This paper was commissioned by the Ministry of Foreign Affairs of the Government of Denmark as a background document for a conference hosted by the Danish government on 25 and 26 November 2010 on ‘Risk and Results Management in Development Cooperation: Towards a Common Approach’. It is based on a series of interviews with humanitarian actors, including donors, international NGOs and UN agencies, and a review of the literature on the subject.

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Key messages

• There are important differences in how humanitarian actors understand, prioritise and manage risks – whether contextual, programmatic or institutional. The manner in which different actors manage these risks can have a secondary impact on risk levels for others in the sector.

• Given the risks inherent in humanitarian action, all humanitarian actors – including donors, NGOs and UN agencies – must ensure that risk management is an organisational priority in both policy and institutional practice, for example by developing an organisational policy on risk management as a clear statement of management commitment, including roles and responsibilities in job descriptions and performance appraisals, embedding risk management in all aspects of programme design and implementation and ensuring training for all staff on risk management.

• At a minimum, a common approach to identifying and assessing risk would enable more comprehensive understanding and more effective management of risks across the sector. One step forward could be to ensure that risk assessment is integrated into common needs assessments and analysis.
This paper explores the range of contextual, programmatic and institutional risks involved in humanitarian action, and how these risks are viewed and managed by the humanitarian community. The underlying assumption of this paper is that adopting a common approach to risk may enable a more sophisticated under-standing of the risks inherent in a particular context, and more effective management of those risks.

Humanitarian action by necessity takes place in situations which are unpredictable and unstable, and where people face profound risks from disasters, armed conflict, political violence and human rights abuse. As such, humanitarian action is defined by risk – the high levels of risks to civilian populations inherent in crisis contexts are the rationale for humanitarian intervention, and are also the predominant consideration for how, when and what interventions are made. Risk thresholds are consequently often high. But how do humanitarian actors define these risks? How do they assess and manage them?

HPG research indicates that, while there is growing awareness of the nature of risk in the humanitarian sector, there is very little structured or agreed understanding of the range of risks prevalent in the sector, perhaps with the exception of security risks. There is no common approach to or culture of risk management per se. Differences are particularly stark between humanitarian donors and operational agencies (whether UN or NGOs), including in relation to which risks they prioritise, how they balance them and how they link them with humanitarian outcomes. However, there is at least a growing awareness of the nature of risk in this sector, and there have been some efforts to adopt common approaches to particular risks.

What is risk?

Risk can be understood in relation to the concept of future harm, the probability of a harmful event or hazard occurring and the likely severity of the impact of that event or hazard. Risk management refers to attempts to eliminate or mitigate the probability or impact of a harmful event or hazard, i.e. to seek to remove or reduce risks of future harm. ‘Enterprise Risk Management’ (ERM) and ISO Standard 31000 are generally accepted frameworks for risk management in a range of sectors.1 They set out similar steps for risk management including the identification of harmful events or circumstances relevant to an organisation’s objectives, an assessment of the probability and severity of impact of these events, the development of an appropriate response strategy and the monitoring and evaluation of this response.

Identifying risk means identifying any event or factor which may do harm to the objectives of the organisation. The source of risk may be internal to an organisation, for example the conduct of staff, or external, such as a natural hazard or an economic or political event.

Assessment of risk is commonly conducted based on both the probability of occurrence and the likely impact, with the most critical risks logically being those that are both highly probable and expected to have a significant impact. The measures through which it is possible to manage the risk may include any or a combination of four key strategies:

- Avoidance: ceasing the activities that give rise to risk.
- Reduction: taking action to reduce the probability or impact of risk.
- Sharing or insuring: reducing risk through sharing or transferring part of the risk.
- Acceptance: accepting risk based on a cost–benefit or cost-effectiveness analysis.

The strategy adopted to address a particular risk may heighten other risks or create new ones. In many scenarios, significant residual risks will still remain after risk management measures have been taken; not all risks can be eliminated or reduced. Continuously monitoring risk and the effectiveness of the strategies listed above in addressing risks is an integral component of the risk management cycle.

Risk and humanitarian action

What are the risks?

The risks prevalent in humanitarian action are many, varied and often interlinked. Many actors tend to highlight risks to the safety and security of staff and beneficiaries, but whilst these are indeed critical, there are many other risks which present serious threats to humanitarian programming. In Figure 1 these risks are grouped into three categories: contextual, programmatic and institutional.

