Risk Management Guidance

2024 – 2025

April 2024

Biodiversity Challenge Funds:

Darwin Initiative

Illegal Wildlife Trade Challenge Fund

Darwin Plus

Department for Environment Food & Rural Affairs

UK International Development

Partnership | Progress | Prosperity

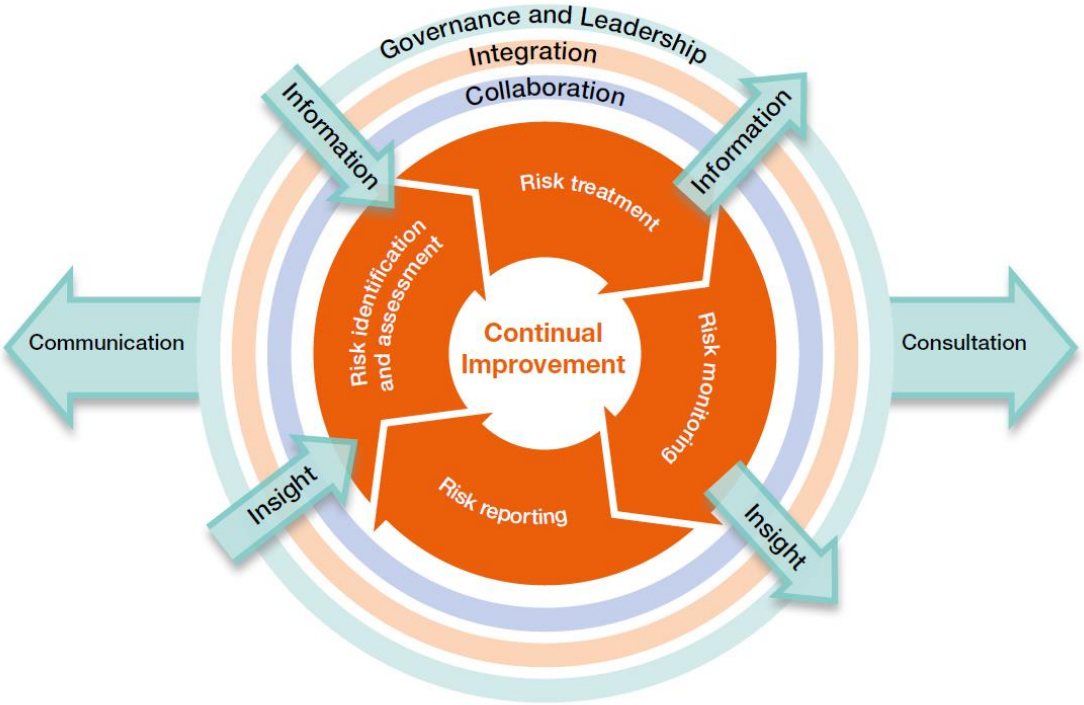
Glossary

Inherent risk	the risk exposure before risk mitigation is implemented
Issues Log	a register of relevant events that have occurred.
Residual risk	the risk after risk mitigation is implemented
Risk	risks are uncertain events that, should they occur, will have an effect on the achievement of objectives. They can be a threat or an opportunity. A risk is measured by the combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on objectives.
Risk alignment	it is important that Project Leaders align their risk management principles, approaches and processes with the Biodiversity Challenge Funds' risk management.
Risk appetite	the amount of risk that a project is willing to accept. This threshold will be based on evidence-informed judgement from identifying and assessing various relevant political, policy, economic, social and environmental criteria. This will be signed off by the Lead Partner's senior management.
Risk capacity	the maximum amount of risk can be borne. This is an evidence-based technical threshold that cannot be breached if the project is to survive.
Risk exposure	risk impacts and probabilities form the basis of assessing the overall risk exposure.
Risk impact	the effects that may result if a risk occurs or materialises.
Risk management strategy:	describes the goals of applying risk management to the activity, the process that will be adopted, the roles and responsibilities, risk thresholds, the timing of risk management interventions, the deliverables, the tools and techniques that will be used, and the reporting requirements.
Risk management	this refers to the systematic application of principles, an approach and a process to the tasks of identifying and assessing risks, and then planning and implementing risk responses.
Risk mitigation	the process of planning for the occurrence of a risk, in order to manage the impact to a desired level that is within the appetite of the project.
Risk probability	the likelihood of a risk occurring.
Risk proximity	when a risk may occur.
Risk register	an essential tool for the management of risks, also sometimes called a risk log, and used for documenting risks and actions to manage each risk. This should be regularly reviewed and maintained for the lifespan of the project.
Risk tolerance	the threshold levels of risk exposure which, when exceeded, will trigger an escalation. The Project Leader should set levels at which certain risks would be escalated to specific levels of management if risks are realised. For example: • Risks that are within the authority of the Partners to manage • Risks that are escalated to the Project Leader • Risks that are escalated above the Project Leader to Director • Risks that are escalated above the Project to the Fund Manager

