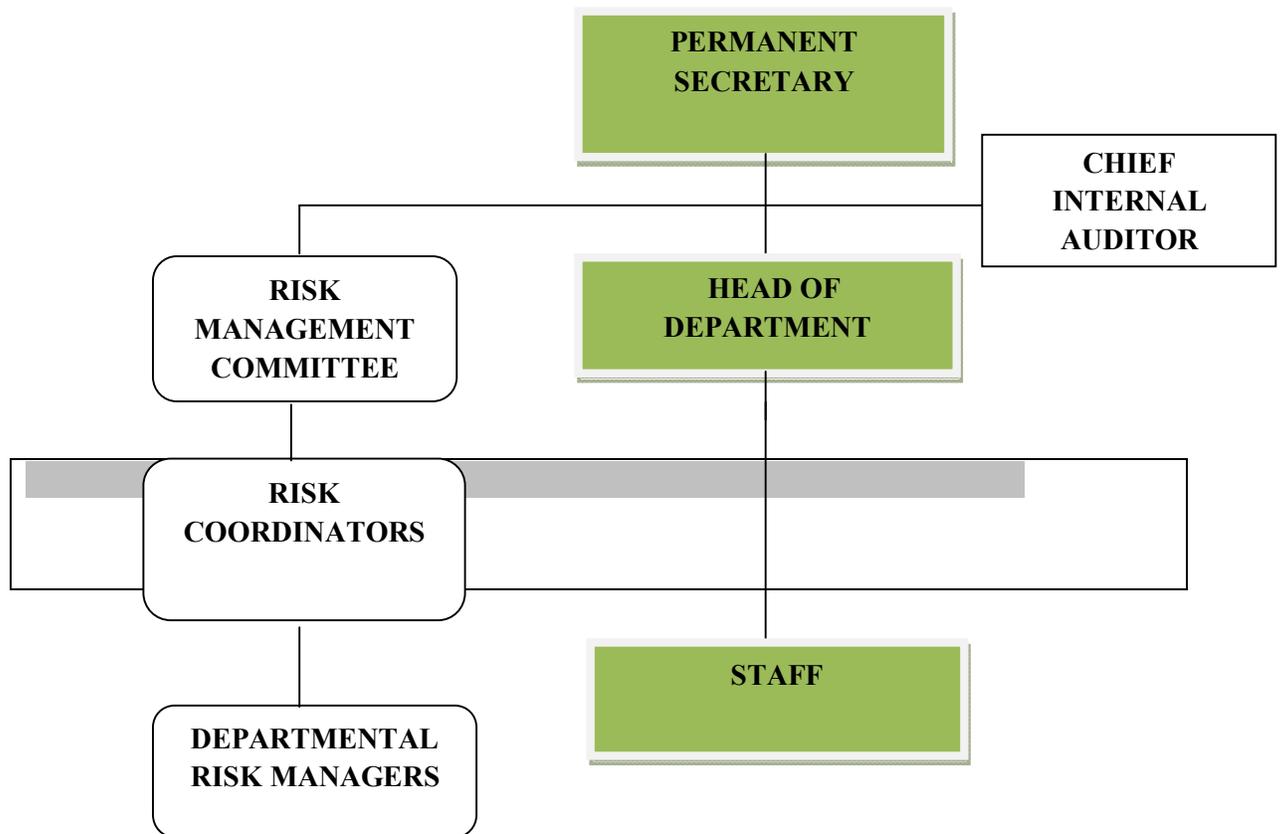
- (i) **Establish the risk context** - the strategic and organisational setting within which the risk management process of the MIT will take place.
- (ii) **Identification, analysis and assessment** – identification of what, why and how events may arise, the determination of existing controls, and likelihood and related impact.
- (iii) **Evaluation of risk** – measure of the consequence/impact to the objective
- (iv) **Treatment of risk** - any action to eliminate or reduce the impact of the risk.
- (v) **Monitoring of risk** - continuous process to review and evaluate the risks and related controls in the view of ensuring risks are within the acceptable levels
- (vi) **Communicate and consult** - risk related information conveyed and obtain feedback to and from all relevant parties timely.

