

Work Stream Risk Management: An Overview

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Introduction

The aim of this policy note is to give an overview of the ACROPOLIS work stream on risk analysis and management. It shortly reminds the objective of the work stream and gives a short overview of the steps taken so far. It serves as a background note for discussions during the meeting of the working group (WG) on risk management on 11 December 2015.

Objective

According to the terms of reference:

- The objective of the work stream was twofold: 1° develop a risk analysis tool to be used in future by country offices working fragile situations, 2° test the tool in Mali and Niger;
- The risk analysis in both countries will focus on more general risk context en the specific risks in the sectors Belgium is currently engaged in;
- The risk categories of the Copenhagen Circles, the Danida Guideline to Risk Management and the INCAF 'Risk Tool' will serve as key reference material; and
- The tool should include risk analysis and risk response.

During the first working year of ACROPOLIS the challenge was to further refine the scope of the work stream as objectives were broadly defined, resulting in a diverse range of expectations. However, based on the work done during this first year, the exercise was further defined. Key aspects of this were:

- **Countries:** Mali was selected as first pilot country, but it was considered opportune to use a country from the Great Lakes region as a second pilot instead of Niger. Burundi was suggested, but was not retained meaning that Rwanda or DRC will become the second pilot case.
- **Level of analysis:** risk analysis can be performed on country, sector, programme or problem level. It is important to carefully choose the level of risk analysis and differentiate between these levels. Although all levels are important, it was decided that priority would be given to the country level. More in particular the risk analysis should be incorporated in the integrated country policy process (Geïntegreerd Landen Beleid - GLB).
- **Risk categories:** in line with the Copenhagen Circles, it was decided that the risk approach should facilitate a better balance between contextual, programmatic, and institutional risks.

In below we briefly sketch the steps that were taken to come to these conclusions.

Progress so far

November 2014 - 1st mission to Mali

The **objective** of this mission was to identify purpose and scope of the risk analysis exercise: what is the purpose of the risk analysis and what level and which categories of risk analysis should be analyzed?

The **outputs** of the mission were twofold:

- A risk analysis for Mali on country level, according to the Copenhagen Circles, accompanied with an overview of how the donor community reacted on these risks. Aim of this output was to integrate a more profound risk analysis into the 'note de base' for the new cooperation agreement between BE and Mali.
- A general analysis of the BE approach to risk analysis and management, based on literature review and mission findings.

The **main conclusions** of this second output can be structured according to the Copenhagen Circles, i.e. the different risk categories as agreed upon by the international community:

- **Conclusion 1:** Institutional (security, fiduciary, reputational) risks are substantially covered by the Belgian development cooperation, even in such a way that it makes Belgian development cooperation risk averse. Current security and fiduciary procedures are too restrictive to provide the necessary flexibility and adaptability to work appropriately in fragile contexts that are characterized by insecurity, rapid changing environments and low capacities.
- **Conclusion 2:** The risk of not achieving development objectives (programmatic risks) is substantially covered through monitoring and evaluation procedures put in place for the different channels of Belgian development cooperation. However, programme management and procedures are sometimes an obstacle to more flexible planning, something that is crucial in order to work appropriately in fragile situations. In addition, programme planning too often has a technical focus and little attention for political processes that are crucial factors in explaining failure or success in reaching programme objectives..
- **Conclusion 3:** The risk of doing harm is not sufficiently covered by the Belgian development cooperation. Neither on strategic nor on operational level the risk of doing harm is acknowledged and dealt with, although doing harm has been identified as the first principle of the BE Strategy for fragile situations.
- **Conclusion 4:** The contextual risks (political, security, humanitarian, ... on the level of partner countries) are inadequately taken into account, which makes that Belgian development cooperation in fragile situations is neither well adapted to the particular fragile context of the country, nor is the Belgian development cooperation able to define strategic priorities based on a thorough analysis of contextual risks.

