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The Mali Crisis: Lessons Learned for Belgian Risk Management

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Executive Summary

This working paper is based on a mission to Mali in November 2014. The objective was to analyze how Belgium and other donors responded to the 2012 Malian crisis and how this could produce some lessons learned for Belgium to introduce a more systematic risk management approach in such fragile situations.

We opted to align the analysis with a study commissioned by OECD (2014a) that analyzed different approaches to risk in fragile and conflict affected states in several case studies (DRC, South-Sudan, Somalia, Nepal). Hence, present analysis can be seen as an additional case study.

Our analytical framework is based on the Copenhagen Circles that define the three core risk categories related to fragile situations: contextual, programmatic and institutional risks. The analysis is based on a literature review and interviews with a diverse range of donors in Bamako, Mali.

The main findings that could be used as lessons learned to introduce a more systematic risk management approach are the following. First, the findings teach us that institutional risks (security, fiduciary, and reputational) and the risk of not achieving objectives are systematically covered while contextual risks and the risk of doing harm are more or less blind spots in the risk approach of BE. Second, this lack of contextual knowledge, focus on reputational pressures and institutional incentives that favour short-term results make that BE has difficulties in appropriately adapting its activities to the new context and risk landscape. This leads automatically to the third conclusion: the demand for more contextual knowledge is widespread. More in particular BE, as many others, is struggling with how to work with the state, and how to assess and manage the risks that are related to such statebuilding processes, and this without committing the same mistakes as in the past (before the 2012 crisis).

Introduction

The objective is to present an analysis of how Belgium and other donors responded to the 2012 Malian crisis and how this could produce some lessons learned for Belgium to introduce a more systematic risk management approach in such fragile situations.

The **Copenhagen Circles** have been used as a guiding framework to structure the research and analysis (OECD, 2011b).

Contextual Risks	Programmatic Risks	Institutional Risks
State failure, conflict, economic crisis, natural disaster, humanitarian crisis, etc.	Programmes fail to achieve objectives or inadvertently do harm.	Risks to the aid provider: security, fiduciary and reputational risks. Political damage in home country.

With these risk categories, also some key definitions are linked:

Risk	The *potential* for a defined adverse event or outcome to occur.
Risk Factor	Factors that may cause the risk outcome to occur, or make it more likely. Multiple interacting factors give rise to compound risk.
Risk Outcome	The adverse event or outcome itself, *i.e.* the result of the risk being realized.

As mentioned before, we opted to align the analysis with a study commissioned by OECD (2014a) that analyzed different approaches to risk in fragile and conflict affected states in several case studies. Hence, we also started from the same research questions (i-iii), completed with one particular question for Belgian policy (iv):

(i) With what kind of risk are donors confronted in Mali?
(ii) How do donors react and deal with these risks?
(iii) What are explanatory factors for donor behaviour?
(iv) What are the lessons learned to introduce a more systematic approach to risk management?

In order the answer these questions, our findings our structured as follows:

(i) **Risk Profile**: an overview of the risk landscape
(ii) **Risk Response**: an overview of donors' reaction on these risks
(iii) **Explanatory factors**: some factors explaining donor behaviour
(iv) **Conclusions & Recommendations**: findings with respect to a more systematic approach to risk management for Belgium

