

MANAGING RISK IN THE PROGRAM CYCLE

BRIEF VERSION I

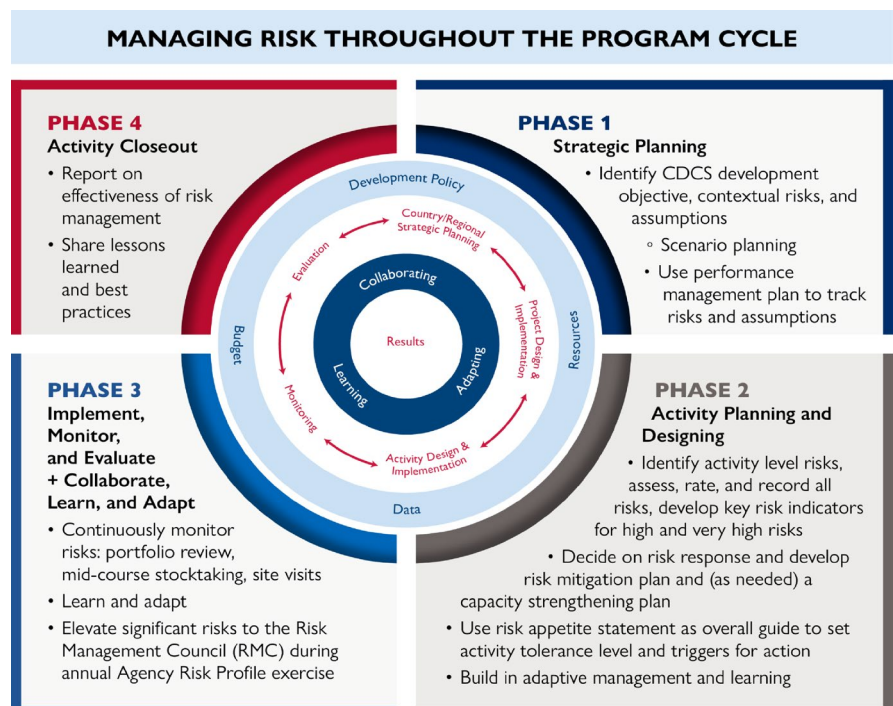
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INTRODUCTION

Risk is the effect of uncertainty on objectives. Uncertain situations present challenges that threaten the realization of objectives, but they may also create opportunities to amplify development outcomes. USAID's [Risk Appetite Statement](#) (RAS) provides broad-based guidance on the type and amount of risk the Agency is willing to accept to achieve its mission. This Brief focuses on managing programmatic risks¹ (high risk appetite) and is intended to complement the approach for fiduciary risk, in particular for [implementing funding](#) through local partners (medium risk appetite). It is intended to be used in conjunction with USAID's Enterprise Risk Management (ERM) framework and the suite of tools available to USAID staff.

This Brief is an optional tool to build staff capacity to integrate risk management throughout the Program Cycle starting from strategic planning, activity design and implementation, monitoring, evaluation, and learning, to activity close out. Since risks are interrelated, risk management is best done as a whole-of-mission management team led by senior management. As an initial effort to raise awareness on programmatic risk as part of the [USAID's 7-Step Risk Management](#) process, this work is iterative based on current available information. This is a living document and will be updated after a year of implementation with users' feedback, learning, and sharing on risk management in the Program Cycle.

This diagram shows the entry points for risk management in each phase and existing [processes in the Program Cycle](#). Strategic collaboration, continuous learning, and adaptive management link together all components of the Program Cycle. Collaborating, Learning and Adapting (CLA) can help respond to risks and increase appetite for strategic risk-taking, and with it the likelihood of achieving break-through results, while mitigating the potential downside of risks.

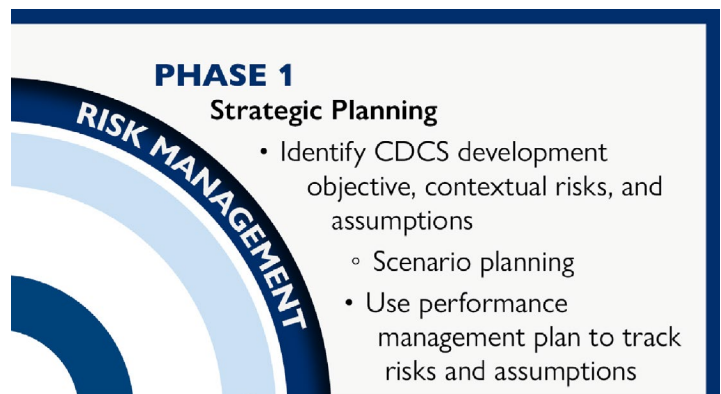


¹ Other RAS risks are operational, fiduciary, reputational, legal, information technology, human capital and security.