![Figure 1: Categories of risk](image)

**Contextual risks** are inherent in the wider context. They can include political and social risk factors such as intensified conflict, political instability and the collapse of the rule of law; economic or developmental factors, such as high inflation, the collapse of state service infrastructure and market failure; and wider security issues, such as organised and transnational crime. Many of these contextual risks are, to some degree, beyond the control of humanitarian actors, though this does not mean that they cannot be predicted. The context, and the risks inherent in it, both forms and informs the entire risk management cycle.

**Programmatic risks** can be grouped into two main areas – the risk of failing to achieve programme objectives, and the potential to cause harm to others. Setting aside external contextual factors, there are a number of risks relating to programme implementation. These
include setting overly ambitious objectives, using innovative or untested programme approaches and basing programmes on flawed needs assessments. There is also the risk that programming will not achieve a comprehensive response, or that programmes may be duplicated. The second area covers a range of risks related to the Do No Harm approach, broadly defined as the attempt to eliminate or minimise the risks of humanitarian interventions inadvertently having a negative effect. This includes physical risks to civilians arising from the presence of humanitarian actors or specific programmes; the risk of fuelling a war economy or replacing state functions through substitution of service delivery; and compounding ethnic, religious or gender discrimination and creating dependence on external assistance. In addition, failing to link humanitarian objectives with longer-term development objectives may present risks to the sustainability of assistance, and the capacity and resilience of beneficiary communities. However, some humanitarian actors consider association with political and security interests and public opinion. As a result, attacks on humanitarian workers, for example, may be seen as an indirect consequence of the increased complexity of the operating environment, as well as the increased presence of humanitarian actors. Fiduciary or corruption risks, such as bribery, extortion, kickbacks, nepotism and cronyism, are also particularly acute since humanitarian interventions typically take place in contexts which are characterised by weak or non-existent rule of law, endemic corruption and overwhelming need.

The risk of inconsistent or inflexible funding is also prevalent. Humanitarian funding is increasingly influenced by donors’ political and security interests and public opinion. As a result, some humanitarian crises are neglected, while others may receive huge allocations; in 2010, the overwhelming support for the Haiti earthquake response reportedly equated to $1,492 per person affected, contrasting with the $32 per person received for the Niger crisis, where in 2010 almost half of the population were in need of food aid. Failure to sustain humanitarian funding throughout the length of a protracted response also poses serious risks to the gains made by initial relief operations.

Many institutional risks relate to reputation. For aid ministries, any damage to their reputation at home, with the public or within the government, may in turn limit the influence they have over domestic political priorities when arguing a humanitarian case. Damage to an operational agency’s reputation may result in cuts in funding, or may generate threats to agency staff and limit access to beneficiaries. The significant increase in the number of humanitarian actors in recent years also poses risks to the reputation of the sector as a whole through a lack of coherence and adherence to common standards in strategy, programmes and even professional conduct.

The same hazard or harmful event may present different risks to different stakeholders. For example, the large-scale diversion of aid by parties to a conflict may cause serious domestic political damage to the donor, and may result in new restrictions on humanitarian aid spending. For the operational agency, it may result in loss of funding, closure of programmes and termination of staff contracts. For the beneficiaries, the result may be an immediate halt in life-saving assistance.

How are the risks assessed and managed?

The humanitarian sector is notoriously heterogeneous in its constituents and its approach to different issues. However, even if it is assumed that a common approach may enable more effective management of risk, given the plethora of risks facing this community, is a common approach actually possible? There is currently no common framework for assessing and managing risk in the humanitarian sector. Some actors have embedded risk management throughout their strategic or programme cycle, but this is not standard practice. In response to certain specific risks, there has been positive cooperation and collaboration. Perhaps not surprisingly, this is most notable in relation to operational security risks. There is a good reason for prioritising operational security: if staff, assets and beneficiaries are not safe, there can be no humanitarian action. However, this focus may also indicate a failure to understand the complexity of risk. An undesirable event may have more than just a primary impact on the organisation or the wider humanitarian enterprise, and most risks are interconnected. Managing operational security risks can, however, present an opportunity for the sector to assess and manage other risks as well (see Box 1).

Box 1: Risk analysis

There is no single risk assessment or risk analysis model that fits all contexts. Each actor must develop a risk assessment model that can be understood and consistently utilised by staff in HQ and in the field, and which will add clear value to the risk management process. The HPN Good Practice Review 8 on Operational Security Management in Violent Environments proposes the following four standard components for assessing operational security risk. This may also be useful for assessments of risks more generally:

- Contextual analysis: essential background for understanding potential threats.
- Programme analysis: clarifies the priority objectives of the organisation in the location and determines its capacities.
- Threat analysis: identifies and understands external threats – those risks that could cause the organisation or its programmes harm.
- Vulnerability analysis: understands the organisation’s exposure to threats, points of weakness and the ways in which the organisation may be affected.
Effective risk management is underpinned by an accurate assessment of risks, and contextual risks in particular. Situational or context analysis is however generally poor. This may be because humanitarian action takes place in dynamic and complex environments, and because time pressures and the overwhelming need for immediate assistance make detailed, resource-intensive situation analysis neither possible nor a priority. At the global level, the Inter-Agency Standing Committee (IASC) Early Warning – Early Action process offers a platform for collectively identifying and assessing contextual risks in different geographic regions. However, this coordination and capacity is not necessarily replicated at the field level, where risk assessment and management is particularly important.