The **key message** of the report was that an imbalance between institutional and contextual risks explains the risk aversion present in the BE approach toward fragile situations: focusing too much on avoiding or reducing institutional risks for the aid provider automatically results in less possibilities and opportunities to tackle contextual risks for the partner country. Thus: 'low institutional risk may come at the cost not just of programmatic risk but strategic failure'¹ Furthermore, if donors invest more in contextual analysis and knowledge their risk appetite increases compared to donors that have not: "Where they understand the operating context, donors feel more comfortable taking and managing risks.

¹ OECD 2011: 3.

Where country context is less well understood, this report shows that there is a greater chance of lapsing into programming based on risk avoidance”².

Based on this analysis, the **overall recommendation** was to find a better balance between contextual, programmatic and institutional risk categories in order to adapt the BE approach more properly to fragile situations. In order to find this correct balance, and have a risk management approach that covers all risk categories:

1. Contextual risks should be systematically covered, in order for BE to react properly on the prevailing risks environment; even so the
2. Risk of doing harm should be systematically covered, in order to prevent unintentional negative effects of BE interventions; in addition
3. Programmatic risk analysis and management should focus more on political instead of technical risk factors; and lastly
4. Institutional risks should be treated instead of avoided, in order to reverse the risk aversion that stems from security, fiduciary and reputational concerns.

12/02/2015 - 1st meeting of the WG on risk management

Based on the mission and its report a first meeting of the risk management working group came to several conclusions:

- **Risk categories:** a risk management approach should support a better balance between contextual, programmatic and institutional risk categories. Therefore it is important that risk management starts from the context, i.e. that programmatic and institutional risks are defined and managed on the basis of the contextual risk analysis, and not the other way around. Hence, the need to link risk analysis closely to the ambitions of BE development cooperation in fragile situations, i.e. reducing fragility and building legitimate states (ref. BE strategy note of fragile situations).
- **Level of analysis:** there was consensus on the fact that all levels of analysis are crucial and important, risk management is necessary both on the level of country programmes, sectors, particular programmes or even particular problems. However, priority was given to developing a risk analysis on country level.
- **Methodology and timing:** it was decided to use an incremental approach to develop the risk management tool(s), i.e. to further develop the tool by trial and error and testing in several cases. Main disadvantage is that the first test cases will be 'work in progress' and will not deliver final end results. It was also reminded that the risk management tool(s) should be finalised by the end of the ACROPOLIS project.

27/03/2015 - Methodological Note

Based on these consultations a first methodological note was elaborated. The note was based on a review of the literature related to fragility, statebuilding, conflict and risk management in fragile contexts. Main issues were:

- **Capacity versus Legitimacy:** one of the main failures of past fragility and statebuilding analysis and intervention has been a too limited focus on state capacity, and a neglect of

² OECD, 2014: 1.

state legitimacy. Hence, the need for fragility analysis focusing more on legitimacy and state-society relations.

- **Political versus technical approach:** we have learned that sufficient resourcing together with improved policies and formal systems does not automatically leads to a more efficient state. Instead, it becomes more and more clear that 'development is not just a technical endeavour but a deeply political process'.³ Therefore, a more political sensitive approach to fragility and statebuilding is required. This trend is for example visible in the demand for more political economy analysis during the last years.
- **Normative versus empirical statehood:** current statebuilding paradigm starts from a conception of the Western modern state, based on the ideal-type of Weberian rational-legal rationality. Instead of starting from this ideal-type, current literature suggests to start from 'empirical statehood', i.e. to start from an empirical analysis of how public authority emerges and functions in particular situations.
- **Contextual versus institutional risks:** as already mentioned, the main message from literature on risk management in fragile situations is the need to alter the imbalance between contextual and institutional risks, i.e. a too narrow focus on institutional risks and a neglect of contextual risks.