Contents

1 Overview

Effective Risk Management is a key component of successful projects.



The risk management framework supports the consistent and robust identification and management of opportunities and risks within desired levels across a project, programme or an organisation, supporting openness, challenge, innovation and excellence in the achievement of objectives. For the risk management framework to be considered effective, the following principles shall be applied:

A. Risk management is an **essential part of governance and leadership**, and fundamental to how the project is directed, managed and controlled at all levels.
B. Risk management is an **integral part of all project activities** to support decision-making in achieving objectives.
C. Risk management is a **collaborative and informed** by the best available information and expertise.
D. Risk management **processes are structured** to include:
    i. **risk identification and assessment** to determine and prioritise how the risks should be managed;
    ii. the selection, design and implementation of **risk treatment/mitigation** options that support achievement of intended outcomes and manage risks to an acceptable level;
    iii. the design and operation of integrated, insightful and informative **risk monitoring**; and
    iv. timely, accurate and useful **risk reporting** to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities.
E. Risk management is **continually improved through learning and experience**.

2 Key messages

- Three areas need to be managed:
    - Risks that are **threats**
    - Risks that are **opportunities**
    - **Issues** that have occurred
- **Risk registers** must be **regularly updated,** and **issue logs** should be **created to record and manage issues** as they arise.
- **Risk responses**, and **responsibilities** must be **clearly stated**.
- **Project Leaders are responsible** for ensuring that project risk management is embedded in the appraisal of options, evaluating alternatives and making informed decisions throughout the project.
- The **occurrence** or materialisation of any significant risk or questions on risk should be **discussed or reported to the Biodiversity Challenge Funds (which includes the Darwin Initiative, IWT Challenge Fund and Darwin Plus) at the earliest opportunity.**

There is a mandatory **Biodiversity Challenge Funds Risk Framework Template** available from the Forms and Guidance Portal.

3 Risk perspective

The following definitions relate to the different perspectives of risk:

Strategic: concerned with ensuring overall business success, vitality and viability. This normally refers to external risks to the organisation (e.g., political, economic, social, technological, environment and legislative change). For example, Defra's domestic and international programming, or your organisations entire area of work.

Portfolio: concerned with selecting the right programmes or projects, prioritising the work and providing the required resources, in order to manage change from a strategic perspective. For example, just Defra's international biodiversity programming, or a collection of programmes

Programme: a temporary, flexible organisation structure created to coordinate, direct and oversee the implementation of a set of related projects and activities in order to deliver outcomes and benefits related to the strategic objectives. For example, one of the Biodiversity Challenge Funds, or an aligned set of projects.

Project: a temporary organisation that is created for the purpose of delivering defined outputs to an appropriate level of quality within agreed scope, time and cost constraints according to a specified plan. For example, a single Biodiversity Challenge Funds Project.

