

Guidelines for Risk Management (GRM) - Danish International Development Agency



Objective and features

1. Objective

GRM aims to provide a tool for risk management that includes identifying, assessing, monitoring, making decisions on, and communicating risk issues in programs and projects supported by the Danish International Development Agency (DANIDA).

2. Institutional coverage

National governments.

3. Technical coverage

Under the category “Financial & Economical” risks, GRM covers financial management, corruption, procurement, legal framework, Finance Act Process, audit, fiscal and foreign trade balances, recession, and inflation.

4. Application method

Custodian.

Methodology



5. Methodology

The risk management approach provides a structured framework for assessing and monitoring risks. GRM tool covers three kinds of risks:

- Contextual risk covers the range of overall potential adverse outcomes that may arise in a context and hence could impact a broader range of risks at programmatic and institutional level.
- Programmatic risk further includes two kinds of risk: (1) the potential for a development program to fail to achieve its objectives, and (2) the potential for the program to cause harm in the external environment.
- Institutional risk is sometimes also called political risk and includes “internal” risk from the perspective of the donor or its implementing partners. It includes the range of ways in which an organization and its staff or stakeholders may be adversely affected by interventions.

6. Benchmarking system

Risk-level assessment with an ordinal scale scoring system (insignificant, minor, major, and significant risk). It combines scoring risks against a selected number of questions grouped into three categories outlined above, with a narrative commentary to produce an overall risk rating. The risk level is the combined assessment of the likelihood that risk factor is released and the impact of the released risk; each of the two factors are rated on a four-level scale.

7. Linkage to PEFA framework

There is no direct linkage between the GRM and the PEFA framework. To assess the quality of the PFM system in a country, DANIDA refers to the PEFA indicators. The guidelines on Development Contracts and Technical Note on Program Support Preparation make specific reference to PEFA indicators to consider for general budget support.

8. Complementarity with PEFA framework

The PFM and budget transparency components of the assessment rely on findings from the PEFA framework but require additional analysis in aspects such as corruption and procurement practices.

Development and use



9. Development and coordination

Around 2010, DANIDA concluded there was no consistent approach to systematically address risks, especially in the fragile countries where DANIDA was involved in development activities. Hence, DANIDA decided to develop a set of guidelines to provide an overview of total risk and risk in a specific sector. The first draft of guidelines for risk management was prepared after the seminars hosted by the Ministry of Foreign Affairs of Denmark and the Development Co-operation Directorate of OECD Development Assistance Committee. The guidelines draft was sent to Danish embassies for feedback. DANIDA simplified the guidelines based on the feedback and published it as Guidelines for Risk Management (GRM).

GRM was used extensively between 2013 and 2016 by DANIDA in programming their aid projects. However, to reduce the number of procedures required to approve aid projects, a shorter Risk Management Matrix is attached as an annex (Annex 5) to the general programming documents of DANIDA after 2016. The complete Guidelines for Risk Management is no longer used for country programming by DANIDA. Inputs of other donor agencies are also used to prepare the assessment, and the final report is shared with the wider donor group operating in the country.

10. Assessment management

The assessment is managed by desk officers in Danish embassies. The desk officers in partner countries also refer to assessments of other institutions, such as WB, FCDO, and EU, to have a broader view of the risk situation in a country. In terms of quality assurance, assessments are reviewed by DANIDA staff according to internal guidelines.

11. Uses by the government and members of the PFM community

Conclusions of the risk assessment are incorporated in the appropriation note of proposed programs for aid support, as part of the narrative, with a presentation of important identified risks. The Risk Management Matrix is annexed to the appropriation note to DANIDA’s External Grant Committee, DANIDA’s Internal Grant Committee, or Head of Unit, as appropriate.

12. Sequencing with other tools

The fiduciary assessment uses the findings from PFM diagnostics such as PEFA (Ao1) assessment.

13. PFM capacity building

No PFM capacity development function is envisaged for the tool.

14. Tracking of changes and frequency of assessments

There is no predefined frequency; it depends on the preparation and monitoring of individual aid programs.

15. Resource requirements

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Transparency



16. Access to methodology

The guidelines used for risk management and the risk management matrix can be accessed from DANIDA website [Guidelines for Risk Management \(um.dk\)](http://um.dk).

17. Access to assessment results

DANIDA maintains an internal report repository. The risk assessments carried out are for internal use by DANIDA and are not published.