Risk survey of Dzikwa Activity Center -building project, case Zimbabwe aids orphans society

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Risk survey of Dzikwa Activity Center -building project, case Zimbabwe aids orphans society

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This thesis is a risk survey of a building project in Zimbabwe. The project is to build a Dzikwa Activity Center in a township called Dzivarasekwa, near the capital city of Harare. The Zimbabwe Aids Orphans Society, established in 2003, and its associate organization in Zimbabwe, called Dzikwa Trust Fund are running in close collaboration with the education support program for underprivileged, talented orphans in the township of Dzivarasekwa.

Zimbabwe Aids Orphans Society and Dzikwa Trust Fund have come to the conclusion that to enhance long-term sustainability, the education support program needs proper facilities for the delivery of various support services for the orphans. This thesis is surveying and analysing the risks connected with the Dzikwa Activity Center building project.

Zimbabwe is a developing country with practically collapsed economy in a need for external assistance. This has to be taken into consideration, while researching and observation the risks that affect the Dzikwa Activity Center building project.

The survey has been done based on the groundwork in the township. The approach and method applied have been research and observations in field work in Zimbabwe. The theoretical part is a framework for define terms used.

Keywords  Risk, risk survey, project risk, political environment risk, economical environment risk, developing country
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1 Introduction

Zimbabwe Aids Orphans Society is a registered non-profit, charitable organisation, established in 2003 in Siuntio, Finland and engaged in grass-root development assistance work. In 31.12.2008 the society's membership had grown to 141 and by 31.12.2009 it stood at 248 members. The main purpose of the society is to collect funds and other resources in order to secure basic education and welfare for talented poor orphans in Zimbabwe. (Zimbabwe Aids Orphans Society, 2008)

The education support programme, started back in 1992 with one boy by Seppo Ainamo, now covers more than 400 children in a densely populated township called Dzivarasekwa, 20 km outside the Zimbabwean capital city, Harare. The Society works together with an associate organisation in Zimbabwe, called Dzikwa Trust Fund. Dzikwa Trust Fund was established as a private trust fund in Harare in 2002 to oversee and provide guidance for all support activities. The two organisations have a written Memorandum of Understanding covering the education support programme. The division of responsibilities between the two organisations is quite clear:

- The Finnish society's funding and other resources are donated directly to Dzikwa Trust Fund. The society collects funds through sponsor fees and through special fund-raising efforts. The society has about 240 dedicated sponsors in Finland, Germany, Scotland and UK. The society currently enjoys its second 3-year grant from the Finnish government for the years 2009-2011; the first grant received was from the years 2006-2008. This annual grant from the Finnish Government’s development cooperation funds, under the Ministry of Foreign Affairs’ NGO Development Cooperation Programme (“kansalaisjärjestöjen hanketuki”) covers about 50% of the society’s budget. The society has no employees on pay-roll. All the inputs come from volunteers, as it is typical for civic society organisations.

- Dzikwa Trust plans, directs, implements and monitors and controls all activities on the ground in Zimbabwe. Dzikwa Trust Fund currently has five full-time employees and about 20 people on part-time employment contracts. (Zimbabwe Aids Orphans Society, 2008)

Support provided for the helpless orphans covers the following: school fees, school uniforms, sports- and footwear, books and other accessories, a daily hot meal, basic health and dental care, extra lessons and tutoring, as well as environmental education, sports and cultural training and field activities. Dzikwa Trust also rents one large house in Dzivarasekwa, where it accommodates up to 30 orphans. This Shelter Home is situated to the Rujeko Street, the same street as the stand of the Dzikwa Activity Center.
The Governance structures include the Board of Zimbabwe Aids Orphans Society, The Board of Trustee of Dzikwa Trust Fund and the Dzikwa Operations Committee. The Finnish founding’s father and mother, Seppo Ainamo and Oili Wuolle, act as Programme Directors and spend more than half of the year in Zimbabwe. Both organisations are audited by local chartered accountants (“KHT-level”) in their respective countries. The annual budget for the education support activities in 2008 was € 115 000. The amount of support given per child on average in 2008 was € 225.

In addition to the basic education support operations, Dzikwa Trust Fund is currently building a fully functional Activity Centre for the orphans. Dzikwa owns a 1/2 hectares stand in Dzivarasekwa. Building permits for a 560 square meter main building and a small caretaker’s house were approved in June 2007. The total estimated cost for the building project is € 700 000. The Finnish society has a dedicated fund-raising permit for the project (OKH137A) in Finland, valid until 31.12.2010. The two organizations also have signed a special Memorandum of Cooperation in 2008 covering the building project.

In 2007, the Zimbabwe Aids Orphans Society was awarded the first price in the PricewaterhouseCoopers Finland’s “Open Report 2007” competition. It won the series for small societies and foundations out of 130 participating organizations. The price was given in recognition of the quality of annual reporting to all stakeholders.

Operating environment in Zimbabwe

The economic situation in Zimbabwe is close to collapsing. Growth has been on a decline since 1999 and, at the same time, prices have been escalating at rapidly increasing pace year after year. Consequently, the main challenge in any Zimbabwe’s project in recent years has been how to make a sensible budget and a project plan by using local costs.

The World Bank is providing long-term economic and other assistance generally in Africa. In its Global Monitoring Report 2007, the World Bank has evaluated the main problems and highlighted the key messages that are crucial for improving the situation in Africa. In WB-statistics, Zimbabwe is doing well for achieving the Millennium development goals despite of the lately downward-spiralling economy. Development in many areas is good comparing the
statistical information with other African countries. African economies are in unique situations. Basically this means that any economy in Africa has high transport cost, but small markets compared to Asia. In Africa, it is typical to have low productivity in agriculture, mainly because of erratic rainfall that causes agriculture to be more seasonal, and due to the lack of wide-spread irrigation systems. Africa has a very high disease burden. Africa also has a history of adverse geopolitics. One of the unique circumstances is also very slow diffusion of technology from abroad. Implementing technological advances faster would help Africa’s development in many areas.

(The World Bank. 2007)

(United Nations Development Programme. 2005)

Zimbabwe is a land-locked country in Southern Africa, covering 390 580 square kilometres and with about 13 million inhabitants. Zimbabwe was known as Southern Rhodesia under the British rule; it became independent in 1980 and is, by constitution, a parliamentary democracy. The currently serving President R.G. Mugabe has been elected to power ever since the start of the independence. Zimbabwe has plenty of natural resources and a temperate climate, with occasional draughts. The country’s main agricultural products are maize, cotton and tobacco, as well as fruits and vegetables. It has plenty of natural resources such as coal, chrome, gold, platinum, asbestos, copper and nickel.

(Robertson, May 2008)

The operating environment in Zimbabwe is currently very challenging. The main reasons are severe economic meltdown and the accompanying hyperinflation. The Zimbabwe’s economy has been on severe decline since 1999, and the pace of the deterioration has accelerated steeply in the past three to five years. The path for Zimbabwe’s GDP growth has been the following:

1. 1998 +1.8 %
2. 1999 -0.8 %
3. 2000 -5.1 %
4. 2001 -8.4 %
5. 2002 -4.4 %
6. 2003 -10.4 %
7. 2004 -4.2 %
8. 2005 -6.5 %
9. 2006 -5.1 %
10. 2007 -12.0 %

(Robertson, May 2008)
Estimated unemployment is 80% or more, and the so called “grey” or informal economy may be bigger than the formal economy. It has been roughly estimated that 4 million Zimbabweans live and work abroad (so called “Diaspora”). According to the International Monetary Fund estimations the true budget deficit would be 60% more than the GDP. Inflation levels reached 700 000% in April 2008 and over 231 million % in August 2008, whereas in 1995 annual inflation was as low as 22 %. The main cause for inflation is seen to be the break-down in the production base of the economy after the land reform programme, and the fact that government has been printing money to finance deficits. According to the World Bank Online Atlas on Millennium Development Goals, the share of population living on less than USD 1/day is 56 %, data from 1995-2004. It is estimated that Zimbabwe’s GNP per capita, purchasing power-corrected, has declined to about USD 130 in 2008. In August 2008 the Reserve Bank of Zimbabwe abolished 10 zeros from the local currency, Zimbabwe dollar, to alleviate practical problems with inflated nominal values. This exercise was repeated by slashing 12 zeroes in early 2009. Most recently, in February 2009, the use of Zimbabwe dollar has been totally stopped and the two currencies used most widely are US-dollar and South-African rand. The monetary system has been officially “dollarized”. Life expectancy for women is now 34 years and for men 37 years. In 2005, Hiv/ Aids-infection levels concerned around 1,8 million people. Today it is estimated that about 400 people die per week from HIV/ Aids related causes. Zimbabwe has a developed network of Primary and Secondary schools, and according to the World Bank about 80 % of children complete primary education, data 2000-2006. (Helsingin Sanomat 28 Jun 2008) (Holland. 2008.) (Robertson, May 2008) (World Bank. 2000-2004 data)

2.1 Impact of economic situation on operation environment

According to the Economist John Robertson, one of the main reasons for Zimbabwe’s current demise in economic and socio-economic terms can be stated as follows: “The forced closure of more than four thousand large-scale farming companies that constituted the country’s biggest business and export sector meant that Zimbabwe’s economy quickly fell victim to a devastating sequence of events that followed upon the rapid falls in export revenues, the loss of employment, production and vital supplies, and the country’s rapidly declining credit worthiness.” (John Robertson). (Robertson, May 2008)

In the analysis by John Robertson: “These negative trends in commercial farming also quickly resulted in profound damage to every other business sector, and soon resulted in tax revenue
losses for government, causing declines in the delivery of health, education and other social services. The country is in need of massive capital injections.” (John Robertson).
(Robertson, May 2008)

In summary, the Zimbabwean economy is almost a collapsed economy. The crucial infrastructures for economic activity as well as the capacity of the country’s social welfare system are seriously eroded. Based on the recent statements from the new two-party government, the so-called Government of National Unity, the country is in need of USD 5 billion worth of external assistance to re-vitalize its economy, its infrastructure and basic social services.
(Robertson, May 2008)

The above-described devastating trends have had profound impact on the operating environment of Dzikwa education support program, especially in the last couple of years. The education system in 2008 experienced huge setbacks, as teachers were striking several times and schools were not operating at all for long periods in 2008. Food security has been rapidly eroding and there have been shortages in all basic commodities. This has meant that Dzikwa has been compelled to buy large quantities of food supplies in advance and store them, or source them partly from neighboring countries. The sky-rocketing domestic inflation meant unexpected cost increases in most areas of Dzikwa support services.
(Robertson, May 2008)

The economic situation has caused Zimbabwe to also experience major setbacks in the health care service sector, due to eroded infrastructure and lack of doctors and other qualified persons. Dzikwa has experienced problems due to reduced availability of services in government clinic and hospitals, and due to significantly increasing cost of health care services for Dzikwa-children. The outbreak of cholera in the second half of 2008 further exacerbated the situation in Dzivarasekwa.
(Robertson, May 2008)

3 Dzikwa Activity Center building project

In the last 3 - 4 years Dzikwa Trust Fund’s operations have grown significantly. The number of supported children has reached more than 400 and also the scope of support services provided to these children has significantly deepened. As a result of these trends, some of the longer-term main concerns of Dzikwa Trust to enhance sustainability are the following:

1. improving facilities for daily food preparation
2. providing safe environment for dining
3. enhancing facilities for Dzikwa library and for children’s homework and study
4. enhancing arrangements for extra lessons and extra-curriculum cultural or recreational activities
5. establishing proper facilities for IT-lessons
6. providing counseling services in a safe environment
7. improving operational effectiveness
8. ensuring safe storage space for goods and supplies
9. streamlining of distribution of supplies

(Dzikwa Activity Centre Brochure)
(Ainamo S. Wuolle O. 12th Dec 2007)
(Ainamo S. Wuolle O. 13th Feb 2008)
(Zimbabwe Aids Orphans Society’s Fund-raising Campaign Plan 2007-2008)

In short, Dzikwa needs to create a proper infrastructure for sustainability in the long-run, with growing numbers and more multi-faceted services. The Boards of Zimbabwe Aids Orphans Society and Dzikwa Trust Fund have decided to meet these challenges by building a fully functional Dzikwa Activity Centre in the middle of Dzivarasekwa-township. The house will have a kitchen, a large dining/lounge area, library, study rooms, a 18-seat computer classroom, office, meeting-, storage- and laundry facilities, a ball court, a two-roomed caretaker’s house, vegetable garden and refuse collection/separation, as well as a borehole, water tank and storage for a diesel generator. There will be no rooms for accommodation in the Centre.