Based on the Stability Assessment Framework from the Clingendael Institute for the Netherlands Ministry of Foreign Affairs, a methodology was developed that tried to integrate these concerns. Central to this approach was a **trend analysis** to identify key trends and evolutions of statebuilding processes on the basis of which key risks could be identified and managed.

May 2015 - 2nd Mission to Mali

The objective of this second mission was to test and further develop the risk assessment tool methodology. Together with a local counterpart interviews and a workshop were organized to collect data and information in order to carry out a trend analysis.

With respect to the methodology the following reflections were made:

- It will remain a challenge to develop a methodology that is feasible within the organizational constraints of DGD. The trend analysis seems to be a good starting point, but it remains to be seen if and how the entire methodology as worked out in the methodological note is feasible.
- The choice to limit the exercise to risks related to statebuilding processes has been crucial in order to give focus to the exercise. However, it could be argued that scope still needs to be more focused, something that could be reached through a more focused analytical framework.
- It remains a challenge to translate a contextual analysis into a clearly defined risk management framework. There is a large amount of examples for contextual analysis on the one hand, and risk analysis on the other hand, but very few really translate a good contextual analysis into a risk analysis. Reason is that contextual analysis mostly delivers an in depth assessment of a certain context which is then difficult to translate and reduce to a manageable risk analysis on the basis of which decisions can be taken.

³ Rocha Menocal 2013: 4.

June 2015 - ACROPOLIS Action Plan Year 2

For the work stream risk analysis and management the ACROPOLIS action plan for the second year is in line with the objectives as identified in the first year, except that it was considered opportune to use a country from the Great Lakes region as a second pilot instead of Niger. Burundi was suggested, but was not retained meaning that Rwanda or DRC will become the second pilot case.

19/06/2015 - 2nd meeting of the WG on risk management

In a second meeting of the working group on risk management the findings of the second mission to Mali were discussed. The main recommendations that were suggested with regard to the further development of the tool were:

- Process & different steps: the suggestion that was made during the meeting was a two-step approach: (i) external consultant collects data and elaborates report which (ii) is validated during a validation workshop. Key question that remains is who should be invited to this workshop.
- Qualitative versus quantitative: more focus is needed on a qualitative analysis in instead of quantification.
- Standardisation: investigate the possibility to standardize analysis and make it more objective through working with proxy indicators.
- The need to have a clear scope and focus.
- Importance of using existing studies that are already available to feed the tool and analysis.
- Taking into account a balance between risks and opportunities.

24/09/2016 - Coordination meeting ACROPOLIS

During this meeting several reorientations and changes were suggested according to the ACROPOLIS work plan for the second year. With regard to the risk work stream it was further clarified that the tool(s) should clearly identify for the Minister the risks related to particular interventions, and the way BE should deal with these risks, i.e. not only focusing on risk analysis but also risk management. Furthermore, it was clarified that the risk management exercise should best be integrated in the Integrated Country Policy framework (Geïntegreerd Landen Beleid - GLB).

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ACROPOLIS stands for ACademic Research Organisation for POLicy Support. The ACROPOLIS groups conduct academic research and provide academic services tailored to the Belgian development cooperation. Bringing together policymakers and researchers, their aim is continued professionalization and improvement in the quality and impact of the Belgian development cooperation policy. ACROPOLIS also contributes to the international visibility of Belgian academic expertise in development cooperation. The programme is funded by the Directorate-General for Development Cooperation and Humanitarian Aid (DGD) of the Ministry of Foreign Affairs, through ARES-CCD and VLIR-UOS.

The ACROPOLIS group dedicated to Aid Effectiveness with a Focus on Fragile Contexts gathers academic partners from Université St Louis Bruxelles (coordinating university), Université libre de Bruxelles, Université catholique de Louvain, Université de Liège, Universiteit Gent. Its main fields of research are the Great Lakes Region of Africa and Sahel. It builds on the network previously set up under GRAPAX – Groupe de recherche en appui aux politiques de paix.

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