A number of common initiatives and approaches have been adopted to assess and manage programmatic risks. Examples include the Do No Harm principle; inter-agency guidelines on gender and participatory and community-based approaches; investment in common and more comprehensive needs assessments based on risk-oriented approaches; and strengthened cluster and inter-cluster coordination aimed at minimising the risks of duplication or gaps in programming. There has also been significant investment in the monitoring and evaluation of programmes.

There have also been important efforts to reduce and manage institutional risks. Security risk management in the UN humanitarian system tends to focus on physical security measures such as deterrence and protection, whereas NGOs and the ICRC rely more on strategies of ‘acceptance’. These differences in approach have generated impassioned debate, but even here there are efforts to collaborate. The Saving Lives Together (SLT) initiative, a framework for UN and NGO security collaboration developed and endorsed by the IASC and the Emergency Relief Coordinator (ERC) in 2004, has sought to refine security risk management strategies for both the UN and NGOs. Although there remain some issues regarding roles and responsibilities and availability of resources, experience to date, particularly with regard to strengthening risk assessment, has been positive.

Any progress on developing shared assessments of security risk has not, however, translated into a common approach to security risk management. Significant differences persist on the use of armed escorts, for example, and agencies use very different thresholds to decide when to stay put and when to quit an operational context due to insecurity. It is also important to note that particular security strategies can create secondary risks elsewhere. Past efforts within the UN system to manage security risks have arguably had the effect of increasing programmatic risks, including limiting contact with beneficiaries and making it more difficult to achieve programme objectives. From January 2011, the current UN security phase system is to be replaced with a Security Level System based on a Security Risk Assessment (SRA). This is expected to provide a more context-based analysis which can be adapted to different regions within a country, and which will not prescribe specific actions (e.g. evacuation), as the previous system did. In another example, the use of remote management strategies in highly insecure environments has reduced the risk to international staff, but may heighten security risks to national staff and local partners, as well as increasing the risks of corruption and programme failure.

In terms of reputation, the risk of supporting, or being seen to support, proscribed terrorist organisations has become a prominent concern in the last decade, for donors and operational agencies alike. Measures by donors to manage this risk have become increasingly stringent, resulting in significant secondary risks to humanitarian action, such as limitations on operational partnerships and engagement with non-state actors. A US Supreme Court ruling in Holder versus the Humanitarian Law Project in June 2010 stated that it is a federal crime in the United States to knowingly provide ‘material’ support to a designated foreign terrorist organisation. Material support was broadly defined as including ‘training’ and even ‘expert advice’. This may be an extreme example, but it is illustrative of a general trend in national and international legislation and policy. The actual and perceived risk of individual criminal liability on the part of donor and agency staff should aid fall into the wrong hands, or even when engaging in access negotiations with such organisations, is becoming an increasingly critical issue.

Linked to this, there have been efforts over the years to assess and manage the long-standing risks of large-scale diversion of aid. In 2009 the World Food Programme in Somalia adopted new tracking measures, including coding food consignments with details of the transporter delivering the bag, the NGO distributing it and the location of the site at which it was to be distributed. This allowed the agency to calculate how much food was being sold on and where, as well as which distribution site it was coming from.

The Code of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Relief, published in 1994, provides a broad framework for professional standards to address a number of institutional risks, including those posed by the sudden proliferation of actors in the sector. More recently, several clusters have developed specific professional standards in their technical area, such as the ICRC’s standards for protection work, published in 2009. Many humanitarian actors have also adopted professional standards relating to financial and auditing practices, invested in dedicated and trained finance and administration staff and introduced checks to monitor procurement processes.

Risks related to humanitarian funding have been approached in a number of ways. Broadly speaking, humanitarian funding instruments now tend to be less stringent, faster, more flexible and less onerous than development instruments. Multilateral pooled funds, including the Central Emergency Response Fund (CERF) and country-based Common Humanitarian Funds (CHFs), aim to increase the predictability, equity and speed of funding allocations. Evaluations of these new mechanisms have demonstrated positive impact in covering sectoral gaps, enhancing the predictability and timeliness of response and improving prioritisation and strategic coordination. However, as with other risk management strategies, there may be secondary fiduciary and programmatic risks, including lower auditing and monitoring and evaluation standards.