4 Risk Management

There are three broad types of risks:

i. ***Inherent risk:*** the risk exposure before risk mitigation is implemented
ii. ***Residual risk:*** the risk after risk mitigation is implemented
iii. ***Secondary risk:*** new risks that may be created after risk mitigation is implemented

Techniques: Some examples of risk management techniques are provided in Table 1. It is expected that Project Leaders use at least one technique at each stage of the risk management process, and further guidance on these techniques and others can be found on the internet.

It is important that the identification and assessment of risks are validated in consultation with stakeholders and partners.

Table 1. Examples of risk management techniques broken down by each stage of the risk management process

Risk management stage	Risk management technique
Identify the context	Stakeholder analysis PESTLE (Political, Economic, Sociological, Technological, Legal and Environmental) analysis SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis Horizon scanning Define the probability impact grid
Identify the risks	Checklists/Prompt lists Cause and effect diagrams Group techniques (e.g. brainstorming, nominal group technique, Delphi technique) Questionnaires Individual interviews Assumptions analysis Constraints analysis Risk descriptions
Estimate the risks	Probability assessment Impact assessment Proximity assessment Expected value assessment
Evaluate the risks	Summary risk profiles Summary expected value assessment Probability risk models (e.g. risk models, Monte Carlo simulation, correlation) Probability trees Sensitivity analysis
Plan the risk responses	Risk response planning Cost-benefit analysis Decision trees

Risk management stage	Risk management technique
Implement the risk responses	Update summary risk profiles Risk exposure trends Update probabilistic risk models

4.1 Assessing Risks

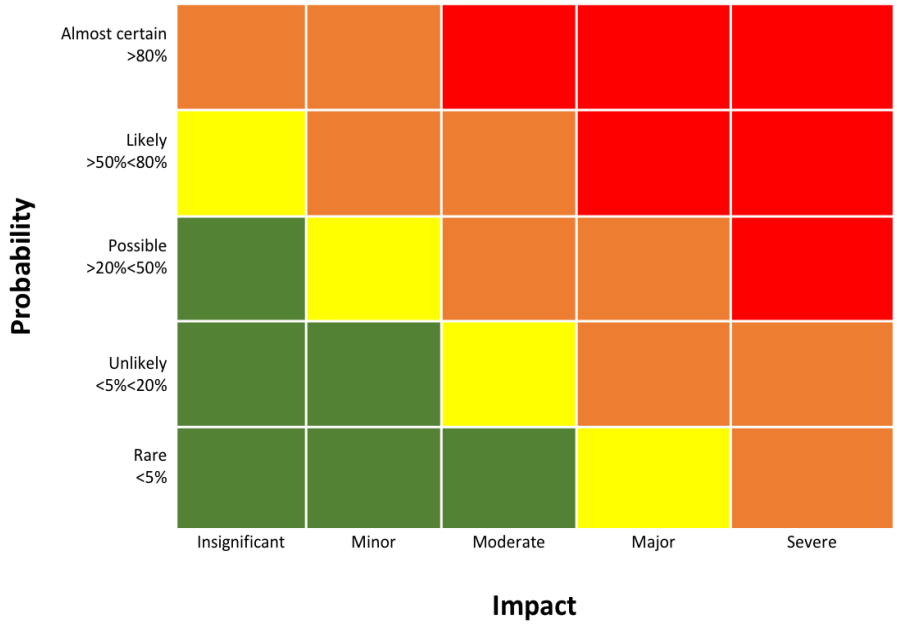
The most common technique to assess risks are probability-impact grids (Figure 1) – these ensure that assessments of probability (likelihood of risks occurring, Table 2), impact (effects once risks materialised, Table 2) and proximity (when risks might occur) are validated.