Findings

Risk Profile

Contextual Risks	
Political Risks	The negotiations of Algiers make progress, yet a comprehensive peace agreement is still lacking. The outcome of the Algiers process is therefore a crucial precondition for political stability in the medium and long term. A comprehensive peace agreement should also tackle the issue of national reconciliation. Another risk factor is the political system. The 2013 elections brought Mali a constitutional political system and a legitimate government. However, as is well known, elections are only the beginning of a renewed social contract between a state and its citizens. In other words, the new government's legitimacy will not only stem from voters' participation but also from its capacity to deliver (Barrios & Koepf, 2013). The last opinion poll from the Friedrich Ebert Stiftung (2014) highlights that confidence of the population in their political leaders is modest (e.g. 55% has confidence in the president), discontent about the general situation in Mali is widespread (72,5%), with insecurity (86%), unemployment (80,7%), corruption (66,7%), health (64,3%) and education (61,9%) as the most identified challenges. This reveals the more fundamental and underlying risk that the externally supported statebuilding process has brought, as the saying goes in Mali, 'the same crocodiles in the same swamps' to power. (Barrios and Koepf, 2013). Malians are also critical about the role international aid has played until now (International Alert, 2014e). Research gives some convincing evidence that international aid has sponsored the so-called 'mismanagement' of the country by ATT in the past (Bergamashi, 2014). Many commentators urge the international community to take this opportunity to reflect on their proper role, yet other commentators observe that this window of opportunity for critical assessment has already closed, as headquarters already fell back into their old habits of quickly disbursing funds demanding for quick results after the Brussels conference and the elections of 2013 (Bergamashi, 2014). More proximate political risk factors are the communal elections that will be held in April 2015, and the fact that the members of the Malian government are continually replaced.
Conflict Risks	The main conflict risks are related to the issue of the North. As to the factors explaining these risks both structural reasons (economic and political marginalisation, access to land, environmental change, violent repression, and failure to implement successive peace agreements), proximate conflict drivers (ineffective governance, weak state structures, criminalisation of the state, disarray within the armed forces), and regional dynamics (Libyan crisis, Algeria's role in the region) have been identified (Bakrania 2013). Another underestimated problem is the potential of conflict related to land grabbing, both in urban and rural areas. This problem is both related to large land deals with international companies (in particular the case for the Office of Niger) as conflicts at the community level, between politicians and citizens, and among citizens themselves.
Development Risks	Sustainable development is crucial to built peace and political stability in the long term. The current inability of the Malian government to manage the economy and

	provide jobs and sustainable livelihoods has several negative effects on the conflict in Mali: the proliferation of the informal economy (increasing levels of trafficking), a lack of formal employment opportunities (foreign investments not creating jobs), growing inequalities (concentration of wealth in Bamako), and a weak social contract (lack of trust between the elite and the population). To mitigate these risks, development interventions must consider the underlying structural challenges that restrict the economic development of marginalised and vulnerable groups in Mali. Key issues should be to create employment in rural areas and to move away from aid dependency (International Alert, 2014c: 6, 11).
Humanitarian Risks	The latest figures indicate that Mali has 101,279 IDPs, 14,525 refugees in country and 140,033 abroad, 1,900,000 severely food insecure people and 496,000 children (<5 years) at risk of acute malnutrition (OCHA, 2014). The main underlying factors explaining these humanitarian risks are conflict and climate related, i.e. the conflict and insecurity situation in the North and climatological factors such as desertification, periods of serious droughts, flooding. What makes it even more challenging is that conflict and climatological factors are fundamentally interlinked. Another recent challenge is of course the Ebola crisis that has now also touched Mali.
Programmatic Risks	
Risk of not Achieving Objectives	The risk of not achieving programme objectives is mainly related to two interconnected factors: ill-adapted programs and weak local capacities. In almost all interviews low capacity of government and other local actors was identified as the main risk. However, one could argue that not the capacity of local partners is problematic – as this is a factor that cannot be altered in the short term. Instead the incapacity of donors to adapt to this reality should be tackled. In other words, donors should even more tailor their programmes and their expectations towards the capacities on the ground, instead of sticking to unrealistic goals.
Risk of Doing Harm	The major risk of doing harm is programmes reproducing root causes that led to the current crisis. Two main factors increase the risk of doing harm. A fist aspect is the lack of information. Because of insecurity, many actors have been retreating staff to Bamako, and closed several programmes. As a consequence, there is poor contextual knowledge. Without a proper contextual analysis the risk that interventions will have unintended negative effects increases substantially. A second aspect is the pressure of international good donor principles. On several occasions, people expressed their concern that these principles are doing more harm than good, e.g. the use national systems when capacity is lacking, or the ubiquitous pressure to disburse funds.
Institutional Risks	
Security Risks	In the second half of 2014 the security situation in the North seemed to deteriorate again. Since June regular attacks on MINUSMA and French troops have been reported, with casualties. Only a comprehensive peace agreement can alter these attacks. In addition, criminal activities (trafficking, kidnappings) remain a serious treat for the security of staff, in particular expatriate staff.
Fiduciary Risks	The Transparency International Corruption Perception Index ranks Mali 115 on 175 countries, with a score of 32/100. Cases as the purchase of the presidential jet and the defence equipment illustrate that corruption is still prevalent, also at the