9 Common funding for an overall country humanitarian action plan was first piloted in Sudan and the DRC in 2006. Other, smaller examples that predate these funds include rapid emergency relief funds, multi-donor trust funds in post-conflict recovery scenarios and thematic funds, for example HIV/AIDS and avian flu.
Accepting risk?

Given the types of risk prevalent in humanitarian crises, it is frequently the case that a residual risk will remain after risk management measures have been put in place. Short of pulling out of a particular crisis context or activity, the risk cannot be further reduced, avoided or eliminated. Humanitarian actors are consequently often required to weigh residual risk against the humanitarian imperative – the urgency and scale of the need for life-saving assistance. Perceptions of risk, as well as economic and political factors, all influence this judgement. For example, there are often differences in the levels of residual security risk that an operational agency, an individual staff member and a donor may consider acceptable. In cases where the residual security risk is very high, an individual staff member may consider it acceptable to stay put, but the organisation may not. Individual staff members have often formed a distorted perception of the level of risk they are taking on in a particular context, or have taken unacceptable risks for altruistic, salary or career reasons. Conversely, operational agencies and individual staff members may feel under financial or political pressure from donors to continue operating in an environment which they deem to pose unacceptable risks. In situations of overwhelming and acute humanitarian need, it may also be necessary to accept a significant degree of financial risk due to lower auditing standards, or programmatic risks inherent in new and untested programmes.

Acceptance of residual risk is perhaps where the differences between donors and operational agencies are particularly prominent. However, it is important that both donors and operational agencies understand that it is crucial to tailor risk management, particularly management of residual risk, to what is achievable and appropriate in each particular context.

Examples of a common approach

One of the most risky humanitarian contexts, from a contextual, programmatic and institutional perspective, is Somalia. The combination of protracted conflict, economic collapse and regular drought has resulted in a large-scale long-term humanitarian crisis which has left approximately two million people in need of assistance. It is also one of the most dangerous contexts for humanitarian actors (42 humanitarian personnel were killed and 33 abducted in 2008 and 2009). The 2010 Consolidated Appeal for Somalia acknowledged the implications of not having a proper risk management policy, and committed the Humanitarian Country Team (HCT) to ‘integrating this practice strategically in all aspects of its work’. The UN Country Team (UNCT) decided to develop and implement a common risk management regime aimed at building internal capacity, facilitating more effective decision-making and creating a more harmonised approach to the broad range of risks prevalent in this context.

A new structure, including a risk committee and a risk manager position, was created in early 2010. The Somalia UNCT risk management system is based on the Enterprise Risk Management (ERM) standard, and is used to promote a common approach to risk assessment and management within the UNCT and with donors and NGOs. Ensuring that all UNCT members contribute to the cost of the risk manager position and support the development of a common database of information relating to contracts and partnerships (a key area of risk identified by the UNCT in 2009) are both incentives for and products of this cooperation. It is still too early in this process to evaluate the efficacy and impact of this approach, but there is already an evident increased awareness of risks, capacity-building within the UNCT members is under way and a preliminary list of priority risks has been drawn up for further review.

Further learning emerges from Sudan, where more than five years following the signing of the Comprehensive Peace Agreement levels of humanitarian need remain extremely high. The NGO Forum in South Sudan, established in 1996, brings together 160 international NGOs and 187 national NGOs to coordinate with the UN and the Government of South Sudan. With the support of a Secretariat established in 2008, members share information on humanitarian needs and programmes and on security. Although the forum has not engaged to any great extent in high-level policy debates, it does appear to have provided a mechanism for sharing and addressing risks, including in relation to context analysis, accessing appropriate partnerships and managing security risks.

The Afghanistan NGO Safety Office (ANSO), established in 2002, is another positive example of NGO security coordination in what is clearly an extremely challenging security context. ANSO, an independent entity, aims to support NGOs’ “ability to deliver vital assistance and services by ensuring they have access to high quality, independent information”. With a number of regional offices, it provides bi-weekly reports on security-related information, developed from information provided by NGO members, and produces a quarterly analytical report on the impact of violence on NGO operations across the country, highlighting particular risk factors and providing conflict analysis. It also provides security training for NGO staff, and advocates for best practice in security management.

Risks in other sectors

Risks inherent in humanitarian action, such as operational security, corruption and contextual risks, are also prevalent in other sectors operating in crisis contexts, including security, development and the commercial sector. However, there are fundamental differences in the way that humanitarians understand risk, and how they seek to manage it.