Table 2 Risk Descriptors

Risk Probability Descriptor		Description
Rare	<5%	May occur only in exceptional circumstances
Unlikely	>5%<20%	Could occur at some time
Possible	>20%<50%	Might occur at some time
Likely	>50%<80%	Will probably occur in most circumstances
Almost certain	>80%	Is expected to occur in most circumstances
Risk Impact Descriptor		**Scenario**
Insignificant		Easily handled with almost no impact on project Outcome / Objectives
Minor		Causes some rework or reassessment in limited areas, with limited impact on project outcomes / objectives
Moderate		Causes additional work and reassessment but impact on project outcomes / objectives is containable
Major		Causes significant rework, modification or reassessment of project to avoid one or more project outcomes / objectives being unmet
Severe		Causes failure of project to meet outcomes / objectives, or closure of project

4.1.1 Risk ratings: Likelihood vs. Impact

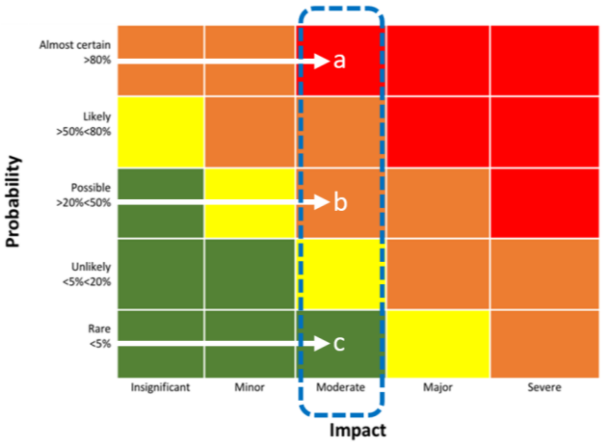
Figure 1. Calculating Risk Exposure N.B. this is automatically calculated in the Biodiversity Challenge Funds Template



	Minor	Limited reduction in the Outcome if this occurs
	Moderate	Higher but still limited loss in the Outcome if this occurs
	Major	Outcome reduced if this occurs but some important Outputs still likely
	Severe	Very significant reduction in outcomes when this occurs

For example, using Figure 1, a risk with a **Moderate Impact** on the project's **Outcome**, that is considered:

a. **Almost Certain** (>80% probability), would be rated as a **Severe Risk** (Red) resulting in a very significant reduction in the Outcome if it occurs.
b. **Possible** (>20%<50% probability), would be rated as a **Major Risk** (Orange), resulting in the Outcome being reduced but some important Outputs still likely.
c. **Rare** (<5% probability), would be rated as a **Minor Risk** (Green), resulting in a limited reduction in the Outcome if it occurs.



4.2 Risk Responses

Overview: in the delivery plans, Project Leaders must identify appropriate risk **responses/mitigation** to the **identified risks**. This should be undertaken in consultation with internal and external stakeholders (in the case of the latter, this is context-dependent, but is likely to include delivery partners).

Ideally, Project Leaders should use **techniques**, such as a RACI diagram or an influence/interest matrix, to identify key stakeholders.

The most common technique to assess risks are probability-impact grids (such as Figure 1) – ensure that assessments of probability (likelihood of risks occurring), impact (effects once risks materialised) and proximity (when risks might occur) are validated.

4.2.1 Risk responses to threats:

Table 3 provides a description of the six main response categories to risks that may negatively affect the project's ability to achieve its outcome.

Table 3 The main categories of risk responses to threats

Risk responses (threats) Category	Description
Avoid	Make the uncertain event certain
Reduce	Change the impact and/or probability of the threat
Transfer	Ownership maintained but part of the risk transferred to a third party
Share	Multiple parties share the risk on a pain/gain share basis
Accept	Threat accepted, including the full impacts if the risk materialises, but do not take any further action
Prepare contingent plans	Threat accepted for now but with a contingent plan if the situation changes

4.2.2 Risk responses to opportunities:

Table 4 provides a description of the five main response categories to risks that may positively affect the project's ability achieve its Outcome. It is recommended that Project Leaders record risk opportunities in a separate table to risk threats – both tables should have columns that highlight which type of risk response category has been deemed appropriate for each of the identified risks.