(Dzikwa Activity Centre Brochure)
(Ainamo S. Wuolle O. 12th Dec 2007)
(Ainamo S. Wuolle O. 13th Feb 2008)
(Zimbabwe Aids Orphans Society’s Fund-raising Campaign Plan 2007-2008)

Dzikwa owns a half hectares stand for this purpose on Rujeko-street, Dzivarasekwa 1. All building plans have been drawn by a local reputable architect and approved by the City of Harare. Site preparation and building work have been on-going since May 2007. The building will be conducted in stages so that smaller sub-projects are awarded to smaller building companies, and for the main building, the intention is to have a negotiated contract with a larger, more resourceful building company. The total estimated cost for this major building project is € 700 000, out of which about € 42 000 has already been spent on architectural drawings, approval processes, site preparation, soil testing, water divining, palisade-wall building along Rujeko-street, ball court preparation, borehole drilling and preparations of the Northeast cornerstone for 12.11.2007 special ceremony.

(Dzikwa Activity Centre Brochure)
(Ainamo S. Wuolle O, 12th Dec 2007)
The Finnish society applied for a dedicated grant of €500,000 from the Ministry of Foreign Affairs ("kansalaisjärjestöjen hanketuki") for the year 2009. The rest of the budget, €200,000, will be collected from private sources, both by the Finnish society and Dzikwa Trust. Main donors so far include Scottish Royal Arch Freemasons Charity Fund, as well as individuals channeling consulting fees and/or celebration gifts to the building project. Additionally, funds are being collected through face-to-face collection, “päivätökeräys” - campaigns at schools, event-marketing and alike. The society is also approaching certain foundations and companies in Finland and globally to apply for funding for a dedicated sub-project within the overall building project.

Non-monetary support for the building project is also important. Dzikwa Trust is currently receiving meaningful in-kind support in Zimbabwe from the largest insurance company in Southern Africa region, Old Mutual. Old Mutual Zimbabwe is donating its expertise in real estate field to Dzikwa, totally free of charge. The contribution is part of the company’s social responsibility initiatives. There is a written agreement of co-operation between Dzikwa and Old Mutual for the duration of the building project. Old Mutual’s real estate experts are involved in updating cost estimates, identifying suitable construction companies, drafting invitations for quotations, negotiating agreements and leading the operative Management meetings for monitoring building activities.

4 Definitions for risk and risk management

J Rodney Turner is defining risk management as a four step process in his book. The first is to identify the risk, the second is to assess the impact of the risk, the third step is to develop a strategy to reduce and control the risks and the last step is to monitor and control the risks. (Rodney Turner 1999, 229.)
A danger of damage or uncertainty situation can be related to the word risk. In theoretical thinking, the risk can be related to different process, succeeded process or unsucceeded process. More closer to change between these processes. Typical risk characteristic is the uncertainty of unsucceeded process to appearance. In statistic thinking the word risk is related to likelihood of uncertainty to happen. To word risk is common to be known as a threat of loss in statistical thinking. For risk management it is important to have a rank order based to the extension of the risk and for the consequences of the risk. A rough evaluation is practically needed to be done this evaluation. For the consequences of the risk are related mental images that can be different. Mental images are hard to define and they might not be clear enough to be clarified. In risk management these mental images can affect to the evaluation of different risks. The evaluations of the risks are based on to likelihood of risk to happen and for the seriousness of the consequence of the risk. (Suominen, 1999)

The starting point for a company to evaluate the relevant risks is from its own field of operations. A company has different activities in economic, social and political environment. These activities create the basis for risks faced by the company. “Business and accident risks are not independent risks; they are dependent on each other” (Suominen, 1999, 12). Unrecognized risk is a risk that the company cannot control. Recognizing the risks threatening the company is an important starting point. Risk analysis therefore begins with the identification of all the risks that are threatening the company, and finding the consequences of these risks and reasons for these risks to appear. Risk management process focuses on finding solutions to decrease or avoid these risks. (Aalto-Setälä, Amper, Haussila, Hemmo, Lintumaa, Saloheimo, Salomaa, Strömberg, Tuomainen 2002, 334) (Suominen, 1999.)

In order to deal with risks, one has to be able to explain different risk types, their underlying reasons and how the risks are being represented. To be able to define risk, the company has to consider both components of the risk, the unwanted consequence and the uncertainty of the appearance. Risk analysis is a very important tool for a company to control the risks. (Hallikas, Karvonen, Lehtinen, Ojala, Pulkkinen, Tuominen, Uusi-Rauva, Virolainen, 2001)

4.1 Defining different approaches to risk

There are different categories to divide risks. These different categories are helping, when plans for the company’s risk management are done. The same way as there are different types of risk, there are different ways to control the risks. (Suominen, 1999)
One way to divide the risks are the activities that the company has. Company has activities in economic, political and social environment. The risks are from these areas. In these areas the risks can be seen as accident risks and business risks. For the risk management it is important to recognize and divide different risks. Other ways to divide the risks are the ways to control the risks. The way to control a risk is a part of risk management. In this thesis there has been used observations and research as a ways to approaches different risks. Risk management is a process that is going on as step by step, not as a project that has the beginning and the ending. Traditionally the key to risk management is evaluation of the risk, controlling the risk and financing the risk management. In this kind of thinking the traditionally ways to control the risk are avoid the risk, decrease the risk, share the risk, transfer the risk and take the risk. In following chapter this thesis is defining these terms more carefully. 

(Suominen, 1999)

4.1.1 Avoid the risk

“To keep avoiding risk can be seen as the “mother” of risk management ways.” (Suominen, 1999, 101) Avoiding the risk is also often associated with the term removing the risk. Company can remove risk by ending high-risk functions and activities. 

(Suominen 1999, 101)

When the company is trying to avoid a risk, it operates more carefully and more cautiously. Usually avoiding the risk is becoming more expensive to the company. Sometimes company can see that it is impossible to avoid the risks. When making the decisions in risk management, avoiding the risk is not always the best way to handle risks. Avoiding the risk is not always reasonable way to tolerate appropriate risk. Main point in avoiding the risk is to make the company’s strategy clear and reasonable. When trying to avoid the risk, risk has to be known and recognized first. The company’s strategy and long-term plans have to be made so that the risks are known and avoiding them is possible. Avoiding the risks can be difficult and stressing. Avoiding the risk implies that the company has to continuously monitor and measure the impact of avoiding risks on its everyday operations. In risk management avoiding isn’t always the best way to control risks. Avoiding risk isn’t always even possible to a company. To avoid the risk the company tries to run everyday operations more carefully and cautiously. 

(Suominen 1999, 102)
4.1.2 Decrease the risk

Idea of decreasing the risk is to keep the possible damage to get as small as possible, or to limit the damage to certain part of the risk object. Theoretical ways to decrease the risk are sharing the risk and the combination of risks. (Suominen, 1999)

Company can combine risk through growth. For example if a company has many stocks in different places, the products are retained in many places. In that way the company is combining the risk. There are still same risks than before, but including smaller risks. Decreasing the risks is a better option for the company than avoiding the risks. While decreasing the risks the company has considered and recognized the risks. The company is expected to draw up a management plan where all actions to decrease risks are elaborated. When the company is decreasing risks, the consequences should be smaller, in case the risk is realized. The risk management plan should also single out necessary actions for what to do in case the risk comes true. (Suominen, 1999)

4.1.3 Share the risk

"Sharing the risk is the central way to control the business risks". (Suominen, 1999, 104). Company can share the risk by dividing the markets in a new way. Risk management decision is meant for the company to protect them from the worst possibility. (Suominen 1999, 104)

Main point in sharing the risk is to avoid the loss that is coming from unilateral risks. Decrease the risks one way is to try to influence positive way for uncertainty. Company can inform the staff of danger of accidents. This is increasing the positive attitude to uncertain situations. When sharing the risk, the company is a well aware of the risks that are included to the operations. In business plan and long-term strategy these risks are named and the risks are in everyday business. Sharing the risk is a good option to the company. When the company is sharing the risks, it has to be recognized and measured. This helps the company when dealing the risks. In case the risk happens, the preparations and monitoring is helping the company to get over of the damage what the risk is causing to the company. Generally in the risk management the recognizing and measuring the risks are one of the key factors to the company’s success in emergency situations. (Suominen 1999, 105)
4.1.4 Transfer the risk

The main point in transferring the risk or damage control is to decrease the costs of damages. Typical way to damage control is to ensure the company’s function. Practically it means that company is investing for security or damage control such as sprinkler systems for case of fire. (Suominen, 1999)

Transfer the risk is usually carried out by insurance. Company can insurance their functions for cases like fire, natural disaster, power failure and staff’s accidents. Company can make their own security plan, which helps the staff to know how to work in emergency and accident situations. Security plan requires regular practise and sustained supervision. There are statutory insurances that the company has to take. Mostly statutory insurances is connected to cover personal risks. These statutory insurances cost has major part of the risk cost. Company can take voluntary insurances to help in risk management. In case taking voluntary risk, the company has to evaluate the importance of taking insurance. Typically a company takes voluntary insurances that are connected to property, staff and the functions of the company. Transfer the risks are the most common way to prepare to risks in operations. Maybe it is the best way. When company transfers the risk, the cost and consequences of the risks are handled by insurance company. For the company the lost are smaller and the company’s operations may continue after the risk has come true. For example if there is a fire in the company’s property and the company doesn’t have insurance, the cost of reparation may be too big for the company. If the company has insurance for fire, the insurance company is taking care of the cost. The only harm for the company is the interruption in functions. (Suominen, 1999)

4.1.5 Take the risk

Taking the risk means that the company does not have an alternative to avoid the risk. For company’s sake it is important to get the risk cost as low as possible. Taking the risk is usually based on economical reasons. (Suominen, 1999)

When taking a risk, a company is totally responsible for the cost, that is caused if risk happen. Company can cover the cost by saving some money every year to fund. Saving money to fund has a bad side, and at the beginning the company does not have enough money to cover big damage’s. Taking the risk means that the company has to be able to carry the consequences of the risk. When company is taking the risk, it is important that the company has a good risk management plan and that the plan is up to date. For some company taking
the risk is a part of the company’s strategy. This means that the company has measured the risk and the consequences of the risk are small for company’s point of view. In some cases the risk and consequences are big but the probability of the risk is small and the company is seeing that it’s not necessary to do anything for the risk.

(Suominen, 1999)

4.2 Risk management

Traditionally defined risk management is a process where the main point is to reject the dangers that are threatening the company and to try to diminish the loss coming from the risks. The process is starting from the identification and recognition of the risks and ending in the risk management program.

(Suominen 1999, 27)

“A well-functioning risk management requires from company both long-term commitment and preparedness to begin to promotive action to risk management “(Suominen, 1999, 97). Small companies don’t need separate risk management from other functions. In small companies risk management can be taken care of within the actual work. In larger companies risk management can be separated from other functions to its own part as a company’s management. Risk management is starting from risk analysis. After analysing the risks that are threatening the company’s everyday operations, next step is to make a plan to control these risks and plan how to manage from the risk, if it’s happens. For the company it’s important to understand that the risk management is a part of everyday operations in the company. Risk management cannot be done as an individual project, separated from other operations in a company. Risk management and risk analysis should go on as processes. A part of risk management is to recognize the company’s risk profile and ability to tolerate different styles of risks. Using different options of risk management ways, company is able to predict the risk better. It is also helpful to get rarely appearing risks flows to come more even. Risk management ways are usually divided to five different ways. These ways are avoid the risk, decrease the risk, sharing the risk, transfer the risk and taking the risk.

