Risk Pool Fund

Charting the divide: When funders perceptions of risk collide with on-the-ground realities

Gaps between perceived and actual risks in program implementation in low- and middle-income countries weaken existing risk mitigation strategies, and contribute to communication barriers between funders and implementing partners. There is a lack of alignment between funders and implementing partners[1] around the real challenges faced by implementers.

This brief overview, based on wider research and inspired by 'Roadblock Analysis Report' 2018, aims to improve the understanding of risk assessment, mitigation strategies, and the actual factors affecting 'for impact' project implementation in low- and medium-income countries (LMICs). The focus is on the international development and humanitarian response sectors.

Risk isn't the chance of a major case of fraud occurring in a humanitarian crisis. It is the chance that a major fraud event will disrupt or affect an organization's objectives by, for example, resulting in the organization shutting down critical life-saving interventions for people in need."[2]

KEY TAKEAWAYS FOR FUNDING AGENCIES

- There are fundamental challenges inherent in existing practice. Especially when it comes to support to local NGOS, existing risk assessment and mitigation is not working as one would hope.
- Local NGOs experience higher incidents of obstacles. They have fewer financial and human resources to adapt to unexpected challenges and often a significantly higher risk threshold than
- their INGO counterparts
- Existing risk assessments tend to bias towards security- or financial-related risks, when these are just one part of what disrupts and delays projects.
- Any widespread belief that a trust-based relationship exists - or is even possible - between funder and implementer lies mostly on the side of funders. Interviews with over 150 implementers suggests that they tend to be more sceptical about the situation.
- As reported by implementers, a 'compliance mindset' on the side of funders in particularly tends to deter timely or proactive communication from implementers facing challenges.

You simply copy and paste them into every subsequent proposal. And you share them. You know, in your WhatsApp groups, someone might say, 'I need to do a risk assessment for something different; does anyone have one I can use?' I genuinely believe that's how it typically works.

[1] Some funders ask for complex multi-year risk registers to be completed, others focus largely on security and fiduciary risks, whilst some important funding partners perform no risk assessments at all.

INSIGHTS INTO IMPLEMENTERS CONCERNS

- Implementers perceive that being more transparent or communicative around challenges, particularly internal ones, is not in their best interest.
- There is a significant mismatch between existing tools for dealing with risk and the typical incidents that actually impact upon implementation.
- Whereas both funders and implementers actually cited bureaucratic delays as their top obstacle, the tendency is for risk management to focus on issues such as fraud (an obstacle that - across 210 responses - actually ranked overall as 25th out of 27 obstacles).

When challenges arise… when do you bring it to a funder? And I think this theme of being comfortable with being vulnerable, especially with someone who may hold a significant position of power in terms of financing, is crucial. It is an issue that comes up repeatedly; without a sense of trust with funders, it's challenging to feel confident in bringing forward challenges and collaborating on solutions.

[2] 1 Open Road Alliance (2018), Roadblock Analysis Report: An analysis of what goes wrong in impact-focused projects. https://openroadalliance.org/wp-content/uploads/2020/07/ORA-RoadblockAnalysis-DigitalPDF-Final-4.23.18.pdf

[3] Stoddard, A., Czwarno, M. & Hamsik, L. (2019). NGOs & Risk: Managing uncertainty in local-international partnerships: Global report. Retrieved from Humanitarian Outcomes: www.humanitarianoutcomes.org

DIVING INTO THE DATA

* A key final observation is that, on average, funders can underestimate those obstacles that 'they cannot see for themselves'.

Issues funders are more concerned with

Funders are significantly more concerned about changes of funder policy and priority than implementers (probably as they see this up close, whereas, on occasion, this fact is obscured from implementers and / or not communicated to them).
Funders are also more concerned about significant insecurity – perhaps as they are more risk averse when it comes to their own travel, or they are more attuned to the more formal (and conservative) risk assessments of organisations like FCDO than are NGOs.

Issues implementers see as more of an issue

Implementers are more concerned with operational issues linked to equipment, technology or non-personnel inputs (e.g. chemicals).
This is likely because it can have a significant impact on their operations and seem hard to do much about it – but is not the sort of issue that implementers feel comfortable reporting up to funders (perhaps with little expectation that they will be accommodating or can do anything about it?).

Diverse opinions within the NGO community

INGOs and local NGOs are concerned about different things.
Local NGOs are significantly more concerned about equipment and infrastructure failure or repair than INGOs.
This may be as such issues have an immediate and significant impact on operations – which, if repairs or replacement is speedy, may be short-lived. If so, such obstacles may not get reported 'up the chain' to INGO partners – who thus do not perceive the impact in the same way.
INGOs are more concerned than local NGOs about both political or civil unrest and bureaucratic delays.[4]

THE 'FUNDERS PERSPECTIVE'

Consider two basic groupings of risk from the 'funders perspective'. 'External risks' are more visible to anyone interested and which lie outside project specifics (an example being 'currency fluctuation'). Then, 'internal risks' are those that funders are only aware of when they are communicated by implementers (an example being 'technology malfunction'). Implementers and funders tend to report and record a similar incidence of 'external risks' and rank them similarly.

Yet funders underestimate the frequency with which implementers face problems in the 'internal' category of obstacles – and thus rank their likelihood and importance lower than that perceived by 'those on the ground' and do not incorporate them as routinely into their risk mitigation strategies.

PARTING ISSUES TO CONSIDER FOR FUNDERS AND IMPLEMENTERS

1. How do the Risk Pool Fund's findings influence your strategic approach to risk assessment and mitigation in future programs, particularly in addressing the gap between perceived and actual risks?
2. In light of the report's revelation that implementing partners often hesitate to communicate internal-facing or operational issues due to fear of reputational risk or funding loss, what steps can funders take to foster a more transparent and trust-based communication channel between funders and implementing partners?
3. Considering the diverse range of obstacles identified in the report – and suggested new 'risk taxonomy' – how can funders use the Risk Pool Fund, or similar mechanisms, to better address the nuanced and varied nature of risks and obstacles that commonly arise?
4. How could more meaningful risk assessments influence the impact of obstacles when they do arise.

[4] How could more meaningful risk assessments influence the impact of obstacles when they do arise.