	top of the political system. Also financial mismanagement, independently of corruption practices, is highly problematic, as systems, procedures and human resources and capacities are lacking.
Reputational Risks	The 2012 crisis has been increasing the reputational risk of donors in different ways. The most obvious case is the increase of institutional security threats. Another key reputational issue is that the 2012 crisis has substantially questioned the effectiveness of two decades of aid support to Mali. The international donor community will need to avoid 'doing business as usual' if it wants to restore its reputation, certainly vis-à-vis the Malian population.

Response Profile

Contextual Risks	
Political Risks	**General**: the international community adopted a common reaction on the coup d'état regarding the suspension of their cooperation with the GoM (suspension of budget support, no new projects, refocus on humanitarian aid, support civil society). A similar shared reaction by the international community has been the case after the conference of Brussels: once a legitimate government was in place, donors rapidly aligned with the new policies of the GoM, making it possible to rapidly return to budget levels as before the 2012 crisis. In this transitional period between the coup d'état and the appointment of the new government, each donor has been adapting its cooperation with the GoM, from a full retreat (Japan) to a normal continuation of activities (the Netherlands), and all possible approaches in between. **BE**: BE aligned its reaction with that of the international community, and chose during the transition period to safeguard as much as possible its direct support to the Malian population. Through the use of specific budget lines (humanitarian aid, conflict prevention, consolidation de la société civile) BE has managed to maintain more or less the same disbursement rate in this period.
Conflict Risks	**General**: Serval, and later on MINUSMA, have been the direct military reaction of the international community to the security treats in the Northern regions. In addition, UN and other humanitarian agencies have been intervening to cover the humanitarian crisis (e.g. IDP's and refugees). **BE**: has been working on conflict risks through delegated cooperation with Denmark (although project stopped because of security reasons), and BE also supported the security forces with small equipment and is currently supporting the EUTM mission.
Development Risks	**General**: Both security and political stability are preconditions to tackle the development risks in Mali. Therefore, it comes as no surprise that immediately after the start of the crisis, attention has shifted away from the more structural causes of underdevelopment towards the insecurity treats and the humanitarian crisis in the North, and political instability in general. Also the impact of the suspension of international aid should not be forgotten. Now that international cooperation is again running at full speed, IMF and the development banks take the lead with regard to the macro-economic development agenda. **BE**: plays no substantial role on the level of macro-economic development. However, except for the North, BE programmes contributing to economic

	development have been able to continue. BE intervenes also via BIO.
Humanitarian Risks	**General**: under the lead of OCHA the international community has been coordinating the response to the humanitarian crisis as a consequence of the conflict in the North and recurrent climatological treats. Humanitarian agencies are structured along thematic clusters, and policies should be aligned to the strategic response plan 2014-2016, last updated in August 2014. **BE**: BE has been able to liberate funds for direct humanitarian support to the North (Unicef).
Programmatic Risks	
Risk of not Achieving Objectives	**General**: a general recommendation to mitigate this risk in fragile situations is the need to adapt expectations to the reality on the ground, and start from realistic objectives (OECD, 2011a). There is some scepticism on this issue, as the conference of Brussels has initiated a new period of disbursement of substantial amounts of international aid. Instead, most donors unilaterally translate this risk into weak state capacity. As a result, institutional capacity building is the standard response of many donors to tackle this risk, in addition to comprehensive reporting and controlling procedures. **BE**: Also BE has been able to rapidly return to budget levels as before the 2012 crisis. On the operational level there has been some flexibility to adapt objectives of certain programmes to the new reality and to extend programmes in order to realize objectives. However, on a more strategic level BE is following the international community: there seems to be now general reflection on the absorption capacity behind the Brussels conference, and if one looks at the proposal that is on the table for the new Cooperation Programme one observes that in general it is a continuation of the pre-crisis programme although the context has dramatically changed.
Risk of Doing Harm	**General**: Although the 2012 crisis was an eye opener in this respect, not many have a systematic approach to the risk of doing harm. Exceptions are Switzerland that has a conflict sensitive programming and approach, and the EU that focuses a lot on conflict analysis and the do no harm principle. **BE**: Also BE has no systematic approach to the risk of doing harm. However, there is a strong awareness around the issue and during our meetings the issue was raised many times. In particular one is struggling how to do no harm while engaging with the Malian state.
Institutional Risks	
Security Risks	**General**: for security reasons most donors have been closing their programmes and evacuating their people (both expatriate and national) in the North. Slowly, several donors are now returning to the North to restart 'normal' programming. E.g. both Denmark and Sweden have again programmes running in the North, with expatriate staff and government officials visiting programme activities. **BE**: BE closed 3 projects in the North, and both DGD and BTC have no intentions to restart activities in the North.
Fiduciary Risks	**General**: The reactions of the WB, the IMF and others on the presidential jet and army equipment illustrate the importance that donors are giving to fiduciary risks, more in particular to corruption. All have substantial auditing and financial