(Suominen 1999, 97-98)

Risk management’s basic job is to make sure that the company stays operational as a going-concern. Risk management’s goal is to keep the company in as much balance as possible. Risk management is not only the function that is needed to keeps functions in balance. It should help the company to adjust and develop its business operations and to engage in forward-looking planning. Risk management function provides valuable information to all levels of management, in order for them to take active decisions in directing the business.

(Jauri, 1997)
4.3 Estimate risks in voluntary work

An estimated risk is a step to a safe working environment. Extensive and carefully made risk analysis gives to employer a real picture of the dangerous situations that are threatening the working environment.

(Myllymaa, Porkka 2007)

In voluntary work the concept of terms is a little bit different. Danger or danger factor seems as something that is causing risk to employee’s health or security. Risk in voluntary work is seen as the probability of the danger situations. In voluntary work it is hard to calculate the financial loss or cost of what the risk is causing. Security means that the possible accidents do not appear. Estimating the risk is a process where the risk that may cause danger to employee’s health or security in working environment is found. It is systematic work to recognize the dangers and define the greatness of the risk. In voluntary work risk management is systematic work to continue the functions and make sure that the employee’s working environment is safe. Risk Management covers all the functions that make risks smaller or remove the risks.

(Myllymaa, Porkka 2007)

4.3.1 Recognize the risk factor’s

In voluntary work, the experience has major role as it comes to the risk factors. In recognizing the risk factors, it is important to consider how risks come into being both in normal situations and in extraordinary and stressed situations.

(Myllymaa, Porkka 2007)

Estimating the risks is important and it should give a full picture of the threats and underlying factors. The instrument for recognizing the danger factors is a check-list and a questionnaire. The check-list is not the best way to estimate the danger factors in voluntary work. In order to get more information from danger factors it is useful to make interviews and checking the working environment. To estimate the risks in voluntary work is different from estimating risks in company or business life. In voluntary work person’s risks and the environmental risks are more important. The most demanding step in estimating the risks is defining the largeness dimensions of the risk. It is important to define the probability of risk. The impact of the risk can be rated in a chart, where there are three steps defined by the seriousness of the risk. The first rate is slightly harmful, the second one is harmful and the third one is very harmful. That chart will help estimating the risks and estimating the seriousness of the risks. This chart will help putting the risks in order so it is easier to decide actions to diminish the impact of
risks. Risk Management is work, where the actions to diminish the risks are decided. Risk Management is a plan to achieve the results to diminish the risk. It is important that Risk Management is a part of the daily work. Monitoring is important and the risk plan should be checked in specific time period. Risk Management is work that may change daily. Environment has huge impact on Risk Management. Environmental changes are affecting risk management plan. (Myllymaa, Porkka 2007)

5 Risk survey for Dzikwa Activity Center building project

Risk survey of this building project has two important dimensions. The first dimension consists of all the typical risks in a building project, and the second dimension consists of risks stemming from the fact that the project is part of the voluntary work for development assistance, instead of a business project.

Zimbabwe has lately been a hyperinflation country. This means that financing in local markets is difficult and that it is hard to make agreements that are valid in the long-run. For financing expensive projects it is challenging to make plans for fund raising. Risk in financing is huge, if the potential lenders can not trust the underlying cost estimations. The project faces problems, not only in the fund-raising part, but also in managing the cash flows in local currency terms. The value of the local currency has been very unstable and prone to erratic movements. In the second half of 2008 the inflation raise to the new record, 231 million %. No official inflation data has been available since August 2008. The use of ZWD has been completely frozen at the beginning of 2009. All economic transactions are now valued and done either in USD or ZAR. (Ainamo S, Wuolle O, March 2009)

Building projects have their own risks everywhere. Employees might get injured, because of the heavy physical work or lack of safety measures on the building site. There are also many risks emerging from the raw-materials. Quality of the raw-materials is a risk. In the hyper inflation country the lack of products is a risk for the success of the project. Keeping building project in schedule might be difficult because of the lack of availability of raw-materials. Interruptions and delays in the building project might increase the cost of the project.

The risk survey of Dzikwa Activity Center building project in this thesis has been divided to external risks and internal risks. External risks are risks that are exogenous to the project, such as political, macroeconomic, infrastructure and regulation risks. Internal risks are risks that are endogenous to the project. Internal risks are strategic, financial, operational, safety and health, legal, project management and reputation risks. Operational environment risks
are handling the surrounding environment of the Dzikwa Activity Center building project. This distribution of risks is based to the importance of the risks to the building project. In Zimbabwe the political and economical situation is changing rapidly. Hyperinflation has impact to the financial risks. Presidential election, March 2008, and later on the formation of a new two-party government have impact to political and operational environment. Uncertain situation makes it hard to analyse these environments.

5.1 Approach to surveying risks in the project

Operation mode to risk survey of Dzikwa Activity Center building project is research of the environment. Risk survey is mainly done by research and observation of the building stand, on-going or completed work and the surrounding environment.

Environment research is done in Dzivarasekwa Township, outside the Zimbabwe capital city Harare. Environment observation is affecting many parts of risk survey. Environment observations are done by Hanna Vaininen. Research and observations for Dzikwa Activity Center building project is done in ground field. For the risk of the project the affecting observations are containing surrounding. Surrounding means neighbours, sewage systems, environment and infrastructure in Dzivarasekwa. Economical and political research is based on The World Bank publications and interviews. Sources of the used publications are listed in the sources. Mainly economical and political publications deal with developments in Zimbabwe and in Africa. This is because of the situations in Zimbabwe; the government has not got published reliable data. In a hyper-inflation and developing country the economical and political environment is changing and uncertain. Especially economical information is lacking behind and unreliable. In economical risks, information has been taken from local articles and interviews. The newspaper and interviews are listed in the sources.

In this risk survey of Dzikwa Activity Center building project, the tool to define risks are the observations and research in the field. As a frame to risk survey and a help to define the risks in the project the risk map from Bank of Finland and the risk management actions for Small and Medium-sized firm’s risk management tooling has been helping. By compositing these tools to the observations and research in the field the risk survey of Dzikwa Activity Center building project is done. Risk survey of Dzikwa Activity Center building project consist of risks generally in projects that have been done in Zimbabwe and also focusing the major risks for this certain building project. General risks are affecting this building project also. The focusing and clearing of the risks for this building project has been done in summary of risks. Environment and financial risks are done only for this building project. Other risks are general risks, although observed through Dzikwa Activity Center building project.
External risks - risks exogenous to the project

External risks are the risks that are coming from operational environment. Mainly from political, socio-economical and economic environments in Zimbabwe. These external risks are hard to be fully prepared for. For Dzikwa Activity Center building project main focus in external risks is in political and socio-economical environment. Changing operational environment has an impact to strategy and building plan, and project time schedule.

Research and observation over Dzikwa Activity Center building project has shown that the economic situation has impact to the project, but that risk can be contained. Budgeting and fund raising is mainly done in Finland and are mainly in Euros. In today’s financial situation it is a positive feature for the building project. In Zimbabwe the US- dollars is the most widely used currency in everyday use. This has an impact on the financial environment and budgeting. Using US-dollars in payments decreases the currency risk and the danger of losing value of the currency. The Political environment has more impact to the Dzikwa Activity Center building project. New regulations and laws could come haphazardly and can make building hard and even more expensive. Also these regulations can cause delays in delivering materials and to the whole building project. In worst case, the government could give orders regarding the use of the Dzikwa Activity Center, so that it has to be open to every citizen. In that case the intended purpose of the Dzikwa Activity Center is compromised and the work of two societies, Zimbabwe aids orphans society and Dzikwa Trust fund, for the talented orphans, has been partly wasted. Observations and research have shown that this can be the worst case, but the circumstances in township Dzivarasekwa are showing that this risk is unlikely to come. In country that is going through changes and in country that the operational environment is unstable, everything has to be considered.

6.1 Political risk

The last few years have shown that the international bodies don’t feel any obligations to help or provide aid to Zimbabwe. This is making it harder to get Zimbabwe up from the situation where the country is. But the direction is that when the change has been achieved, assistance of many kinds will be made available.

(Robertson May 2008)

“The change of direction is a precondition, however. No lender is prepared to lend to borrowers who have compromised their ability to repay and no development or aid organization is prepared to offer support to governments that are responsible for, and still engaged in, conduct damaging to the interests of their own people. The ruling party’s
description of these responses as “sanctions” is a dishonest attempt to deflect blame from its true source - themselves and their efforts to redistribute wealth and influence into their own hands and into those of their more submissive supporters.” (Interview with Economist John Roberts). The ruling party has adopted permit to behave this way and many indicators have shown that the need to course-changes are needed. The course-change is expected from a new political administration that has become after presidential election in March 2008. The aid for financial support and to investment fund is great and it should be the new parliament’s first orders.

(Robertson, May 2008)

6.2 Macroeconomic risks

Financing risks in building project are clear. Fund raising for the Project is mainly done in euro countries. Finance of the Project in Zimbabwe used to be needed in local currency which is Zimbabwe dollars, but is now almost totally in US-dollars.

Budgeting and planning for financing the project is done by Zimbabwe Aids Orphans Society in Finland. Main use of the funds for the project is done by Dzikwa Trust Fund in Zimbabwe. For planning and budgeting project it is important to realize the changes of prices and environment. Financial risks for the Dzikwa Activity Center Building project are substantial. The financial risks have an impact to the Project. Financial risk for Dzikwa Activity Center building project is losing value of money. Financing project in a hyperinflation country, increases in cost is risk. The material prices change and it is affecting the estimation of costs. In the earlier stages of the Project, it used to be so that all contracts had to be made at same day and products had to be bought immediately, on the same day.

“Government started a process that caused the destruction of most of the country’s own savings when it found it could not hold its budget deficits in check and chose to pay lenders deeply negative real rates of interest on the needed budget deficit financing. These rates were imposed from the beginning of 2001, together with other tougher business conditions, and all of these were enforced to permit government to acquire for its own use much bigger share of the country’s diminishing resources.”(John Robertson)

(Robertson, May 2008)

“As a result of having so thoroughly accomplished the destruction of Zimbabwe’s savings stock, any investment-led recovery phase will depend heavily on investment fund inflows from abroad.” (John Robertson). Absurdities which the country has been are affecting to the scale of challenges and changes that the country has to do. Zimbabwe needs to go back to square one; even government claims that the rules of economics have been rewritten.
Investments are not possible without savings and currently Zimbabwe has almost no savings left. For recovery to happen, Zimbabwe has to use savings of others or try to persuade investors to come themselves to help country to recover. This investor support should become the highest priority. Only substantial direct investments have the impact to sustain the recovery of the country. Rising food prices in world markets has impact too. Zimbabwe would need money to import maize or wheat. The government has forced the most farmers off the land, especially farmer who have been most expertise and productive. If the conditions will change, many could be persuaded to return.

(Robertson, May 2008)

6.3 Infrastructure risks

In environmental risks, infrastructure has an important role. The conditions of roads, communication and water and sewage systems and activity of systems are affecting to project.

In Zimbabwe the roads are in fairly bad shape. The public sector does not have resources to repair pit-holes in the roads. Main roads are to some extent maintained, but can be in bad shape for driving. Smaller roads and the roads in the township of Dzivarasekwa are not really maintained and are eroding year after year. Transport equipment is in hard use, during transportations. In the township of Dzivarasekwa the roads aren’t planned for trucks. The softness of the ground is making repairing and building more difficult. The softness of the land is causing challenge to building plan. The places of main building, caretaker’s house and bore well have to be planned well.

Sewage water is flooding in the streets in the township of Dzivarasekwa. Sewage system is a risk for health but also for building. Waste water is absorbed to ground. In the bore well there may be contaminated water, because the waste water has been absorbed to the ground. Sewage and water systems are very primitive. Sewage system is close to ground, if it even exists. This is causing that sewage water is flooding in the streets. For Activity Center problem with sewage is the floods. If sewage water gets to Activity Centre’s yard, it might cause damage. It is affecting the materials but it is also a health risk. Building may be damaged by the waste water. Water system in the township of Dzivarasekwa is mainly bore wells. For Dzikwa Activity Center the place for bore well is planned. For Dzikwa bore well will have water containers. Main risk for the water system is that the bore well isn’t deep enough and the water is contaminated, because of the waste water. To decrease these risks, the place for bore well has to be planned carefully. Place to bore well should be as far away as possible from other sewage systems. Water is needed in different areas of building project.
For example water is needed to mix cement. Cement is needed from the very beginning of the project.