Table 4 The main categories of risk responses to opportunities

Risk responses (opportunities) Category	Description
Exploit	Make the uncertain event certain by taking appropriate action
Enhance	Change the impact and/or probability of the opportunity
Transfer	Ownership is maintained but part of the risk is transferred to a third party
Share	Multiple parties share the risk on a pain/gain share basis
Accept	Accept that the opportunity might be realised but do not take any further action

4.3 Responsibilities

The Risk Register should clearly state who is responsible for the risk and the response action.

Table 5 Risk responsibilities

Risk responsibilities	Description
Risk owner	The owner (single person) for the **management and control of a particular risk** (this is likely to be the Project Leader depending on the severity of the risk, or an individual identified in the Terms and Conditions)
Risk actionee	The person or people **responsible for implementing delegated risk response actions** (this could be the Project Leader, another Partner, senior team member, or an implementing organisation that is sub-contracted)

4.4 Issue Management

Overview: issues are relevant **events that have occurred**, but which were not planned and require management action. Project Leaders should create and maintain an issue log after the project has started. Examples of issues include: a problem, a benefit, a query, a concern, a change request or a risk that has occurred.

Stages: the stages of issue management are as follows:

1. Capture issues
2. Examine issues
3. Propose course of action
4. Decide
5. Implement

Escalation: this refers to the procedure for escalating risks to the appropriate level of authority to deal with issues. Tolerance thresholds should be set by the Project Leader and agreed with relevant stakeholders. It should be clear which types of issues are within the Project Leader's tolerances and which types of issues need to be escalated higher. This information should be recorded by Project Leader in their plans.

5 Delivery Chain Risk Mapping

Delivery Chain Risk Mapping (DCRM) is a useful tool for risk management in monitoring processes and improve understanding of how funding flows throughout a delivery chain, to ensure that programmes achieve their objectives. With this understanding we can:

- Understand a delivery partner's role in achieving the Outcome and opportunities for potential scale up.
- Capture and manage risks that could affect the Outcome.
- Ensure risks are being managed by those best placed to do so.
- Strengthen our programme management capacity and delivery

DCRM is a visual depiction in understanding, capturing, and managing the risks to the successful delivery of a programme, in relation to downstream delivery partners. It should, where possible, identify all partners (funding and non-funding e.g. legal/contributions in kind) involved in the delivery of the project.

Delivery chain risk mapping captures details of:

- The name of all downstream delivery partners and their functions.
- Funding distributed to each delivery partner.
- High level risks involved in programme delivery, mitigating measures and associated controls.

A good delivery chain risk map will:

- Provide a clear understanding of all delivery partners involved in the delivery of a programme and the relationships between them.
- Identify key delivery risks, mitigating measures and associated controls throughout the delivery chain.
- Help ensure suitable risk management throughout the delivery chain.

As they are part of the Risk Framework, maps should be reviewed and updated periodically, with any material changes recorded as soon as possible.

6 Summary: Risk Management

Required activities: Project Leaders are responsible for completing the following key activities within their plans with regards to **risk management for their projects**:

- **Identifying threats** and **opportunities,** recording them in a **risk register**
- **Assessing risks and planning responses**, include both the risk response category and a description, identifying each risk owner and actionee(s)
- **Regularly reviewing** the risk register, including responses to risks
- **Identifying, recording and responding to issues** as they occur in the issues register
- **Engaging with** internal and (where relevant) external **stakeholders** in the management of risks and issues
- Regularly assessing the **overall project risk**

Risk management should be considered a continuous process throughout the project lifespan, **continually being improved through learning and experience**.

7 Biodiversity Challenge Funds Project Risk Management

Taking in to account the above guidance, projects should **actively maintain a Risk Register** structured around the follow risk types, **using the template provided**.