	reporting measures in place to cover these risks. One particular trend that was seen is that several donors are limiting their fiduciary risks of working with the government by sub-contracting the financial management of programmes to private and international or national civil society organisations. USAID is mainly working through US based companies or NGO's. However, there are also more subtle shifts, where the decision-making is still owned by the government, but the actual financial management is taken up by the donor or by a private company. This reduces the transaction costs for the recipient government (as e.g. public procurement procedures etc. are handled by the sub-contractor), it reduces fiduciary risks for the donor, but above all, it liberates resources and time to focus on the actual challenges, i.e. capacitating the recipient government to take up their political role as decision-makers and shifting accountability towards their citizens instead of the donor. **BE**: A systematic approach is in place. DGD is subject to the formal framework on public spending and BTC identifies mitigating fiduciary risks as one of their core tasks. As such, a wide range of measures is in place to cover these risks, from ex ante assessment by IF, over procurement procedures, substantive financial reporting, internal and external auditing. To the contrary, several times it was indicated that the current approach to fiduciary risks is stifling effectiveness, something which has been echoed in other studies on risk and fragility (OECD, 2011a).
Reputational Risks	**General**: In particular security risks had a clear role in explaining how the donor community reacted on the 2012 crisis, and the security treats that were the result of it. Almost all immediately stopped working in the North, some even closed their Embassy and retreated all personnel to neighbouring countries to date. Reputational risks have also been playing a role on two decisive moments. First, when the coup d'état took place, collaboration with authorities became impossible, as there was no legitimate counterpart anymore. Second, after instalment of the newly elected government, the conference of Brussels announced a normalisation of relations, and as such, many fell back on their pre-crisis modalities of collaboration, enabling them to follow the same good donor principles (disbursement rates, national execution systems, budget support, …). There is criticism that donors have missed the opportunity to rethink their role, as there is the perception that they have gone back to business as usual. **BE**: Since reputational risks are very similar for most donors (except e.g. for France) BE acted in the same way. Because of security reasons all activities in the North stopped, and BE followed the international community, both when suspending their cooperation immediately after de coup d'état, as they also normalised relations from the moment that a new legitimate Malian government was in place. In addition, alignment with international standards on good donorship has a major influence on how BE is position itself in the Malian context.

Explanatory Factors

Risk, what's in a name?	Risk is fundamentally socially constructed, which means that subjective psychological, social, cultural and political factors explain how people perceive risk, and as a consequence, makes it difficult to predict if, how and when risks will occur (Slovic, 2000). This is certainly the case when applied to complex systems or problems like conflict-related risks or political risks, where you necessarily rely on more subjective analysis and where statistical data with predictive value is lacking. During our meetings this subjectivity of risk perceptions was constantly illustrated.

For example, for members of farmer organizations risks were mainly linked to the effects of neoliberal free market, access to land, and climatological change; for members of civil society organizations risks were linked to the absence of funding opportunities; for international humanitarian NGO's risks were related to security treats for staff and denial of access to certain population groups; for many donors their perception was related to the risk of delay in disbursement, still other donors focused more on corruption risks or the low capacities of the recipient government; for government officials responsible for the harmonisation of aid the risk was linked to timely disbursement of funds, and the absence of donor coordination; for local level authorities risks were related to the absence of enough funds and human resources.