3.5 **Categorisation of Ministry of Industry and Trade Risks**

Ministry of Industry and Trade risks shall be groups into Six (6) major categories:-

- (i) **Strategic Risks:** – risks related to high level goals that are aligned with and support the MIT mission.
- (ii) **Operational Risks** – loss of resources resulting from breakdown in internal procedures, people and systems;
- (iii) **Financial Risks** - loss resulting from the use of money without an equivalent value addition to MIT operations;
- (iv) **Information and communication risks** - failure of MIT Information and Communication System to provide required availability, confidentiality and data integrity;
- (v) **Compliance Risks** – failure of MIT operations adherence applicable laws and regulations;
- (vi) **Reputational Risks** - any event committed directly or indirectly which can damage MIT public image.

3.6 Enterprise Risk Management Organisation Structure



3.7 Division of Roles and Responsibility

- (i) **Permanent Secretary** - Will be responsible for implementation of ERM and will be advised by the Risk Management Committee.
- (ii) **Risk Management Committee** - shall be responsible for approving the Risk Management Policy, Risk management Framework and Risk Appetite. Also will discuss MIT risks reports and provide the overall directives to Risk Management coordinators
- (iii) **Head of Department and Unit** - responsible for implementing the ERM according to the standards and Framework adopted by the MIT.
- (iv) **Risk Management Coordinator** - Responsible for coordinating ERM functions in all Departments and Units, and report to the Risk Management Committee
- (v) **Departmental Risk Managers** - Responsible for ERM functions in the Department and Units and reports to the respective Head of Department and Unit
- (vi) **Chief internal Auditor** – Responsible to evaluate the effectiveness ERM in all MIT functions
- (vii) **Staff** – Responsible to apply risk management on day to day operations.

- (viii) **Director of Policy and Planning (DPP)** - responsible for Developing a methodology and framework for enterprise risk management which can facilitate risk monitoring and improvement in the Ministry.

3.8 Enterprise Risk Management Techniques And Methods

- (i) Risk assessment is a subjective assessment and therefore can use both quantitative and qualitative measurement methods depending on the data available and underlying circumstance.
- (ii) In order to maintain consistency some evaluation tools shall be adopted and applied across the MIT for the purpose risk assessment.
- (iii) Risk shall be considered as a combination of impact and its probability/likelihood.
- (iv) Risk shall be categorized and ranked according to the extent of which it can affect achievement of the goals

3.9 The Heat Map - a tool to measure the extent/rate of a specific risk that can affect achievement of organization objectives. It is represented by horizontal and vertical axis, connoting impact and likelihood of an event.

3.10 Risk Ranking Categories – Risk shall be categorized as High speed (Red color) : Risk is high and need immediate action within very short time Medium speed (Yellow) : Risk is moderate and need relatively longer time to fix compared to High risk category and Low(Green Color): Risk treatment time is the longest compared to high and medium risks

2. Heat Map

Likelihood	Near Certainty(NC)	5	10	15	20	25
	Highly Likely(HL)	4	8	12	16	20
	Likely (L)	3	6	9	12	15

	Low Likely(LL)	2	4	6	8	10
	Extremely Improbable(EI)	1	2	3	4	5
		Minimal	Minor	Major	Serious	Catastrophic
	Severity/Impact					
	<u>Risk Value Legend</u>					
	Low: Smaller than Five(5) – Green					
	Medium: Greater Than Five and Less than 12 – Yellow					
	High: Greater than 12 – Red					

