**Risk Categories and Risk Parameters – an inspirational overview**

The table at the following page serves to structure possible risk parameters and provides examples of risk outcomes in each of the three Core Risk Categories. The table do not amount to a complete list of risks and not all risks listed are relevant in all settings. The concrete risks will depend on the actual situation.

**Contextual risk**

This category covers the range of potential adverse outcomes that may arise in a particular context, including the risk of harm beyond the immediate context or the country’s borders.

Individual contextual risks are defined by the particular setting, but some common types of risk outcome are listed below. The risk factors that underlie these various categories depend on the context, but they may include governance failure (e.g. the failure of effective public financial management or law enforcement); competition for resources; natural hazards; and pre-existing socio-political tensions.

Here, many of the risk outcomes are themselves risk factors for other types of risk, e.g. an economic crisis may trigger conflict and a humanitarian crisis. The complex interplay among different factors makes contextual risk analysis difficult and highly dependent on good local knowledge.

| **Contextual** |
| --- |
| **Parameters** | **Risk Outcomes** (examples) | **Sources** |
| **Security & Safety*** Interstate war
* Civil war
* State Break-down
* Violent crime, terror, piracy
* Natural disasters
* Pandemics
 | * Generally risk increase on all parameters in and around affected area
 | * UNOCHA sitrep’s
* Official travel advice
* Global Peace Index ([www.economicsandpeace.org](http://www.economicsandpeace.org))
 |
| **Political & Social** * Government
* Government policies
* Poverty reduction strategy
* Partnership
* Institutions
* Administration
* Rule of law
* Stakeholders
* Gender issues
* Rights issues
 | * All planning and economic activity hampered by unstable political situation
* No Poverty Reduction Strategy available
* Widespread corruption
* Restrictions on civil and political rights
 | * Failed State Index ([www.fundforpeace.org](http://www.fundforpeace.org))
* Worldwide Governance Indicators ([www.info.worldbank.org/governance/wgi](http://www.info.worldbank.org/governance/wgi))
* Human Development Index ([www.hdr.undp.org](http://www.hdr.undp.org))
* Joint Assesment of National Strategies
 |

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| --- | --- | --- |
| **Financial & Economical*** Financial management
* Corruption
* Procurement
* Legal framework
* Finance Act Process
* Audit
* Fiscal and foreign trade balances
* Recession, inflation
 | * Poor budget discipline as result of lacking independence of the Supreme Audit Institution
* Non-existence of internal audit increase general risk of misuse of funds
 | * World Bank PEFA Assessments ([www.bit.ly/wbpefa](http://www.bit.ly/wbpefa))
* Transparency International ([www.transparency.org](http://www.transparency.org))
 |
| **Conflicts*** Political
* Religious
* Ethnic
* Social class
* Resources
* Trade
* International or internal
 | * Some ethnic groups are denied political influence
* Two out of four boarders closed due to decade-long conflict with neighbouring countries
 | * Global Peace Index ([www.economicsandpeace.org](http://www.economicsandpeace.org))
 |
| **Resources*** Natural
* Human
* Financial
 | * ‘Brain drain’ undermines development efforts
* Draught reoccurs more often and for longer time
* Falling commodity prices increase budget deficit
 |  |

**Programmatic risk**

We use the term “programmatic risk” to include two kinds of risk: (1) the potential for an aid programme to fail to achieve its objectives; and (2) the potential for the programme to cause harm in the external environment. With regard to (1), the risk factors for programme failure include many of the contextual risks outlined above, as well as institutional and political factors. But there are many other reasons for potential programme failure. These include inadequate understanding of the context or flawed assessment of what needs to be done; management and operational failures; and failures of planning and co-ordination. Risk is also associated with new or innovative programme approaches (although there may also be risk in failing to innovate).

One common reason for failure to achieve programme objectives is that the objectives themselves are simply too ambitious, either in their nature or time frames. Indeed, over-ambitious objectives seem to be a common side effect of the political search for peace dividends in post-conflict settings. With regard to (2), programme interventions may both exacerbate and mitigate contextual risks. This includes the potential for aid to do damage to

the economy or to the government of the country in question, or to exacerbate conflict and social divisions.