Risks perceptions also differ within the same organisation. Take the example of DGD. Dependent upon individual background and the function within DGD perceptions of risk differ. People from D1 are more focused on risks related to the particular context of their regions and countries, people from D2 are more influenced by thematic policy and conceptual frameworks related to risk and fragility, while people from D4 are more focused on risk as a particular organisational management tool.

An even more concrete example was the difference between two BTC decentralisation experts in Mali. Although both worked for the same organisation, both worked on the same theme, and both worked with the same risk management tool, their risk perceptions related to decentralisation differed substantially. This example explains how individual background instead of technical expertise can influence risk perceptions.

Many other examples could be listed from our interviews, but the point is that risk and risk perceptions are fundamentally subjective and therefore these subjective aspects should be taken into account when explaining how actors perceived and respond to risks.

No Common Conceptual Framework

Although the Copenhagen Circles were developed to provide the international community with a common conceptual framework for risk analysis and management, this is not put in practice.

Most donors do use the Copenhagen Circles, yet they all have a different interpretation of the risk categories. This reaffirms our first comment, i.e. even if a common conceptual framework is used, institutional factors linked to the particular organisation still define how risk categories are then interpreted. For example, the World Bank, the joint EU programming, the EU monitoring of budget support, Denmark, Sweden all use the Copenhagen Circles in one or another way, yet interpretations are sometimes completely different.

Still other actors use other concepts or distinctions. In our interviews with BTC for example reference was made to the distinction between fiduciary risks (responsibility of BTC) and development risks (responsibility of Development Cooperation Bureau). Yet in one of the monitoring tools used by BTC again another distinction was made.

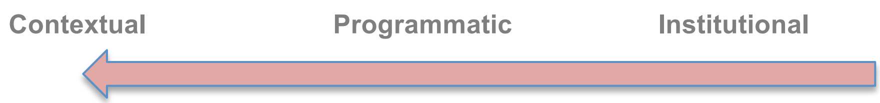
Another example on the international level is the fact that the resilience work done by OECD does not necessarily follow the Copenhagen Circles, while the INCAF Secretariat at the OECD is responsible for advocating this common conceptual framework.

Point is that this is not necessarily the result of actor's inability to define and use consistent policies and conceptual frameworks. It also relates to the fact that the risk agenda is so diverse and all embracing. Therefore, it is important to relativize the need for a common conceptual framework. Although some common understanding is important, risks analysis demands tailor-made approaches and conceptual frameworks, depending upon the purpose, scope and level of analysis.

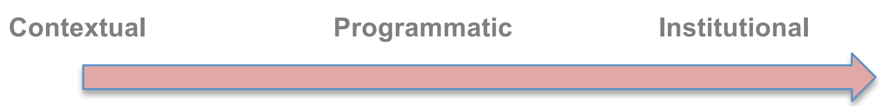
The Political Economy of Risk

The risk agenda is a donor-driven agenda. The international community has identified risk analysis and management as a new conceptual framework in order to increase aid effectiveness, in particular in fragile situations.

This donor-driven character of the risk agenda illustrates the political economy of risk, i.e. those in power and the ability to control the risk agenda prioritize their own risks. As such, 'hierarchies of protection' are created (Collinson & Duffield, 2013). This becomes concrete while referring to the Copenhagen Circles. Although most risk analysis tools 'on paper' start from an analysis of contextual risks, during our meetings, one of the most important tendencies was that priority was given to the institutional risks for donors.



This prioritization by donors of their institutional risks is also confirmed by other studies (OECD, 2014a). As one of the interviewees was saying, risk analysis becomes in itself the biggest risk, because the focus on institutional risks makes many more risk averse. In response, there was a real concern for the need to contextualize risk analysis, in order to go beyond institutional risks.



Risk is an exercise in power: whoever controls the definition of risk, controls the rational solution to the problem at hand (Slovic, 2000). Risk analysis has the ability to frame problems, and put some solutions in the picture while excluding others. Therefore, it is necessary that we are aware of this political economy of risk, as it pushes us towards ethical deliberation on who's risks come first.

Institutional versus Political Approach

As indicated above, to counter balance the focus on institutional risks, many expressed the importance of contextualizing risk analysis, making it more contextually driven or problem driven instead of actor driven.