Location of the future Dzikwa Activity Center is central. The stand is between the township’s police station and Rujeko Clinic. Location is central for every school attended by Dzikwa-children and therefore children are able to come easily to the Activity Center. Location helps for transporting materials to building Project. Location is near from the Bulawayo -main road. Transporing the raw-materials for the Project is important. Driving a lot in roads that are in bad shapes is more dangerous for the truck and for the cost of project. Electricity is very uncertain in Zimbabwe. Without electricity it is hard keep the information going. In a developing country the needs for goods are huge. This is affecting to every step of the project. Without electricity several things are made by hands and that is taking more time. Need of fuel is also huge in Zimbabwe. There isn’t petrol or diesel in every petrol-station. The risk for work and transportation to be delayed, because there is no fuel, is relevant and has to be considered.

6.3.1 Environment

Environment is a remarkable factor, considering the building. The environment where the activity is taking place has to be analysed before starting building. Major environmental factors are infrastructure, climate and the ground where to build.

Environment is affecting directly to practical building project. A schedule for project has to be considered also from the environmental point of view. In Southern Africa between November and February is the rainy season, which is making building difficult during those months. Tropical rains are heavy and really making any building almost impossible. Climate is affecting the time schedule and also how fast can the project be finished. During the rainy season it is hard to build, because of flood and pouring rain. Environmental risk is the softness of the land. In building project, it means that foundation for the buildings has to be made more carefully. Foundation has to be firm. If the foundation for the buildings has been done well and it is steady, it will diminish risk from later steps of the project.

In this project the environment that is around Dzikwa Activity Center building stand has the major meaning. Sewage systems, water systems, electricity, telephone, ground, roads and technology is observed and analysed later in this thesis. For this project the climate affects to schedules. During heavy rains, the work cannot continue. Attention has to be paid to this in building project plan.
6.3.2 Information technology risks

Information technology is a part of today’s projects. Working with information technology is helping in reporting, monitoring and measuring the project.

In this thesis the information technology is dealing with general technology, infrastructure and the essential nature of information. The under-developed environment in Zimbabwe is making full and efficient use of the information technology difficult. The primitiveness of technology is affecting the project. That means that everything is taking time, a lot of physical presence is always needed and running after issues is constant, and all this has to be observed in Dzikwa Activity Center building project plan. Information technology is important for the generation and flow of information. The essential nature of information technology is important for the project. Information is needed to transfer key data records between Zimbabwe and Finland. The need of essential nature of information technology is clear.

6.3.3 Technology

Technology in Zimbabwe is partly old fashioned, partly suffering from lack of maintenance. Equipment can be in bad shape and fixing cost is increasing.

Communication problems are clear. Phone lines are weak and overloaded. The availability of phone lines is also a problem. Information transferring is weak and uncertain. Passing of information is risk for the project. There may be a need to take important decisions, but the information doesn’t come on time to all relevant people. Maintenance for machines is costly, that has to be prepared in building project costs. Availability for spare parts is problematic in case they are needed. Waiting for maintenance can delay project. Risk for maintenance of machines is real. In Zimbabwe electricity is very uncertain. Power cuts are common. In the high-density township, there are more power cuts and they also may last longer than in town. Electricity is very important in some stages of the building project. Electricity is important for information. When there are power cuts people are depending on cell phones. In high density township, people don’t have generators, which help the technology to work. Powers cuts delays the building project and increases the costs of the project.
6.3.4 Essential nature of information connections

Essential nature of information connections is important. Activity of connections is needed in passing and handling information. For project the lack of essential nature of information connections is a risk.

The lack of electricity is making the essential nature of information connections challenging. The risk that information is not coming through on time is an actual risk as well as using the old fashioned lines and connections are a risk. Generally the essential of information connections is important for every project. In this kind of environment the information connections are needed. Price swings and inflation rates are directly affecting to cost of the project. The risk that information doesn’t come through on time is causing delays and increases the total cost of project. Essential nature of information connections is needed also in the reporting, monitoring and measuring the project. Lack of information is making the reporting difficult. In today’s world the essential nature of information connections is essential. In a developing country, it isn’t always as granted. The information connections are old fashioned, which is affecting to communication.

For Dzikwa Activity Center building project essential nature of information technology is very important. Information is exchanged between two countries. The essential nature of information technology is risk for the project. The liability of working connections is weak. On the other hand working connections are needed in this project. The risk for the project is that there are going to be delays or the building has been done in a wrong order. These can increase the costs and cause further delays.

6.4 Regulation risks

Authority regulations are affecting to whole project. Building permissions need to be petitioned correctly, but the transparency of regulations is no good. Knowing the laws and other statutes of Zimbabwe, it helps to know the powers of authorities.

Authority regulations can be changed in a rather unpredictable fashion. Main risk and the risk that causes damage the most is authority regulations and changes in the laws. Authority regulations can be made in a way that the Dzikwa Trust Fund is losing the right to use the Activity Center. Authority regulations and laws can take over Dzikwa Activity Center to governments own use. For this risk it is impossible to protect oneself. This kind of situation is the most damaging to Dzikwa Trust Fund in every way.
7 Internal risks - risks endogenous to the project

Internal risks are risks that are coming mainly from the project and internal risks are risks that can be prepared for. Internal risks handle the risks that are in Dzikwa Activity Center building project as project risks and should be taken under consideration during the planning of the building project.

Generally internal risks are coming from three parts: from the project that is going on, the organizations that are involved and from the relationships among the partners. In internal risks the risks are divided to project management risks and practical risks. Project management risks handle the project management, strategy, budget, planning and monitoring and measurement. Practical risks handle everything that is dealing with the implementation of the Dzikwa Activity Center building project. These practical risks are such as personnel, safety and health risks and legal and crime risks. Generally internal risks are risks that can be easy to have impact and make a plan to avoid or decrease the risks. Internal risks can have a huge impact to the whole building project and for the success of the building project.

7.1 Strategic risk

Strategic risks can be identified of the decision how the project is done. Strategically risks can be included in the project plan and be monitorised during the project. Planning is important part of the strategic risks and analysing alternatives that are in how to proceed the project.

In this project major strategic risks relate to the threat of having chosen a totally inappropriate approach to achieving long-term sustainability for education support activities. Strategic risks are included in planning and budgeting. The motivation and the entire plan to build Dzikwa Activity Center are important and it has to be detailed. Monitoring and measuring is part of the planning project. Monitoring is done all the time. The measuring is mainly done after the project is finished. In this project the monitoring is important. In hyperinflation country it is important to monitor projects.

7.2 Financial risks - Funding risks, liquidity risk, interest rate risk, currency risk

Budgeting is financial risk of the building project. Budgeting is affecting directly to planning and how the project is moving forward. In voluntary operations, budgeting is very important because incomes come from donations.
In making budget for voluntary operations, time schedule has to be thought carefully. The timeframe for fund-raising for the project needs be carefully considered. If Zimbabwe should become a hyperinflation country again, this would make the prices go up every week. Budget for Dzikwa Activity Center building project has been made in euro’s that decreases the risk. Budgeting in currency, in hyper inflation country, it would assure that the budget is going to be stable. Even if the local currency is losing value the foreign currency would probably keep the value in currency markets. Budget-plan has to be flexible, as the building project plan itself. This means, that the budget has to be flexible if there is a need. Lack of raw-materials may affect that there is a need to change the building schedule. The cost of the building project parts can change, so budget has to be flexible. Flexibility of the budget is decreasing the risk of the delays in project and the co-operation between budget and plan. In this project the risk in budgeting is that the attachments of the fund raising plan are not clear enough. Following the budget and seeing at same time the plan for fund raising is decreasing the risk of delays and loosing reputation. Fund raising is part of the project plan. In this building project it is important to let the donors know where they have donated. It is important to follow the society’s procedures in this Dzikwa Activity Center building project. In this project budgeting is done in euros. The risk for budgeting in euros is small. In this project it is better to budget in euros. At the same time it is decreasing the risk of having higher costs for project. Value for euros is stable compared to the value of local money. Budgeting in this project has been done for two years. In this project it is important to take time to finish the project.

7.2.1 Currency

When Zimbabwe was still using its own currency, the value of local currency was rapidly decreasing. Official rate in the local banks still was kept the same, but at the same time, the unofficial market rate was traded actively and it reflected the actual level of Zimbabwe dollar versus hard currencies. Decrease of the value of currency means increasing prices. March 18th the UN exchange rate rose up to 30 million. The rate is going up and prices are going up. For budgeting it is risky and hard to evaluate the cost of project. In this project the budgeting has been done in euros. That is decreasing the risk of losing funds through inflation. The local currency value is insignificant. Only currency that is valued is US dollars or euros. (www.un.org./depts/treasury)

Capital cost for project is in euros. Keeping capital in foreign currency that has value, is to reduce the risk of losing capital. In a hyperinflation country there is a risk of losing capital. There may come new authority regulations that banks are not allowed to release capital. This
risk has been taken care of by having accounts in Zimbabwe and in Finland. In case there is going to be authority regulations for not releasing capital, it is possible to take cash from Finland and bring it to Zimbabwe. Uncertainty in money markets is a real risk. The anticipation of future process in money markets is hard.

Nominal prices used to be going up every day. For Dzikwa Activity Center Building project the price swings are affecting to the availability of raw materials. Quotations in the project were changed every day. The last published inflation figure in Zimbabwe was for the month of July and it was 231 million % annualised.

7.3 Operational risk - Risks stemming from systems, procedures and people

Operational environment handles the building project from political and economical point of view. Operational environment risks are handled according to the need for Dzikwa Activity Center.

In Zimbabwe the operational environment is challenging. Main risk for the building project is how to manage in political and economical environment. Inflation is growing all the time. Growing inflation is affecting directly to the prices. Situation in the country is uncertain. Need for products are huge. Dzikwa Activity Center building project is done in the field of voluntary work and education. The field where the function is and where the project is related is mainly voluntary society. Risk of this field is to manage to get parts for project to be done in certain price. Donators for project want to see where they have donated money. Inflation and price swinging causes difficulties for operations. In this project the operational environment is challenging.

7.3.1 Political environment risks in operations

Political environment in Zimbabwe is challenging. New authority regulations can be done easily and they could potentially be politically motivated. Risk for regulations to hinder the completion of the project must be taken into account. In Zimbabwe there is uncertainty in every project. Building can take time and cost a lot. One of the political uncertainties is that when the project is ready, there might come some regulations that the building is government’s property. Government can make new regulations to make the functions harder. One example is that the government could make authority regulation that the Dzikwa activity Center has to be open for every underprivileged child in Dzivarasekwa. Risks in the project are increasing, in case these regulations come true. In this project the political environment and risks are coming from authority regulations. In this project it is important to be aware of the regulations. The building has to be done by the rules and regulations. To decrease the
political environment influence to this project it is important to follow the regulations. In this way the Dzikwa Trust Fund can decrease the risk in its own way. The contracts have small value in Zimbabwe. It is difficult to get the other party of the contract to respect the contract. Political environment can cause many delays before getting the issue resolved by court. For Dzikwa Trust Fund the easier way is to monitor and communicate with the contractor. That way Dzikwa Trust Fund is reminding of its existence to the contractor.

7.3.2 Economic environment risks in operations

Economic environment is uncertain and unstable. The risk for losing all the money from banks accounts is remarkable. Since the downhill in economic environment has continued, not just the companies but the bank has also made bankruptcy.