Perhaps the primary difference relates to the humanitarian imperative and how this concept determines how risks are prioritised and managed, and what residual risk levels are deemed acceptable. In other sectors, a residual risk may simply be unacceptable, and may lead to a decision to end the activity or quit the context. There is no comparative moral imperative in commercial action, for example – decisions around risk are based primarily on profit and commercial actors may stay or go depending on a profitability cost–benefit analysis alone. The humanitarian imperative also has an impact on the risk management strategies available to humanitarian actors. For example, the concept of transferring risk, as understood in the commercial sector, holds little resonance in the humanitarian community – a legal agreement regarding transfer of risk is

13 See www.afgnso.org.
insufficient for most humanitarian organisations, many of whom continue to regard themselves as having a strong moral responsibility for the safety and security of the partner or contractor, and for ensuring the eventual delivery of assistance to beneficiaries.

There are also fundamental differences in approaches to risk between development and humanitarian actors, even where they are engaging in the same context. Development actors commonly assess the risks of engaging in a particular context or programme, whereas the emphasis in the humanitarian sphere is on the risk, or human cost, of not engaging. It is also commonly assumed that there is a degree of creativity and innovation, or risk-taking, in humanitarian action, compared with the more cautious approach to programmatic and institutional risks typical among development actors. However, this tendency to accept or be creative with risk is not always based on a structured process of assessment and decision-making. In addition, the urgent nature of interventions, the short time-frame for achieving ‘success’, the tangible objectives set for humanitarian action and the comparative simplicity of partnerships may not be replicated in development contexts. Although development actors may have more time and resources to undertake comprehensive risk assessment and management, the nature of their broader, longer-term objectives, the complex partnerships that are necessary to achieve them and the more stringent financial regulations they must work within may actually pose greater risks.

Conclusions and recommendations

The risks inherent in humanitarian action are wide-ranging and complex and, on the face of it, appear to be increasing. This increase may, in part, relate to the increase in the number of actors in the sector, the competing policy spheres in each context or simply an increased awareness of risk. Whatever the cause, has this resulted in a more risk-averse approach by humanitarian actors, or has the sector been able to effectively manage the risks it confronts? It is clear that, in the humanitarian sector, the current approach to risk, whether contextual, programmatic or institutional, is ad hoc, inconsistent and fragmented. However, there is at least an acknowledgement of these failings and recognition of the potential benefits of greater cooperation and sharing of risk. Whilst the Somalia UNCT risk management model is still in its infancy, it may offer some lessons for humanitarian action more broadly.

Perhaps particularly striking is the difference in prioritisation and the balancing of risks between different groups within the sector. The differences between donors and operational agencies (UN and NGOs) are particularly wide, with a far greater emphasis on managing fiduciary risks on the part of donors, and a greater prioritisation of security risks by operational agencies. The management of these priorities also creates tensions: many operational agencies have criticised increasingly stringent financial reporting requirements as an unnecessary and impractical burden. Conversely, operational agencies may underestimate the links between financial accountability and transparency and their own operational security. Even between operational agencies risks are understood and prioritised very differently by ‘traditional’ humanitarian agencies and ‘multi-mandate’ organisations. Ongoing debates surrounding the politicisation and securitisation of aid also highlight a lack of cohesion, with some operational agencies failing to prioritise or even acknowledge the risks inherent in this trend.

The humanitarian community has much to learn from other sectors in assessing and managing the many risks it faces. In particular, failure to invest in contextual risk assessment, a lack of coherent structure in risk management and the ad hoc acceptance of high levels of risk must be addressed. At the same time, however, the creative and innovative approach that humanitarian actors frequently take in response to risks may offer lessons for others, including donors and development agencies.

Box 2: Preliminary recommendations

- Operational agencies must make risk management an organisational priority, ensuring sufficient investment in risk management at all levels of the organisation. This should include ensuring a structured process of decision-making, particularly relating to acceptance of residual risks.
- Humanitarian actors must invest in a centralised capacity for contextual risk assessment, facilitating sharing of learning on risk management approaches. Given the need to ensure the proximity of this capacity to the field, additional resources and capacity should be extended to HC/RC Offices, including in OCHA field offices as appropriate.
- Greater coordination is required between humanitarian and development actors in assessing the risks prevalent in transition situations. Sharing information and perspectives on risks would enable more comprehensive assessments and more effective management of risk.
- Donors must make more resources available to support risk management within individual operational agencies, and with regard to the coordination of risk management.
- Donors must also review developments in financial auditing requirements, ensuring that processes are not overly burdensome and reflect more closely what is realistic in terms of results.