| **Programmatic** |
| --- |
| **Parameters** | **Risk Outcomes** (examples) | **Sources** |
| **Security & Safety*** Interstate war
* Civil war
* State Break-down
* Violent crime, terror, piracy
* Natural disasters
* Pandemics
 | * Limitations in access to intervention area
* Life and well-being of staff threatened
* Major increase in target group
* Displacement to or from intervention area
* Damage to infrastructure and operational capacity
* Lack of disaster or epidemic management planning
 | * UNOCHA sitrep’s
* Official travel advice
* Global Peace Index ([www.economicsandpeace.org](http://www.economicsandpeace.org))
 |
| **Political & Social** * Government
* Government policies
* Poverty reduction strategy
* Partnership
* Institutions
* Administration
* Rule of law
* Stakeholders
* Gender issues
* Rights issues
 | * Sector strategy and investment plan do not materialise
* Agreed objectives cannot be reached due to general bias against girls’ enrolment for secondary education
* Limited capacity of local partners hampers implementation
* Lack of political commitment and leadership
 | * Failed State Index ([www.fundforpeace.org](http://www.fundforpeace.org))
* Worldwide Governance Indicators ([www.info.worldbank.org/governance/wgi](http://www.info.worldbank.org/governance/wgi))
* Human Development Index ([www.hdr.undp.org](http://www.hdr.undp.org))
 |
| **Financial & Economical*** Financial management
* Corruption
* Procurement
* Legal framework
* Finance Act Process
* Audit
* Fiscal and foreign trade balances
* Recession, inflation
 | * Procurement rules accord with international standards but compliance is weak
* Sector receives insufficient and falling share of state budget
* Annual targets not met due to late transfers from Ministry of Finance
 | * World Bank PEFA Assessments ([www.bit.ly/wbpefa](http://www.bit.ly/wbpefa))
* Transparency International ([www.transparency.org](http://www.transparency.org))
 |
| **Conflicts*** Political
* Religious
* Ethnic
* Social class
* Resources
* Trade
* International or internal
 | * Conflicts on water rights shortcuts irrigation project
* One ethnic group is systematically denied access to services
 | * Global Peace Index ([www.economicsandpeace.org](http://www.economicsandpeace.org))
 |
| **Resources*** Natural
* Human
* Financial
 | * Intervention causes damage to the environment
* Partner unable to hire or retain qualified staff
* Partner or third party do not deliver on financial commitment
 |  |

**Institutional risk**

This category includes “internal” risk from the perspective of the donor or its implementing partners. It includes the range of ways in which an organisation and its staff or stakeholders may be adversely affected by interventions.

These risks can be further categorised as follows:

• Operational security risks: e.g. threats to the safety of staff and partners

or the continuity of programmes, etc.

• Financial and fiduciary risk: e.g. financial loss and risk of institutional

liability for loss/failure resulting from corruption or financial

mismanagement.

• Reputational risk: e.g. damage to a donor’s reputation if it fails to

achieve its objectives, or from financial/fiduciary failure.

• Political and reputational risk from engaging in countries where the

appropriateness of aid support is questioned or where aid appears to

support violent/corrupt groups.

Reputational risk may result from a donor failing to apply the agreed principles of good donorship, or perhaps from running too high a fiduciary risk and being exposed to criticism as a result.

| **Institutional** |
| --- |
| **Parameters** | **Risk Outcomes** (examples) | **Sources** |
| **Security & Safety*** Interstate war
* Civil war
* State Break-down
* Violent crime, terror, piracy
* Natural disasters
* Pandemics
 | * Public support to intervention negatively affected after serious injury of staff member
 | * UNOCHA sitrep’s
* Official travel advice
* Global Peace Index ([www.economicsandpeace.org](http://www.economicsandpeace.org))
 |
| **Political & Social** * Government
* Government policies
* Poverty reduction strategy
* Partnership
* Institutions
* Administration
* Rule of law
* Stakeholders
* Gender issues
* Rights issues
 | * Elections in y-land is presented by media as far from free and fair – campaign demands that institution draws out immediately
* Governments lead discrimination against homosexuals in x-land results in widespread demand for sanctions
 | * Failed State Index ([www.fundforpeace.org](http://www.fundforpeace.org))
* Worldwide Governance Indicators ([www.info.worldbank.org/governance/wgi](http://www.info.worldbank.org/governance/wgi))
* Human Development Index ([www.hdr.undp.org](http://www.hdr.undp.org))
 |
| **Financial & Economical*** Financial management
* Corruption
* Procurement
* Legal framework
* Finance Act Process
* Audit
* Fiscal and foreign trade balances
* Recession, inflation
 | * Public support to institution damaged after massive loss of tax payers’ money due to apparently unchecked corruption
 | * World Bank PEFA Assessments ([www.bit.ly/wbpefa](http://www.bit.ly/wbpefa))
* Transparency International ([www.transparency.org](http://www.transparency.org))
 |
| **Conflicts*** Political
* Religious
* Ethnic
* Social class
* Resources
* Trade
* International or internal
 | * Repeated attacks on religious minority lead to call for withdrawal from z-country
 | * Global Peace Index ([www.economicsandpeace.org](http://www.economicsandpeace.org))
 |
| **Resources*** Natural
* Human
* Financial
 | * Decision to tolerate potential risk to the environment by intervention is broadly considered unacceptable in constituency
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