In Zimbabwe, functions cannot rely on to availability of capital. Government can make regulations that banks are not allowed to give cash out from accounts. There might come authority regulations that people are not allowed to have plenty of cash. When it comes to availability of capital, there has to be back up plan how to run the project. Official rate in banks is in thousands, the real rate and value is in millions. It is risky to operate in this economic environment. In this project the effects of economic environment are coming from the hyperinflation. Hyperinflation is increasing prices and the value of local currency is decreasing. This is affecting the raw-materials procuring and also for the cost of the staff. Need for cash and capital is clear in building project. From the early 2009, the valid currency is other currency than the Zimbabwe’s own currency, Zimbabwean dollar. Transactions are mainly done in four currencies, US-dollar, South African rand and Botswana pula.

7.3.3 Planning risks

Planning risks has a direct impact to the building project. Measurement of project is difficult without planning the project. The risk in planning is that the plan is made quickly without a good background work.

Dzikwa Activity Center building project has been done in separate sections. Plan for the Activity Center has been made in the way that it is easy to build in sections. The way the plan has been made, it is important to measure the process and keep the work in process. When building the Dzikwa Activity Center, the first stage is to build palisade wall and guard house, the second stage is to build a ball-court and caretaker’s house and finally the main house. Doing building in clear modules is easier to follow up the changes in operational environment. (Plan of building project). (Ainamo S, Wuolle O, 12th Dec 2007)
During building of palisade wall the contractor made the foundation for caretaker’s house. It is major risk in every operation, that the contractor is doing work in a wrong order. Risk for project is the reliability of contractor. Abuse of contract for doing other work instead what is said in contract. Measurement between planning and work is important to decrease the risks but also avoid situation like this happening again. Clear planning risk is in the building time schedule. The risk that the plans of building cannot be used, is affecting to whole project. The plan of this kind of project should be done in the way that is easy to follow. The plan should also be able to be fixed if there is need for it. Risk for plan to fail, is because of the surrounding of the project. Project plan for Dzikwa Activity Center was made beginning of 2007. A political and economical situation in Zimbabwe is changing all the time. Time schedule for building Dzikwa Activity Center needs to be updated. Risk in this project plan is that it is old and not topical. To decrease this risk the time schedule should be updated in certain time period. In this project the risk is that the project is not following the time schedule. Time schedule should be shown to every person who is a part of the project. Building will be done as the funds are available.

7.3.4 Project and process risk

The main risk for the project is that it can’t be done. There isn’t enough financing or the economical situation of the country is really getting down. The risk that the Dzikwa Activity Center building project can’t be done is relevant. Operational environment is challenging and it is causing that the monitoring, measurement and up-date of the Dzikwa Activity Center building project is important.

Project is financed by donations and fund raising. The budget of building project is separated from Dzikwa Trust Fund operations. Political and the economical situation of the country may reduce amounts of the donations. For project it is risk to build in a country, where it is hard to get raw-materials. In environment like Zimbabwe, the raw-materials need to be from materials that are sustaining the affects of nature. From political point, the whole building project has been risky since very beginning. Government and city of Harare may prepare new authority regulations that are preventing the main use of the Dzikwa Activity Center. Township of Dzivarasekw may want to use the building for their own use. This is a risk that has to be taken. It is good to be aware of it, but against government, it is hard to find assurance. To decrease the risk, it is important to have good contacts and have a lot of contacts in Zimbabwe.
In this project, one of the main risks is the whole Dzikwa Activity Center building project. Circumstances in operational environment is causing the difference in risks, comparing to common project risks. Many risks are affecting to projects success. In this project people may try to take advance of the society. In this project the result may be different from what has been planned. Building in hyper inflation country and in developing country includes a risk for stealing and mischief. The government wants to own everything. The result for this project in worst case is that the Dzikwa Activity Center is going to the government. Process risks comprehend the risks that are included for Dzikwa Activity Center building project itself. Building project is a process with different categories. Process risks are related to Building project. Dzikwa Activity Centre building project is a process. It has a start and an ending. This process is considered as a building project. This chapter is going to look deeper at the risks that are in this specific project. Process risks have been divided in to four sections. This chapter is specific for this Dzikwa Activity Center building project.

7.3.5 Persons

Person risks in this kind of project are high. Nowadays from Zimbabwe professional workers are leaving to South Africa and other African countries. Because of the economical situation in Zimbabwe the unemployment is high and the companies cannot offer permanent working opportunities. In Zimbabwe there is aid for expertise in building branch. Reliability of the contractor and employees is important.

In a building project there is a need for expertise of different types in different phases of the project. Now there is a need for an expertise also in other countries. This means that who can provide and pay more gets all the expertises of the branch. The economical situation of the country is causing a major skill-drain to near-by countries. For building project it is a risk when you can’t get expertise workers. For project themselves and the mark of the work has to be checked. Reliability of the contractor is a risk. For the project contractor this is an important factor. Measuring the contractor’s reliability is hard. There are references for a contractor, but in this political and economical environment, it is hard to be sure of the reference’s realness. As well it is a risk to hire a contractor who doesn’t have own experienced workers. Economical environment is affecting for employments. A contractor company doesn’t have employees, because of the lack of contracts. In that case there is a lack for expertise for work. Lack of experience workers is a risk for the building. Without experienced workers the work is unsecured. To decrease this risk, employer has to offer more than someone else. In this building project, there is good way to decrease the risk of unskilled staff. Salary can be agreed in currency. That way the value of the salary remains, even if the value of the local currency is getting down.
For contractors reliability includes procedures against stealing and abuse of materials and machines. The overall environment is making it hard to get all materials for building activities and a lot needs to be imported. Contractor may need materials for other project and steal from the Dzikwa Activity Center building project. Abuse of materials is an increasing cost for this project. Abuse of machines is a risk for the work to be done. Service for the machines is expensive and delays the result of work. Reliability of contractors is difficult risk to manage. The risk is that there is nothing done, even if the contractor has received payment.

Risk for the building project is the motivation of the employee. Lack of motivation affects the result of the work. Lack of motivation is a risk to time schedule of the project. Keeping motivation of the employees, employer has to pay competitive salary and offer good working conditions. This solution may not have affect to motivation; still it decreases the lack of motivation risk. Employers getting sick or having accident is a risk to project. Contractor is mainly responsible for this risk. Contractor has to make sure that employees know the correct ways of working. Incase an accident has happened or employees get sick, there will be delay in the Dzikwa Activity Center building project. In this kind of delays, cost of the building project may increase, because of the inflation in Zimbabwe. In Dzikwa Activity Center building project the main person risk is the liability of contractor. The raw materials have to be prepaid and the monitoring of the right use of money is difficult. Contracts have small value in Zimbabwe. People are ready to sign papers, without reading it through. That affects the project. Contractor might not stick to the contract. In this project it is causing delays and increasing the cost. Monitoring Dzikwa Activity Center building project can have an effect of decreasing this risk.

7.4 Safety and health risks

Accident risk is included in every project. Accident can be either physical or material. Impacts of accidents are different in physical and material. Material accident is easier to repair than physical accident.

Natural damages are risk for the project. Water damage can spoil materials. Pouring rain may cause floods that damage the construction of the Dzikwa Activity Center. Pouring rain affects the working. During rain it is hard to work. The right way of retaining the materials decrease the risk of damages. Taking insurance for accident reduces the damages in case of an accident. Fire in the building stand causes damage to whole project. Insurance against the fire is the easiest way to protect the project from the damages caused by fire. Sewage system is bad. Sewage is flooding in the streets of Dzivarasekwa. Sewage can destroy materials of the building project. Materials have to be kept in place, where there is minimal change of sewage floods. Sewage is a health risk and poor hygiene is increasing this risk.
Accident risks are in every project. Persons can be injured while working. Building project is very risky, because of the use of equipment. Accidents can happen on the stand. In Dzikwa Activity Center building project may happen an accident. There might come fire or water accident that can be disastrous for the project. Accidents can destroy the results that have been build. Person’s injuries delay the project, if there are no substitute workers. It is a risk to use substitutes, but serious accident can delay the project a lot. Insurance for staff decreases the risk of increasing cost of the project. In contracts there should be a part defining who has the responsibility for eliminating accidents. For nature accident the owner is responsibility for taking insurance. Contractor may be responsibility of the insurance of staff.

7.5  Legal and contractual risk

Legal and crime risks may be high in Zimbabwe. Political and economical situation affects people’s behaviour. Need for everything is big, therefore the risk of crimes such as theft is also big. In Dzikwa Activity Center building project, there are legal risks, as in every project. The difficulty in analysing legal risks is the sometimes rapid changes of laws or regulations. Awareness of Zimbabwe’s law is decreasing legal risks.

It is necessary for Dzikwa Trust Fund and for contractor to be aware of local laws. For Dzikwa Trust Fund it is important to be aware of laws, which the follow up of the project can be made properly. Contractors need to know local laws for the work. In planning phase the awareness of law is important. Major risk is that the contractors do not know local law and regulations. Contractor may use materials, which are not allowed to use in certain areas. To Dzikwa Trust Fund as an employer, the awareness of the law helps to work together with contractor and architect.

Legal risks should be considered in a broad context. At the beginning of the project, there was just a stand. Storage for raw materials is needed from the beginning. Property can be abused and used without permission. Technology of the country is affecting the legal risks. On stand there is no illumination that would make control easier during nights. At stand there is no electricity. Alarm systems cannot be use before there is electricity. These deficiencies are a major risk as it comes to stealing, abusing and prohibited use.

Contractual risk is a part of the legal risks. In contracts, the term of payments, time of delivery and the assurance of the delivery times are the main risks. When Zimbabwe was still using its own currency and inflation was rampant, payments through the banks take time and when the money reaches the account, the value of amount is gone down. Payment in cash is the best way to decrease the loss of value in local currency. Difficulty in paying cash is to get
local currency, if it is needed. As it is a crime risk to carry any large amounts cash. Time of delivery is a risk, if the material is needed on an exact date. Lack for the raw materials delays the delivery. A delay in deliveries is delaying the project.

7.5.1 Subcontracting risks

Subcontracting risks are a part of Management Risks. Clear rules on the subcontracting have to be made and the authority of using subcontractors.

Subcontracting can be a very big part of a building project. The main work of the building project is done by subcontracts. The authority to hire subcontractors has to be agreed on. Contractor usually knows subcontracts. In a contract between owner and contractor has to be a part for subcontractor. Subcontractors have to be aware of the agreement, rules and plans for building. The risk in subcontractors is that there isn’t understanding between parties. Subcontractors need to understand the meaning of project and the time schedule of project.

7.6 Project management risks

Management risk is affecting the monitoring of the project. Clear project manager helps to control the project. Management risk are included both party the owner and contractor. The project manager can be hired outside the Dzikwa Trust Fund or Zimbabwean Aids Orphans society.

The project manager is responsible for monitoring the building project. Responsibility of building project has to be known by the parties of the project. The project manager has to make contracts with contractor and architect. The project manager is responsible for buying raw materials and making other payments related to building project. The manager is also responsible for reporting about the progress of project. In a project where the operations are done in two different countries, it is important that both Boards are aware of the progress of the project. Monitoring and measuring the Dzikwa Activity Center building project is a big part of the project management. To decrease the risk of the project management, the project manager can be hired outside from Dzikwa Trust Fund. The whole Dzikwa Activity Center building project is separated from Dzikwa Trust Fund operations and therefore the management of the Dzikwa Activity Center building project could be externalized.

7.6.1 Responsibility and authority

Clear responsibility areas and authorities are making the operations easier. The manager of the Dzikwa Activity Center building project at the moment is Seppo Ainamo, who is
Responsible for reporting and monitoring. Oili Wuolle is aware of the project as well, but main decisions of project are done by Seppo Ainamo. Seppo Ainamo has the main responsibility and authority for building project. While he is in Finland the contracts and the responsibility of progress is given to the contractor. The monitoring and reporting dealing the progress is done by emails and by phone calls. Seppo Ainamo is keeping the responsibility and the authority while he is in Finland. Risk is that when the manager is gone, there is no progress. To decrease this risk, the Board of Dzikwa Trust Fund needs to be informed about the project. The monitoring of building project needs to be given forward while Seppo Ainamo is in Finland.