Table 6 Risk Types

Risk Type	
Contextual	in-country socio-political events or unrest, or natural disasters.
Delivery	associated with achieving the aims and objectives of the project (likely to be higher for innovative or high impact programmes)
Safeguarding	'doing harm' incl. sexual exploitation abuse and harassment, safety and welfare, or unintended harm to beneficiaries, the public, implementing partners, and staff
Operational	internal capacity and capability to manage the project (professional competence, experience and appropriate level of resource in managing programmes and funds).
Fiduciary (financial)	funds not used for intended purposes or not accounted for (fraud, corruption, mishandling or misappropriated).
Reputational	interventions or delivery partners' actions risk any partner's, including Defra's, reputation.

Developing a Risk Register will help you appraise your options, evaluate alternatives and make informed decisions, as such it will help with your logframe and theory of change (and vice versa).

Whilst Defra is prepared to accept some risk associated with the challenges of working in difficult environments, testing new approaches, to achieve biodiversity-poverty reduction outcomes, it has a **low appetite for Safeguarding, Operational, Fiduciary and Reputational Risks**.

7.1 How to identify and distinguish risk correctly

Good, clear risk descriptions with an understanding of the three key elements of a risk is essential for correctly assessing and then defining how to manage those identified risks. Risks break down into three component parts; the **cause**, the **event** itself and the **impact**.

All risk descriptions in the register should include these 3 components.

The below illustrates an example:

7.2 Making Risk Register updates

Risk registers are **live documents,** regularly **reviewed, updated and improved.** When updating the risk register, any New / Emerging risks from the previous update that are now ongoing risks should be changed to 'open' status in the dropdown list of the relevant column.

Any risks that are closed/resolved since the last update should have the status changed to closed, with the date it was closed recorded and confirmed whether the risk materialised / became an issue. The reason why the risk has been closed should be detailed in the 'What's changed' column and dated.

All open risks need to be updated as required, but at least every 6 months, in line with the core reporting schedule. In particular, the inherent or residual risk ratings should be reviewed, any mitigations should be updated and dated, and it is essential that the 'What's changed' column is updated. The 'What's changed' update should outline how the risk context has changed since the last review period. If it is felt that there is no update for an open risk, it should be outlined why there is no update since the last review period. Updates to the 'What's changed' column for all open risks should be dated, and all previous entries should be left in the cell for a historical record with the most recent entry at the top of the cell.

7.3 Delivery Chain Risk Mapping (DCRM)

Projects will need to complete, either as part of their application (Darwin Initiative Extra, IWT Challenge Fund Extra and Darwin Plus Strategic) or prior to award of a grant if they are recommended, the delivery chain risk map template.

The delivery chain risk map captures risks **specific to the delivery model and tiered funding structure**.

There may be some risks which should be captured in both the risk register and the delivery chain risk map. For example, there may be delivery chain risks that could impact on the overall project outcome if they materialised, but not all delivery chain risks need to be duplicated in the project risk register. There should however be at least **one overarching and high-level delivery chain risk** that records the overall risk associated with your delivery model, whether that is direct implementation or through delivery partners.

7.4 Some Recommendations

Risk assessment (or analysis) involves considering the inherent and residual levels of risk as well as understanding the triggers and indicators that will verify the realisation of the risk.

Try not to focus on **broad omnipresent risks**:

- Political instability where changes of Government are the norm
- Drought in drought-affected regions

Or include **unspecific risks**:

- "There is a risk of fraud"
- "There could be safeguarding risks."

Fraud and safeguarding incidents are committed by individuals or organisations so when articulating these kinds of risks **seek to be specific**.

Every project should record at **least one fiduciary, one safeguarding, and one delivery chain risk**.

Ideally, focus on realistic and immediate risks that do change on a monthly or quarterly basis **- what are the risks to your next quarter's project activities?** For example:

- Political elections can impact projects by, for example, the availability/workloads of civil servants and government departments, impacting their participation in training events.
- Seasonal weather patterns can impact travel to field sites, so timing field work may have a weather-related risk.

Focusing on 5 to 10 immediate or key risks can provide good risk management, rather than a high number of risks with limited or undeveloped mitigation plans.

The Risk Register is a live document – risks are added / closed down, understanding develops, and mitigation actions evolve throughout the lifespan of the project.