Some framed it as the need for a shift from an institutional approach to a political approach. They do not want risk analysis to be another tick-box tool or instrument that mitigates institutional risks, since the transaction costs and the reporting requirements are already high, both for donor staff and the recipient governments.

Instead, many seek a more political approach, and key in this approach is their struggle with the Malian state. For over two decades the international community has been supporting what was perceived as a success story of statebuilding, yet suddenly the entire Malian state collapsed. Instead, the 2012 crisis showed us that the Malian state was part of the problem, if not the key cause that put Mali into a crisis situation. Consequently, donors also reflected on their proper role of supporting this Malian state, and indeed, both among Malians and within the international community there is this widespread perception that the international community has been supporting the mismanagement of the Malian state, and as such, did more harm than good (Bergamashi 2014, van de Walle 2012).

Now that a new 'legitimate' government is in place, many are struggling how to renew their collaborative relationship with the Malian government, while preventing the same mistakes as in the past. It is clear that statebuilding efforts have not been effective in the past, yet nobody really knows how to do it differently. But it is also clear that, in order to support what is called 'the refondation de l'état' a

‘refondation de l’aide’ will be necessary (ARGA, 2013b).
Issues that were central when people discussed changing aid modalities in order to tackle the risks related to working with the state and addressing statebuilding efforts where related to key functions of the Malian state: how can we prevent the risk of supporting a state that becomes less and less legitimate in the eyes of its citizens (i.e. how do we support state legitimacy), how can we slowly build state capacities through for example the use of national systems without avoiding the risk of failing to alleviate the short term needs of the population (i.e. how do we support state capacity to perform basic functions), how should we work with society in order to prevent the risk that accountability towards the donor is replacing accountability towards citizens (i.e. how supporting state-society relations), and so on.
This initiated some crucial reflections on aid modalities: should we still work with the state, if not, with what kind of actors should we work with; if we work through the state, is working with national execution systems not doing more harm than good (risks of corruption and not realising development objectives); yet on the other hand, working through parallel structures creates the risk of substitution; if we work with the state, how ‘hands on’ should are approach be in order to realize some change, yet how then preventing the risk of long term dependency; if working through the state how preventing the risk of incoherence with other donor approaches; and finally when supporting statebuilding processes, should we promote universal values as a solution to the Malian problems, and if so, should we use political conditionality to enforce this?

Aid Effectiveness versus Fragility

Another way to frame the unilateral ‘institutional’ approach to risk is pointing to the tension between aid effectiveness and fragility that is inherent to the risk agenda. Risk analysis and management has emerged in the fragility debate to deal more appropriately with the complexity of fragile contexts, yet it also emerged to increase aid effectiveness of donor interventions in this kind of context. And although one could definitely argue that understanding the complexity of fragile contexts is primordial to assess risks, in reality this step is often skipped, and there is an immediate focus on risks more directly linked to the aid effectiveness agenda.

Contextual	Programmatic	Institutional
Political Risks	Risk of failure to achieve objectives	Security Risks
Conflict Risks	Risk of doing harm	Fiduciary Risks
Development Risks		Reputational Risks
Humanitarian Risks		

Fragility **Aid Effectiveness**

In other words, the pressure to demonstrate narrowly defined results and accountability requirements is preventing donors to actually understand the context in which they are working, in order to come with more tailor-made interventions (see also e.g. OECD, 2011a).

Absence of Do No Harm A last critical aspect is the fact that for many donors the risk of doing harm is a blind spot. Although some donors (such as Switzerland and the EU) have a conflict sensitive approach, they are rather the exception than the rule. As already been said, the 2012 crisis has been an eye opener on that point, and many donors are aware of the fact that they should deal with this gap. The question remains how they will translate this into practical steps forward.

Conclusions

In below we give an overview, structured along the Copenhagen Circles, of the current BE approach to risk management, based on the Mali case.