Reporting of the progress of the project is a part of monitoring the project. Local board of Dzikwa Trust Fund is in the centre of the building project. When Seppo Ainamo and Oili Wuolle are in Finland, board of Dzikwa Trust Fund has to monitor the project. Awareness of the progress helps monitoring. Fund raising for the project is mainly done in Finland. Reporting the progress and the use of the funds is important to the Board of Zimbabwe Aids Orphans Society, for the risk of the unclear authority and responsibility is relevant. To decrease the risk of unclear authority and responsibility is to externalize the management of the Dzikwa Activity Center building project.

7.6.2 Communication risks

Communication between Dzikwa Trust Fund and Zimbabwean Aids Orphans society is important; the transform of the information is important and needed between these two societies. Risk of communication is that the reporting is defective.

Communication in every project is an important part of a successful project. Reporting between parties has to be done properly. Reporting is an important part of measuring and monitoring the project. This kind of project needs especially reporting. Actual information should be in Finland and in Zimbabwe. Lack of communication between parties, is a risk for the project. Lack of communication may affect delays or works may be done in a wrong order. Risk in communication is that it has been done orally or by text messages. Orally changed information is between the parties. The risk is that other party does not remember or in a problematic situation claims that it has never heard of the issue. Written communication is a safer way of communication. It decreases the risk of communication problems. When information is on paper there should be less misunderstanding situations. One communication risk is cultural differences. In Finland the communication is straighter forward, direct and only the important issues are communicated. In Zimbabwe small issues have more importance. The style of communication is different. In Zimbabwe the communication is more indirect oriented in every way. In Finland it is direct and to the point.
The differences in the way to communicate can cause misunderstanding. Communication problems can affect the respect for parties, reputation and liability of persons involved in the project.

7.6.3 Monitoring and measurement

Monitoring and measurement of the Dzikwa Activity Center building project plan and project budget is important. All monitoring and measurement is reducing the risks. The way how to monitor and measure has to be decided beforehand.

Monitoring is good way to follow the Dzikwa Activity Center building project and also to decrease the risks of the building project. Monitoring gives exact information on how the building project is proceeding. Monitoring is an authority question. By monitoring the project the Manager is giving an impression of interest in the building project. In Zimbabwe the way things are done, the monitoring is very important. Measuring of building project, is giving information how the Dzikwa Activity Center building project is going forward. Measuring is giving information of difficulties and opportunities of the project. Measuring gives idea for further operational. In this project measuring is important. To Dzikwa Trust Fund this building project is first big project. For future functions the measurement and reports from this building project is valuable. In this project monitoring is important. Monitoring and following that the Dzikwa Activity Center building project is on schedule is important. This project is done in different parts. Monitoring and measuring every part is increasing the risk of having good result for the building project.

7.7 Reputation risk

Reputation of an organisation as employer is important. Good reputation helps to get the project done. Having good reputation affects every part of project. Reputation risk is complicated and a risk that affects daily operations in Zimbabwe.

Reputation risks are for Dzikwa Trust Fund and Zimbabwe Aids Orphans Society. Payments have to be done on the time and agreements have to be professional and well-observed. Reputation risks are affecting daily operations in Dzivarasekwa. It is important to operate in the way that respects cultural differences in order to avoid unnecessary troubles. Operations in Zimbabwe are done differently than in Finland. Awareness of the differences assists to decrease the risk of harming good reputation.

Impeccable reputation is important to whole Dzikwa Trust Fund operations, as well as to Zimbabwean Aids Orphans Society. Reputation of the two Societies’ has impact to Dzikwa
Activity Center building project. Reputation has impact to the financing opportunities of the Dzikwa Activity Center building project. Good reputation helps to get donations easier and it is helping also for contacts. Good local contacts help to get reliable workers and deals to Dzikwa Activity Center building project. Having good reputation enables proper management of the project in a difficult Zimbabwean environment.

8 Main results from risk survey

The risk survey of the Dzikwa Activity Center building project examines the main risks in the project. The results are divided in two parts in the risk survey of Dzikwa Activity Center building project.

In the results of risk survey, there is considered the main risks of the area. Results of risk survey is considering the analyse of the results of research and observations of Dzikwa Activity Center building project. In Dzikwa Activity Center building project the risks are high. Results of the risk survey of Dzikwa Activity Center building project are taking major risks in closer analysing. Major risks mean the risks that cause most damages for the project. Results of risk survey are introduction to risk management of Dzikwa Activity Center building project. In risk survey of the building project the risks have been defined and the ways of control risks have been defined before risks were observed for the building project but also generally in Zimbabwe. Results of risk survey are focusing to Dzikwa Activity Center building project. Operation mode for risk survey has been observations and research in field.

8.1 Operating mode to analyse results

Operation mode to analyse the results of risk survey of Dzikwa Activity Center building project is the observation and research in political and economical points. In hyperinflation country the risks are depending on the situation of operational environment.

For making analysing easier, the results have been divided in two parts. These two parts are affecting the whole project, but the pressures of affecting risks are different. Operation mode was chosen to do this way, when considering the different styles of analysing the results. In hyper-inflation country, the political and economical situations have more impact on the projects in generally. Economical situation has impact on financing the project and raw-materials prices as well as available workers and personnel. Political situation has an impact on the whole project and the project operations. These situations have an impact on results of Dzikwa Activity Center building project.
9 Results of risk survey of the external risks

Operational environment in Zimbabwe is challenging. The political and economic situation in Zimbabwe is uncertain. The economic environment is unstable and it has an impact on every day operations. Risk for Dzikwa Activity Center building project is the unstable situation in operational environment. Monitoring the chances in operational environment is the best way to decrease the impact on the project.

External risks of Dzikwa Activity Center building project are risks that have an impact on operational environment and how the building project is done. To external risk is hard to influence, but these risks have an impact on how to proceed in building project. External risks have to be taken into consideration in every part of Dzikwa Activity Center building project.

9.1 Results of risk survey of political environment

Results of the risk survey of political environment are hard to define. In March 29th 2008 were the presidential elections. Results of the elections were delayed and to some extent, disputed. This situation has an impact on the political environment. The situation has an impact to define the risks in the political environment. Political situation has an impact on Dzikwa Activity Center building project in two ways. The first important risk is security. When political environment is uncertain the general security situation in the country may worsen. The uncertain situation in political environment has an impact on deliveries of materials. In developing country majority of materials is coming from other countries. This means that the transportation is going through custom. Security on the borders is high. These security issues are causing delays for the project. It has an impact on time schedules and costs of the total project.

The second risk of the uncertain situation is the general situation in political environment. The formation of the current two parties in a government, took a long time after the elections. The situation has an impact on the Dzikwa Activity Center building project in an operational level. It is hard to analyse the impact of the political situation. New government of national unity is now in charge but the slowness in implementing policy is causing uncertainty. Overall uncertainty is affecting Dzikwa Activity Center building project. As long as the situation in Zimbabwe is floating, it is hard to give any relevant information or predictions of the Zimbabwe’s future. This uncertain situation in political environment is a risk for long-term plans.
9.2 Results from risk survey of macroeconomic risk

Macroeconomic risk has an impact on budget and plans of the building project. Financial risk is big. This risk has an impact on the whole operation. Hyper inflation country as operation environment is making more challenges to Dzikwa Activity Center building project.

As surveying macroeconomic risks I came to same conclusion. Most impact has government and financial situation of the country. Economist John Roberts has researched inflation and impacts of the inflation. The country is depending on investments from abroad. As long as the government doesn’t take seriously the situation, inflation will keep rising. Urgent need is to get expertise to their own areas. The government doesn’t have much savings left and that is leading to direction where the country has to depend on help from the outside. As long as food prices are growing in the world it is becoming more important that the country would have possibility to produce things itself. It should be important to the government to try to stable the political situation in Zimbabwe. After that it is possible to try to make improvement to the financial situation in Zimbabwe.

Analysing the results of Dzikwa Activity Center building project from macroeconomic risk, observations have shown that the biggest risk for Dzikwa Activity Center building project is the financing the building project. This means that the risk is more in Zimbabwean Aids Orphan Society’s operations than in Dzikwa Trust Fund operations. The economical situation in Zimbabwe was changed so that the valid currency is foreign currency, not the local currency, Zimbabwean dollars. For the Dzikwa Activity Center building project this is reducing the exchange risk. For Dzikwa Activity Center building project the fund raising plan and following the fund raising plan is important. The Zimbabwean economical situation has an impact on the procuring the materials and things that are needed in the Dzikwa Activity Center building project.

9.3 Results from risk survey of infrastructure risk

Infrastructure risk has a direct impact on the building project. Main press is how the project can be done. Environment and technology is important. Infrastructure in Zimbabwe is very primitive and it has an impact on the way the building project is carried out.

In infrastructure risks the main point is in the environment. The land is soft and that makes the building harder. Sewage and water systems have an impact on schedules and to raw-materials. The Dzikwa Activity Center has to have own bore well for the water. This is decreasing the risk of over-floating in water system. Sewage has to be done properly to decrease the risk of floods. Location for the stand is central. This might have an impact on
abusing and stealing. In the coming chapters the infrastructure risks are analysed more carefully.

9.3.1 Results from risk survey of environment

Environment has a remarkable impact on the actual building. In planning and budgeting the impact of environment has to be taken into consideration. The rain season makes the building hard at that time.

Climate has more impact on planning than to actual building. During the rainy season the problem is the pouring rain and floods. It has to be taken into consideration during the planning. When climate has been taken into consideration it doesn’t have that big risk-value to the Dzikwa Activity Center building project. Environmental risk for the Dzikwa Activity Center building project is more the softness of the land. Foundation for the building has to be done properly. The risk is that in the further part when there is more weight the building would collapse. In Dzivarasekwa the roads are in bad shape. It is hard to transport the raw-materials to the stand. This has to be taken into consideration when making the plan and time schedule. It might be necessary to have smaller load of raw-materials. Smaller load of raw materials is reducing the stress at the transportations equipments. Electricity is very uncertain and that might have an impact on using equipments. These things have to be taking into consideration, when planning a building project.

Environmental risks have more impact during the planning of the Dzikwa Activity Center building project. Environmental risks are risks than can be prepared beforehand. Awareness of the climate, softness of the land and electricity, and the shortage of these factors. Climate and softness of the land are direct factors to the building project that can be taken action beforehand in a Dzikwa Activity Center building project plan and in time schedule of the building project. As environmental factor, that can’t be prepared beforehand is the availability of the electricity. Backup plan to availability of electricity is to have a working generator at the Dzikwa Activity Center building stand, when electricity is needed. Environmental factors might cause some delays or some problems to the Dzikwa Activity Center building project. But the Dzikwa Activity Center building project won’t collapse to these environmental factors.

9.3.2 Results from risk survey of information technology and technology

Today’s world depends on technology. In Zimbabwe the essential technology is very primitive. Network is over-loaded and it can collapse many times in a day.
Information technology is important in Dzikwa Activity Center building project. The information has to be transferred between Finland and Zimbabwe. Information technology is very primitive in Zimbabwe. The network connections are bad. These things have to be observed in planning the Dzikwa Activity Center building project. The main risk is delays in building project and wrong instructions. Technology in Zimbabwe is old-fashioned. The main technology problem is over-loaded phone lines. There aren’t enough phone lines for reply to demand of the people in Zimbabwe. This affects to transfer of information. The old-fashioned technology has an impact on equipments also. Fixing cost is huge and the old equipment such as cars has always something broken in them. In developing country the availability of spare parts is a big problem. When something gets broken the maintained can delay the Dzikwa Activity Center building project a lot. To be prepared to this risk the information needs to be transmitted as early as possible.

In high density township, like Dzivarasekwa, there are more power cuts that in the capital city Harare. Electricity is very uncertain. This has an impact to the Dzikwa Activity Center building project. In some stage of the building project the lack of the electricity is very critical. In high density township the power cuts are longer than in town. This is because people don’t complain. In township there aren’t generators. This lack might cause delays to Dzikwa Activity Center building project. The primitiveness of the technology in Zimbabwe is making the essential nature of information connections more important. In this project the information connections are very important. The information has to be transferred between two countries, Finland and Zimbabwe. The essential nature of information connections is needed and has an important role in reporting, monitoring and measuring the Dzikwa Activity Center building project. In Finland the essential nature of the information connections has been taken obviously. In Zimbabwe it is impossible. This difference has to be taken into consideration.