3.11 Risk Monitoring and Evaluation

- (i) There shall be a mechanism to ensure continuous performance of ERM and resources are used properly, records are maintained and each party knows and perform ERM responsibility;
- (ii) Treatment of Risk must consider cost-effective; preventative and contingent control measures;
- (iii) Risk mitigation shall ensure that procedures are adhering to legal and regulatory requirements;
- (iv) Risk treatment shall include and not limited to implementing and maintaining adequate internal controls and monitoring their continued effectiveness; and
- (v) Implementing those measures as recommended by the internal and external auditors, which in their opinion will enhance control at reasonable cost

3.12 Continuous Improvement

- (i) Ensure that the risk management induction, training and education programmes are targeted appropriately for all levels of employees and that they are established and implemented;
- (ii) Review and recommend actions for improvement regarding outstanding issues on risk management plans;

- (iii) Improve the risk profile of the Ministry as well as for major projects and new ventures,
- (iv) Review issues for consideration as identified by the Risk Management Committee
- (v) Review the risk assessments on annually basis to determine the material risks to which the Ministry may be exposed and consider note and if necessary, comment on the strategy for managing those risks;
- (vi) Keep abreast of all changes to the risk management and control system and ensure that the risk profile and common understanding is updated as appropriate, and
- (vii) Risk Management Committee will regularly inform the Permanent Secretary the material risks which the MIT is exposed to and plan of action to mitigated such risks and areas for improvement

3.13 Control Requirements

For every risk which has been identified, a number of controls, mitigations or interventions will be designed to reduce the impacts of the risk. These measures will be identified and evaluated by all departments and Units and will be monitored by Internal Audit Process. In conducting the aforementioned measures the following aspects may be considered and not limited to:-

- a) Evaluations of all the available controls at MIT in terms of appropriateness and performance such as policies, strategies, plans and operational procedures.
- b) Identification of those gaps of the effectiveness of current control against required control.
- c) Identification and evaluation of all risks at MIT
- d) The evaluation of the ability of MIT to respond to risk.
- e) Availability of Risk register and action plan has to be evaluated or verified.
- f) MIT Management should decide and record on action plan of tolerating, treating, transferring or terminating all identified risk in the risk register.
- g) The effectiveness progress made on risk intervention has to be monitored by Internal

3.14 Governance Requirements

- (i) Establish an organizational framework of Quality Assurance for key risks and controls**

A framework of assurance must be developed for key MIT's risks. Key players in the Ministry will involve the Executive Management, Operational Management, External

Auditors and Internal Auditors. Other experts may be chosen depending on risk categorization specialization: such as IT, Engineers and Lawyers etc.

(ii) Internal audit function provides assurance on risk management processes

Internal audit must examine the techniques used to identify risk. The categories and the scope of risk assessments should be considered. The methodologies used to extract risk information must be reviewed. Monitoring processes should be wholly aligned with the results of risk assessments. The internal audit function should particularly seek evidence that the processes of risk identification are dynamic and continuous, rather than attempt to comply with governance expectations. The effectiveness of Enterprise Risk Management processes should be subjected to an audit on an annual basis.

(iii) The outputs of risk assessments to be used as direct input to the internal audit plans

Internal audit plans depend greatly on the outputs of risk assessments. Risks identified during risk assessments must be incorporated into internal audit plans, in addition to management and Audit and Risk Committee priorities. The risk assessment process is useful for internal audit staff because it provides the necessary priorities regarding risk. The audit activities will focus on adherence to controls for the key risks that have been identified. In addition, internal audit staff may advice management towards the need for better controls around key risks.

(iv) Internal audit results provides assurance on quality and reliability of risk information

The internal audit function plays a key role in coordinating the key players in the risk management process to provide assurance to stakeholders. Internal audit is not normally the only provider of assurance. The function does, however, have an important role in management, the external auditors, regulators and subject specialists.

(v) Business Continuity Management

To ensure continuity of Ministry of Industry and Marketing operations it will have a Business Continuity Management Plan in place, which will be revised and tested annually. The results of such testing and simulations should be reported to the Risk Management Committee.

This policy was made on 2011 and approved by:

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JOYCE K. G. MAPUNJO
PERMANENT SECRETARY