<table>
<tr><th colspan="2">Contextual</th><th colspan="2">Programmatic</th><th colspan="2">Institutional</th></tr>
<tr><td rowspan="3">Political, Conflict, Development & Humanitarian</td><td rowspan="3">Contextual risks are unsufficiantly taken into account. In Mali this was illustrated by the fact that BE (as many other donors) was taken by suprise by the 2012 events, and had difficulties to react in an appropriate way. It is also illustrated by the fact that that BE, like many donors, is also struggling to adapt its approach to the new context instead of doing 'business as usual'.</td><td>Not achieving objectives</td><td>The risk of failure to achieve objectives is systematically covered by the Result Based Management (RBM) framework of DGD and BTC. All actors executing programmes funded by BE are requested to plan and monitor according to these RBM principles and are subject to systematic evaluations of their programmes.</td><td>Security</td><td>Security risks have been covered during and after the 2012 crisis, although in an ad hoc way (there was no comprehensive security policy or plan available). The security risks for staff played a major role in BE's reaction on the 2012 crisis.</td></tr>
<tr><td rowspan="2">Do No Harm</td><td rowspan="2">The potential negative effects of interventions are both on strategic and programmatic level not systematically covered. As such, the risk of doing harm is not sufficiantly taken into account.</td><td>Fiduciary</td><td>Fiduciary risks are systematically coverd by a wide range of procedures. Next to generic monitoring of programmes (see programmatic risks), control procedures are in place throughout the programme cycle to monitor proper use of funds (e.g. ex ante control by IF, procurement procedures, financial reporting, internal and external audits).</td></tr>
<tr><td>Reputational</td><td>Reputatational risks for BE are systematically covered through the prevention of fiduciary, security and no value for money risks. Four main risks can be identified as a risk to BE's reputation: (i) the risk of</td></tr>
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					body bags, (ii) the risk of money not wel spent, (iii) the risk of no value for money, and (iv) the risk of non-adherence to principles of good donorship.

From this overview we can draw three major conclusions:

First, it teaches us that **institutional risks** (security, fiduciary, and reputational) and the **risk of not achieving objectives** are systematically covered. Although a general risk management framework for fragile and conflict-affected situations is lacking, these risks are covered through a wide range of procedures, in particular in order to guarantee financial accountability and Result Based Management (RBM).

Second, the overview reveals **crucial gaps** in BE's current approach to risk management. First of all, **contextual risks** are not systematically taken into account. This is reflected by the fact that the current approach is not adapted to the particular context of fragile or conflict-affected situations: on the contrary, risk management procedures that are in place are generic and are mandatory for all countries and programmes. In addition, in fragile and conflict-affected situations the **risk of doing harm** is substantially much higher, yet also this risk is not systematically covered in the current approach.

Third, in particular the **imbalance between institutional and contextual risks explains risk aversion**. BE, like many other donors, focuses on the proper institutional risks at the expense of (contextual) risks for the population of the partner country. Donor risk management is focused on avoiding major institutional risks as corruption, no value for money or political scandal, yet this exclusive focus results in a more risk-averse approach, reputational pressures, institutional incentives that favour short-term results, and a narrower range of opportunities to intervene (OECD 2011a).

Recommendations

BE is planning to develop a more comprehensive risk management framework. Based on the above analysis, the **overall recommendation** is to find a **better balance between contextual, programmatic and institutional risk categories** in order to adapt the BE approach more properly to fragile situations. In order to do so, some recommendations can be listed:

1. **Contextual risks** should be systematically covered, in order for BE to react properly on the prevailing risk environment. The analysis shows that contextual risks are a very broad risk category and a further disaggregation is desirable. The analysis also shows a clear demand for a more political sensitive approach, focusing on the political risks that are central to fragile and conflict-affected situations. As such, focusing on political risks makes sense and will make risk management context-driven and give it a clear focus.
2. **Risk of doing harm** should be systematically covered, in order to prevent unintentional negative effects of BE interventions. In fragile and conflict-affected contexts that are characterized by insecurity, rapid changing environments and low capacities the risk of doing harm is substantially higher, minimizing this risk is therefore a major priority.
3. **Programmatic risk** analysis and management should focus more on political instead of technical risk factors. This refers again to the need for a more political sensitive approach so that interventions are aware and can react upon the political risks that influence their execution.

4. **Institutional risks** should be treated instead of avoided, in order to reverse the risk aversion that stems from security, fiduciary and reputational concerns.

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