10 Main results from risk survey of internal risks

Internal risks are risks that are easier to influence on than the external risks. Internal risks are easier to be analysed and to plan for risk management.

The results of risk survey in internal risks are focused to operational risks and strategically risk. Risk survey of the Dzikwa Activity Center building project brought forth that these areas of the project have more risks. Operational risks and strategically risks have a huge impact on the result of the building project. Strategically and operational risks are also easier to make a modification. These risk areas can be a liability risk to management in a developing country.
10.1 Results from risk survey of strategic risk

The strategically risks in this thesis are defined as surrounding of the Dzikwa Activity Center building project. The strategically risk definitions are based to the Risk Map of the Bank of Finland.

Important part of the strategically risks is monitoring and measurement of the project. Reporting and monitoring has to be regular and based on to the same modes. Project can be divided into different parts and after every part there should be formal report of activities in the project. Reporting has to be done all the time, not just after certain part. The meaning of formal report is to give a bigger picture and valuation of the project. The strategically risks handles also planning and budgeting. Planning and budgeting is a frame to the project. Planning gives information on how to proceed the project. Budgeting gives financial information for the project. Both are important for monitoring and measurement of the project. The Dzikwa Activity Center building project is the first big project for the Dzikwa Trust Fund.

(Ainamo S, Wuolle O, 12th Dec 2007)

The biggest strategically risk is defective monitoring and measuring in the Dzikwa Activity Center building project. Monitoring of the Dzikwa Activity Center building project gives the up to date information. Monitoring the building plan and the building project gives direct information of the up to date the building project. Measuring the development of the Dzikwa Activity Center building project informs what can be done better. Together monitoring and measuring of the Dzikwa Activity Center building project is a good tool to stay in building plan and give information of the Dzikwa Activity Center building project. Properly done monitoring and measuring of the Dzikwa Activity Center building project helps transferring the information between parties.

10.2 Results from risk survey of financial risks

The financial risk is big in this Dzikwa Activity Center building project. The Dzikwa Activity Center building project has been financed by donations and fund raising. The financing of the project depends of the active people involved in Zimbabwean Aids Orphans Society and in Dzikwa Trust Fund.

The Dzikwa Activity Center building project budgeting has been done in euro’s. This decreases the financial risk in hyper-inflation country as the value of the budget is staying steady. Financial risk is that the fund raising is not going hand in hand with the project plan and with the building plan. For accounting it is important to have a steady exchange rate that
is going between the official rate and unofficial rate in Zimbabwe. Inflation is eating the value of the local money, Zimbabwean dollar. In hyper-inflation country with political difficulties, one risk is to lose capital. New authority regulations can be done easily. This can have an impact on Dzikwa Activity Center building project. This is a risk for the project. Still operating in two countries decreases this risk. In financial risk, there isn’t a way to decrease the risks. This conclusion has been made by researching the economic environment and financial situation in Zimbabwe, as long as the operational environment is challenging and tense. Financial risk for the project has been more emphasized to Finland and to fund raising and donations.

10.3 Results from risk survey of operational risks, planning and project risks

The planning and project risks results analyses these two areas and the major risks that are included. The planning is done before the project has started and the impact of political and economical environment is a risk for the project plan.

The political environment and situation have an impact on the project plan. The authority regulations can harm the planned building. The main risk for planning the project is the change of operational environment. This Dzikwa Activity Center building project is going on at time when there is a change in the country. The situations can have an impact on finishing the Dzikwa Activity Center building project. Planning risk itself, doesn’t do catastrophe harm to the project, but the harm is that it might do things difficult for the rest of the Dzikwa Activity Center building project. Decreasing Planning risks are decreased by updating the Dzikwa Activity Center building project plan after every certain time period.

The country’s political and economical situation has an impact on building project risks. Especially the political situation has an impact on the risks of the building project. The uncertain situation in the Zimbabwe is causing that everyone is tense and for the Dzikwa Activity Center building project that might mean that there is no progress until the situation is solved. From economical point, the contractor needs more money just for keeping the workers. The risk is that there is no transportation to the building stand. Every time prices get up there is a risk for the building project. The project risks are defined more carefully in process risks.

10.3.1 Results from risk survey of process risks

The process risks are considered as the risks that are included to the Dzikwa Activity Center building project. The risks have been observed and researched in ground work in township of Dzivarasekwa.
The operation risks are divided in categories that have an impact on the Dzikwa Activity Center building project. In the operation one of the biggest risk areas is the person risks. In process risks there are risks that have an impact on Dzikwa Trust Fund operations. Legal and crime risks may have an impact on the whole society’s operations. The results of the risk survey of the process risks concentrates to the Dzikwa Activity Center building project but in the impact of the risks there may be affect to the Dzikwa Trust fund and Zimbabwean Aids Orphans Society. Reputation risks have an impact on the Dzikwa Trust Fund and Zimbabwean Aids Orphans Society, not only to the Dzikwa Activity Center building project. In a process the reputation and usual behaviour and actions of the Dzikwa Trust Fund and Zimbabwean Aids Orphans Society has to be taken in to consideration. Decreasing the risk of losing reputation is achieved by having same actions and behaviour at Dzikwa Activity Center building project as actions and behaviour in Dzikwa Trust Fund and Zimbabwean Aids Orphan Society’s normal operations.

10.4 Results of risk survey of persons risks

Person risks have high impact on the Dzikwa Activity Center building project. Workers are working in the field and are the ground level of the building project.

The contractor has the major responsibility of the workers. The contractor has to be aware of the professional ability of the workers. In a country where the unemployment number is high, the risk of having professional ability workers is large. Lack of the expertise has an impact to result of the work. Lack of expertise has an impact also for accident risks. Reliability of contractor has a huge impact to cost of Dzikwa Activity Center building project. The manager of the project has to be able to trust to the contractor. Reliability is considered also abuse of materials and equipments. Reliability of workers is a big risk for the Dzikwa Activity Center building project but it is difficult to control.

10.4.1 Results of risk when lack of expertise workers

A risk in lack of expertise workers has an impact on the whole Dzikwa Activity Center building project. Major impact in this risk is to cost of project and the result of work.

In a hyper inflation country the number of unemployment is huge. This means that people are looking for work outside the country borders. The contractor companies don’t have capital to keep employees if they don’t have a building agreement. Expertises are more expensive workers, but the result of the work is better and the work is done more quickly. Economical and political situation of the country has an impact on the amount of the expertise workers.
Economical situation of Zimbabwe has an impact to the payment capability. In a hyper inflation country the prices are changing every week. This is causing difficulties to payments. Salaries of workers and expertises are hard to agree. When Zimbabwe was still using its own currency, it used to be so that decreasing the risk of losing expertise workers the salary had to be paid in hard currency. Nowadays all salaries and payments are transacted in US-dollars or in rand.

Reliability of experts and workers is a huge risk in the Dzikwa Activity Center building project. People in Zimbabwe are suffering every day for living. This has an impact on the reliability of workers. The temptation to steal and abuse is high. This risk considers all the workers including the expertise and the contractor. Decreasing the risks of stealing and abuse, the agreement has to be fair and it has to offer more than in market. Controlling has to be regular and it should be done often. Record keeping of everything is decreasing the risk of stealing and abusing. Huge risk in lack of expertise workers is the results of work. Expertise workers usually have a degree in building branch. This means that they have been in school and learnt skills in the right way. The building skills have an impact on the results of the Dzikwa Activity Center building project. The risk in the lack of expertise workers is that the work has to be done again. This kind of situation has an impact on, not just the building schedule, but also for cost of the Dzikwa Activity Center building project. If the same work needs to be done repeatedly, the costs for the building project are higher.

10.4.2 Reliability of contractor and workers risks

Reliability of the contractor and the workers is an important part of the person risks. Reliability has an impact on the whole Dzikwa Activity Center building project. The impact is both economical and practise.

The reliability of the workers is hard to define. References and interviews are helping to decrease the risk of the reliability. The temptation for stealing and abuse is high in hyper inflation country. Economical situation has an impact on this risk. High inflation rate is creasing prices and the salaries have to be competitive for the inflation. Offering to workers more than in markets may decrease the risk of stealing and abusing. The risk management for reliability is hard to define. The way of controlling the reliability is hard. The book-keeping and record keeping of everything is helping, but stealing and abusing can still happen. Hire a guard for controlling materials is one solution, but the risk of stealing and abusing still exists. The guard can steal and abuse the materials and equipments as well.

Abuse of equipments is a risk for Dzikwa Activity Center building project. Abuse of materials is increasing the cost, because materials have to be bought again. The abuse of equipments has an impact on the time schedule of the Dzikwa Activity Center building project and for the
budget of Dzikwa Activity Center building project. The risk in abuse the equipments is that the equipments get broken. The service is expensive and it is taking time from the Dzikwa Activity Center building project. Stealing equipments is increasing the costs of the project and this has an impact on budgeting the Dzikwa Activity Center building project.

Properly drawn-up agreements are crucial to the project. Legal process in Zimbabwe is difficult and time taking. The agreements don’t have an impact on measure the reliability of contractors and workers. Contract agreement need to be drawn up by a legal counsel and need to be duly signed. The contractor still can abuse or steal the equipments, capital and materials. In a developing country where people are suffering the penalty way or surcharge is hard to define.

10.4.3 Risks in the motivation of workers

The motivation of the workers is important. Motivation for the work is making the working easier and the reliability of the motivated workers is higher than the reliability of the workers who have a low motivation to work.

Motivation has to be kept high for the workers. One way to keep it high is the competitive salary against the rising inflation. The motivation of the workers is a decreasing risk for accidents as well. In a hyper inflation country the everyday life is difficult to people. The suffering to survive has an impact on work result and the way how the work is done. In a hyper inflation country like Zimbabwe, one of the major risks in persons is the motivation. Observation and research in the field have shown me that it is important to motivate the workers. A result for the motivation is to have a competitive salary and to offer some extra for the workers. Meaning of some extra is to give money to come to work, give diesel or petrol, give proper tools to build and promise of proper medical care in case of an accident. The accident risk is an existing risk in building. Motivation has an impact on how carefully the workers are working. More carefully made work is decreasing the risk of the accident. The employer has to make sure that the workers have proper tools for working. The employer needs to check that the way of working is right. These controlling ways are decreasing the risks of accidents. The contractor has the main responsibility of the accident risks. The contractor has to be aware of the possible accidents in the Dzikwa Activity Center building project stand. Accident is causing delays for the Dzikwa Activity Center building project. In hyper inflation country the delays of the project mean that the costs are creasing for the Dzikwa Activity Center building project. Accident risks are defined more carefully later on in this thesis.
Research and observations in the field have shown that the main person risk is the reliability of the workers. This is a huge risk for the Dzikwa Activity Center building project. Considering the way of decreasing this risk, it is hard to find a solution. It is impossible to be around all the time. The guard is a one solution for the risk, but there is a risk for the reliability of the guard. Research and observation in the field have shown that the way to decrease this risk is to monitor and record. Everything has to be recorded and there has to be stocking for everything that is giving to the Dzikwa Activity Center building project. Monitoring has to be done often. The reporting and recording has to be done often that it is decreasing the risk of reliability of the workers.

10.5 Results from risk survey of safety and health risk

Accident risks have been divided to physical and to material risks. The impact is different if the accident is physical or if it is material. The material means the raw-materials for building and the tools for building.

Material risk includes the nature risks such as floods, fire and pouring rain. These natural phenomena can cause damage to equipments and materials to build. Material accident can happen also if the materials are used in the wrong way. The measurement for raw-materials is important to avoid the risk for shortage of the raw materials for the building project. The controlling and monitoring the use of raw materials such as cement is important. Nature accidents have an impact to the whole Dzikwa Activity Center building project. The damage that the nature accident can cause is huge. The floods and the pouring rain can damage the materials so much that they cannot be used any more. This means increase in the costs and delay for the building project. In the nature accident is defined also fire in the building stand. The fire in the Dzikwa Activity Center building stand would be causing a lot of damage. This accident causes delays and costs for the project. Decreasing the damages of the nature risk, it is important to stock the materials in a right way. The best way to manage these nature risks is to get assurance for accident risks.