A brief narrative of each Program Cycle phase follows with links to relevant tools:

STRATEGIC PLANNING

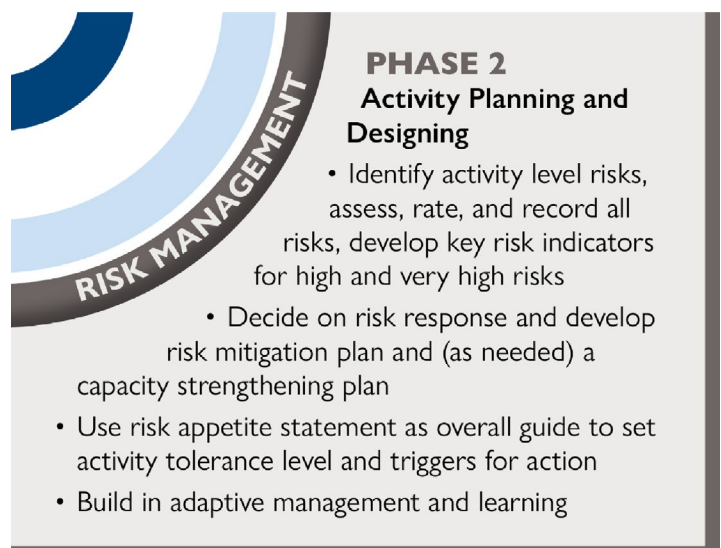
Integrate the assumptions and risks (as threats and opportunities) identified for each Development Objective (DO) during country strategic planning. Risks and assumptions may also be identified as part of scenario planning exercises conducted during the strategy development process. Post approval, Performance Management Plans (PMPs) are used to indicate how the assumptions and risks in the strategy will be monitored, and how knowledge gaps will be addressed as part of implementation and adaptive management of the strategy.



ACTIVITY PLANNING AND DESIGN

During **parameter setting**, establish the preliminary activity purpose and its relationship with the country strategy (R/CDCS or Strategic Framework), the project-level planning and results (as applicable), the preliminary budget and implementation method, and the plan for analysis.

During activity design, review/revise the preliminary activity purpose based on evidence (including analysis of mandatory and other assessments), evaluations of similar activities, and country context. Identify risks and opportunities at the activity level, then prioritize using probability (likelihood of a risk event occurring) and impact determinations to assess the overall risk level. Use the RAS to guide the response options including: avoid, mitigate, accept, transfer, or leverage the risk as an opportunity by utilizing, enhancing, sharing, or ignoring. (Note that risk tolerance levels at the activity level may be adjusted higher or lower than the RAS level depending on each context.) A continuous calibration of risks and opportunities (and among the different types/level of risks) is facilitated by applying an adaptive management approach with continuous monitoring of interrelated risks.



Include assumptions regarding the external conditions, behaviors, or events needed to achieve results in the activity [theory of change \(TOC\)](#) statement. During TOC development, consider risks in the activity context that could have negative or positive effects on the outcomes, focusing on the most significant risks that could impact the achievement of results. The TOC is a critical entry point for identifying potential risk events and developing risk response measures because it: 1) provides a framework for developing activity Monitoring, Evaluating, and Learning (MEL) plans and Communicating, Learning, and Adapting (CLA) approaches; and 2) validates and informs potential revisions to an activity's design during implementation, including activity objectives and expected results. Activities

may have multiple (cascading) theories of change at various levels of the activity’s logic model. Similar to the PMP, as activity MEL Plans are implemented, tracking assumptions and risks associated with TOCs is facilitated by integrating them into the activity Learning Agenda of the activity MEL Plan.

Develop a Risk Mitigation plan to address the most significant risks (for example, localization-specific risks²) and link it to the activity MEL Plan and, as relevant, to the Capacity Strengthening Plan. USAID’s commitment to increasing direct local funding and locally-led programs requires a mindset shift. We apply a “do no harm” lens to ensure we minimize the risks that local actors, especially underrepresented and marginalized populations, might assume. Build in an [adaptive management](#) approach to facilitate real-time course corrections with planned points of review and monitoring during implementation.

ACTIVITY IMPLEMENTATION

During activity implementation, the analysis and monitoring of DO-level assumptions and risks is facilitated by having robust Learning Priorities as part of the PMP. Apply an adaptive management approach to continuously monitor and calibrate strategic and activity-level risks and opportunities. This is done by updating a risk tracker or register, the Risk Mitigation Plan, and Activity MEL Plan, including during portfolio reviews, partner meetings, annual Agency Risk Profile exercises, site visits, and any other opportunities for pause and reflect moments. Risk ratings should be updated as soon as new information or events come to light, especially if a risk’s likelihood or impact is escalating.

USAID uses a [systems](#) approach where staff are encouraged to design and implement projects in ways that produce sustained impact as well as rapid results. This requires broadening how we think about results, and recalibrating how we think about risk. Identifying a Risk Management Liaison (RML) as part of the whole-of-mission risk management team is a viable tool to enable a cultural shift. The annual Agency Risk Profile exercise highlights the most significant risks affecting the Agency for the attention of Senior Leadership through the Agency’s [ERM governance](#) system, and provides the opportunity for an Agency-wide review of all risks as an interrelated portfolio.

PHASE 3 Implement, Monitor, and Evaluate + Collaborate, Learn, and Adapt

- Continuously monitor risks: portfolio review, mid-course stocktaking, site visits
- Learn and adapt
- Elevate significant risks to the Risk Management Council (RMC) during annual Agency Risk Profile exercise

RISK MANAGEMENT

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² USAID’s Localization working group is developing tools to address specific localization risks.

ACTIVITY CLOSEOUT

A key component is knowledge capture and dissemination. As part of a broader knowledge capture plan, consider risk management lessons learned to be included and the audience. These lessons may come from structured learning activities implemented as part of the larger Learning Agenda, or from [tacit knowledge captured](#) from activity staff, USAID, or other partners.

Ensure the work plan includes sufficient resources for developing knowledge products around risk management, along with a clear dissemination plan. Take an intentional approach to identifying from whom tacit knowledge needs to be captured and organizing that information in a form where it can be applied in future work.

PHASE 4 Activity Closeout

- Report on effectiveness of risk management
- Share lessons learned and best practices



RISK MANAGEMENT