Accident can also be physical. Physical accident generally means that there would happen some accident to a worker of the Dzikwa Activity Center building project. The damages and impact for this risk depend on the seriousness of the accident. Impact of this risk has to be agreed with the contractor. The responsibility has to be clear. Main thing to decrease the impact of physical accident is to have an assurance for the workers. It has to be clearly marked down, who is the one to take the assurance for the workers. Avoiding the physical accident risk is to make sure that the workers know how to use tools for building, and safety instructions for tools with risks. The way of using tools has to be monitoring. The responsibility for monitoring has to be clarified in the agreement between parties.
Research and observation in the field have shown that the best way to decrease the risk of accident is to make sure the way of using the equipments and to make sure that the raw materials are stocked in the right way. Assurance in the developing country is a different thing than in western world. Decreasing the health risk is to give information and possibility to proper hygiene. Poor hygiene can spread illness and other health problems. For the workers better health, daily meal is important. Daily meal does increase the power of resistance. The power of resistance is decreasing the risk of illness to spread. Proper hygiene prevents the illness to spread.

10.6 Results from risk survey of legal and contractual risks

The legal and crime risks are high in the developing country. The leading of the country is in one persons hand and the control for laws and authority regulations are hard to define in a certain way. In Zimbabwe the President has a power to make the new laws and the authority regulations easily.

Research and observations in the field have shown that one way to decrease this risk is to be aware of the laws around the building branch in Zimbabwe. The main risk is that wrong kinds of materials are used in the building stand. In Zimbabwe there are regulations of the materials that are legal to use in certain areas. This is an important part when the plan for the Dzikwa Activity Center building project has been done. As a crime risk the stealing and abuse is one of the biggest risks. The reliability of the workers is considered as a crime risk as well as a person’s risk. In the starting point the storage for the raw materials is hard to organize. This is increasing the risk for stealing. Stealing from the stand is not only considered in workers, it is a huge risk in generally also. For the stealing risk the guard in the stand is one solution. However, for this risk it is hard to cover. For the crime risk there is a possibility to take an assurance that the damages of stealing would stay as low as possible. Abuse of equipments is a crime risk. If the tools are used to own benefit without permission, it is a crime. Assurance for the tools is decreasing the damages that the abuse can cause.

Legal risk is the agreement between the contractor and the employer. The terms of payment, terms of delivery and terms of the building project is important to define. In a hyperinflation country, it may still mean delays and increasing costs for the Dzikwa Activity Center building project. The delivery times can be agreed but the reliability of the punctual deliveries is still uncertain. Agreement itself is a risk in a hyperinflation country. It is important to have agreement between parties, but in a hyperinflation country there is no liability of the contract.
10.6.1 Results from risk survey of subcontractual risks

Subcontract risks are a part of the management risks, mainly because of the authority and the responsibility. The agreement is made between the subcontractor and the employer. In the contract it is important to have written down the authority and responsibility areas.

Subcontractor is an important factor in the Dzikwa Activity Center building project. The actual work and the building is done by the subcontractor. The risk in subcontractor is the same risk as in all people’s risks. The reliability and the accident risks are existing in the subcontractor risks. One of the important risks with the subcontractor is that there is not an understatement between parties. The subcontractor has to be aware of the schedule of the building project and the plans for the building. To decrease the risks using subcontractor it has to be made sure that the agreement is done properly. The agreement should clarify the rules, the plan, the authority and the responsibilities of the subcontractor.

The manager of Dzikwa Activity Center building project should be aware of the agreements between the contractor and the subcontractor. The awareness of all the agreements makes the monitoring and the reporting easier. The way of reporting and monitoring should have a certain form, that is easy to understand and easy to be done by other people as well. Certain form of reporting and monitoring is decreasing the risk of misunderstanding between the parties.

10.7 Results from risk survey of project management risks

Manager for the Dzikwa Activity Center building project is an important factor. The management has to be clarified. The risks in the management have an impact on monitoring and reporting the Dzikwa Activity Center building project.

The Manager in the Dzikwa Activity Center building project is responsible for how the building project is going on. The Manager needs to monitor and report the progress and the problems of the Dzikwa Activity Center building project to the board of Dzikwa Trust Fund. The manager of the Dzikwa Activity Center building project has to be aware of the situation in the building stand. The manager is responsible in making the agreement with the contractor and that they are following the Dzikwa Activity Center building project plan. In the way the Dzikwa Trust Fund is operating in Zimbabwe the reporting and monitoring have more value. The manager of the project travels between two countries, Finland and Zimbabwe. In this case the reporting and monitoring is becoming more important. The management and the authority to do decisions have to be clear.
10.7.1 Results from risk survey of responsibility and authority

The manager has to be clear about the employee’s responsibilities and authorities to do decisions. The operation mode on how the Dzikwa Activity Center building project is done, the responsibilities and authorities have to be clarified.

It has been formally agreed by a written memorandum of Cooperation between Dzikwa Trust Fund and Old Mutual that Old Mutual’s Real Estate expertise is available to Dzikwa to lead the Project Management Group. The Board of Trustees of Dzikwa has the main responsibility and the project management Group reports to the Board. Seppo Ainamo, Dzikwa Trustee and Director have a lot of responsibility and authority of the Dzikwa Activity Center building project. Oili Wuolle, Co-Director has as much knowledge about the Dzikwa Activity Center building project as Seppo Ainamo has. The responsibility in the project means monitoring, measuring and reporting of the steps of the Dzikwa Activity Center building project. Monitoring has to be done so that there is progress in the stand. Reporting has to be done for the board members in Dzikwa Trust Fund as well as to the board members of the Zimbabwean Aids Society and employees. Reporting makes it easier the control the project while the managers are in Finland. Authority of making the decisions is important to clarify. While the Manager of Dzikwa Activity Center building project is in Finland, the authority to make the decision has to be written down in an agreement. The risk in authority is that there are given wrong orders to build the Dzikwa Activity Center. The damage in this case is hard to repair. Reporting of the project is decreasing the risk. Reporting includes the plans how the Dzikwa Activity Center building project is going on.

10.7.2 Results from risk survey of management communication

Communication risks in management of the Dzikwa Activity Center building project is a part of reporting and monitoring. Reporting and monitoring can be insufficient.

Properly made reporting and monitoring helps the communication. The main risk in management communication is that it is done orally. Written information between parties decreases the risk of misunderstandings. The lack of changed information is a risk for the project. Monitoring and reporting in Dzikwa Activity Center building project is playing an important role, because the actual information of the building project has to be given in Finland and in Zimbabwe.

In a multi-cultural project, one of the risk factors in communication is the cultural differences. The way to impress oneself is different in different countries. The risk is to have a situation that leads to misunderstanding and the information has not reached the right
persons. The way how the reporting and monitoring has been understood in different countries, is different. Finland is very straight forward and only the important information is needed. In Zimbabwe the less important information is having a bigger role than the important information. These cultural differences are a risk for successful communication. To avoid this risk, it is important to be aware of the cultural differences and have knowledge about the Zimbabwean culture.

10.7.3 Results from risk survey of budgeting, monitoring and measuring

Budgeting, monitoring and measurement risks have more impact to the next project and to reporting of the project. The main risks in this area don’t have a huge impact to the project being done. The main risks are effecting to reporting and the surroundings of the Dzikwa Activity Center building project.

The risk for budgeting the Dzikwa Activity Center building project is the hyper inflation in Zimbabwe. Hyper inflation needs monitoring all the time. Making budget in currency helps to monitor the costs of the project. In Zimbabwe the value of the local currency is decreasing the same time as the prices are getting up. Monitoring helps to notice the price changing and the value of currency. The budget has to be prepared for the situation that the costs are getting up. When budgeting operations in a hyper inflation country it is good to have continuous budgeting or update the budget

Monitoring the project is important in every operation. This Dzikwa Activity Center building project is especially in a need for monitoring. The main risks in monitoring the project are that it’s not done. Lack of monitoring the building project might cause abuse for the materials and the mark of work is bad. Continues monitoring of the Dzikwa Activity Center building project decreases the risk that the cost is increasing and decreasing the risk of the abuse of the materials. Monitoring and reporting of the Dzikwa Activity Center building project gives the exact information of the project.

Measuring the project gives information of the progress of the project. When analysing the risks of the Dzikwa Activity Center building project, measuring gives the information that helps the project, but measuring itself doesn’t have an impact on the result of the project. Measuring gives information of modes how the project is done. Without measuring the reporting is more difficult. Measuring gives information and helps in planning the future projects.
11 Risk management for Dzikwa Activity Center building project

The conclusion of the risk survey of the Dzikwa Activity Center building project is made in the guide for risk management of Dzikwa Activity Center building project. As the risk survey and the results of the risk survey of the Dzikwa Activity Center building project showed, at the moment it is hard to give steady answers how to run risk management in Zimbabwe. Operational environment is changing.

Political and economical environment has an impact on the operational environment where the Dzikwa Activity Center building project is done. Operational environment has an impact on how the building project should be done. In Dzikwa Activity Center building project, there are a lot of factors that are depending on the situation in Zimbabwe, but also factors that are depending of the operation mode of the Zimbabwe aids Orphans Society and associate organisation Dzikwa Trust Fund. Mainly the operation mode of these two associate organisations, Zimbabwean Aids Orphans Society and Dzikwa Trust Fund, has an impact on financial issues in the Dzikwa Activity Center building project. As these organisations are working together in two countries, the question is the availability of the capital to the Dzikwa Activity Center building project. One of the main questions is, whether the information is moving between two countries, so that the fund raising is going on at the same time as the building project needs funds. The other question is, whether it is possible to transfer the money in short notice, in case it is needed. A solution to the financial issues of the risk management of the Dzikwa Activity Center building project to is the updating of the plans, both the fund raising plan and the Dzikwa Activity Center building project plan, and reporting frequently of the progress in the Dzikwa Activity Center building project.

For the risk management of the Dzikwa Activity Center building project, other important things are to take care of the workers in the Dzikwa Activity Center building project. For taking care of the workers means offering competitive salary, health care in case of an accident, other help such as fuel, money for the bus fare or food help every once in a while. These factors might have an impact on commitment of the workers in the Dzikwa Activity Center building project. In Zimbabwe, there is a need for every kind of help. For people, it might add motivation and dedication, if they can trust on having some help sometimes. This is a good way to try to decrease the crime risk such as abuse and stealing of things. For decrease the legal and crime risk, the knowledge of local laws and regulations is good. To operate in under the regulations and laws and keeping the records and the contracts of things that have been agreed on. Written contracts should be done in every issue that has been agreed. In a conflict situation, written contracts are giving the power and good base for argumentation. In a conflict situation written contracts are decreasing the risk of losing the
reputation of the Dzikwa Activity Center building project and from the Dzikwa Trust Fund and Zimbabwean Aids Orphans Society.

For the Dzikwa Activity Center building project’s risk management the most important thing is monitoring and reporting. Regular meetings with people who are parts of the Dzikwa Activity Center building project are important and needed. From every meeting there should be minutes that are written and given to people involved in Dzikwa Activity Center building project. In a developing country that has uncertain situation in operational environment the bookkeeping of an ongoing project is important. Bookkeeping is an important part of risk management and it helps the difficult situations. In a problematic situation it is easy to look from reports what has been agreed on and what has been done at the project so far. Reporting and bookkeeping also helps in situations where there might be problems with the authority of the city. Reports and bookkeeping are a good proof of what the actual plan is and how the progress is going in the Dzikwa Activity Center building project. With reports and book-keeping it is easy to give up to date information to both associate organisations board members, Dzikwa Trust Fund and Zimbabwean Aids Orphans Society. The risk Management for the Dzikwa Activity Center building project is to follow the building plan and budgeting and update in case it is needed. Reporting and monitoring of the progress in the Dzikwa Activity Center building project and keeping the people who are involved up to date of the Dzikwa Activity Center building project.
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