



How-to-note for Partner Risk Assessment process

The goal of this *How-to-note* is to support Swiss Representations in the process of planning and implementing a Partner Risk Assessment (PRA) and subsequent Risk Management. This document provides guidance on the roles and responsibilities and **the requirements as to when and how to perform a PRA**. It covers all aspects of Risk Assessment and Risk Management Process according to the International Standard of ISO 31000¹ to apply when performing a Partner Risk Assessment and provides a step-by-step process to help you navigating the PRA.

Please note that this document provides examples and suggestions that you may find relevant for your assessment. The level of details and the amount of information required should correlate with the level of risks associated to the partner and the project/programme. This how-to-note is part of the list of SDC Tools related to Risk Assessment in the SDC guidelines for [credit proposals](#), *Annex 3 – Key messages and requirements for Risk Assessment and Risk Management of SDC - List of SDC Tools related to Risk Assessment*.

Roles & Responsibilities

First and foremost, the PRA **must be a collaborative exercise between** operational and finance staff. It is crucial that a good and transparent communication is established early on and that regular exchanges take place on various issues related to the assessment. **The overall responsibility of the Partner Risk Assessment lies with the NPO/PB's and the lead of the Assessment process remains with the CFPA's**. The cover page of the **Partner Risk Assessment Report** (Annex 1) defines the roles and responsibilities.

Requirements – When do you need a PRA?

A detailed risk assessment of the main contextual, programmatic and institutional risk of the planned intervention is mandatory for projects with SDC-share of **CHF 1 Million and more** and the findings must be presented in a table as an annex to the credit proposal for projects/programmes. Furthermore it is advisable to review the PRA regularly in the framework of the PCM and to update it if necessary. **It concerns the main implementing partner**. It is the responsibility of the main implementing partner to ensure that subcontractors/other members of a consortium have the organizational capacity to perform delegated activities according to SDC requirements.

The risks related to **Politically Exposed Persons (PEP)** must also be addressed during the PRA as per the detailed information contained in the Guidelines for Entry Proposals and in the Guidelines for Credit Proposals.

The level of details and analysis of the PRA varies according to the type of partnership, risks involved and disbursed amounts. Although a detailed risk assessment is mandatory only when the SDC-share amounts to CHF 1 Million or more, **it is recommended to consider applying the PRA in cases where the specific risks in a given context are significant for projects under CHF 1 Million**. It should be conducted as soon as the cooperation with a prospective partner is envisaged, if feasible during the tender process, but prior to the signature of the contract. Do not hesitate to cancel the partnership in cases of negative assessment, should the risks be too high.

¹ ISO 31000 is not developed for a particular industry group, management system or subject matter field in mind, rather to provide best practice structure and guidance to all operations concerned with risk management

The information below helps you in your decision to perform a PRA and provides guidance on the minimum standard to apply.

Mandate agreement for project implementation	SDC financing part > Chf 1 Million
Partner North & Local Partner	Yes
Partner North Group Audit NGO	Yes – only local field offices
Project Contribution	
Partner North & Local Partner	Yes - To the extent feasible a PRA should be carried out jointly with other donors and partners
Multilateral and International Organizations, Research Institutes and other State Institutions (e.g. cantonal & municipal federations)	Yes – To the extent feasible a PRA should be carried out jointly with other donors and partners
Governments	Yes – If not feasible, PRA should be done through cross analysis with other like-minded development agencies.
Programme Contribution	
Partner North & Local Partner	Yes
Partner North Group Audit NGO	Yes – Managed by the IP Division
Multilateral and International Organizations, Research Institutes and other State Institutions, e.g. cantonal & municipal federations, (core contribution, trust fund, general fund, headquarters contribution, etc.)	No detailed PRA but desk review based on available sources such as MOPAN , CCM reports , AMPA and in close collaboration with Global Institutions Division
Governments	Yes – If not feasible, PRA through Cross analysis with other like-minded donors
Humanitarian Aid – Emergency aid	
Partner North & Local Partner	During the acute phase a detailed PRA is not necessary and it is recommended to work with known and reliable partners. If not possible a rapid assessment must be carried out prior entering into partnership. For all other cases, a detailed PRA following the above requirements must be performed².
Partner North Group Audit NGO	
Multilateral and International Organizations, Research Institutes other State Institutions, e.g. cantonal & municipal federations, (core contribution, trust fund, general fund, headquarters contribution, etc.)	
Governments	

The Risk Management Process

The Risk Management process described below helps you navigating the PRA. It follows the ISO 31000 Risk Management Standard and guides you throughout the assessment. Each of the 7 activities gives you ideas and suggestions on how to go about it. The domains to be assessed and the depth of the assessment depend on the context.

Focus on the main risks; use the **Partners' assessment checklist** (Annex 2) to select the domains you want to assess. By doing so, you will have a better idea on the amount of work required to do a proper PRA. It will help you in your decision whether to outsource or not the PRA. An outsourcing decision should be based on the complexity and/or the cost of the project, the risks involved, the information/documentation already available, your own internal resources, the organizational capacity of the partner, etc. In case of outsourcing use the **PRA Decision Sheet** (Annex 3) to document the conclusion.

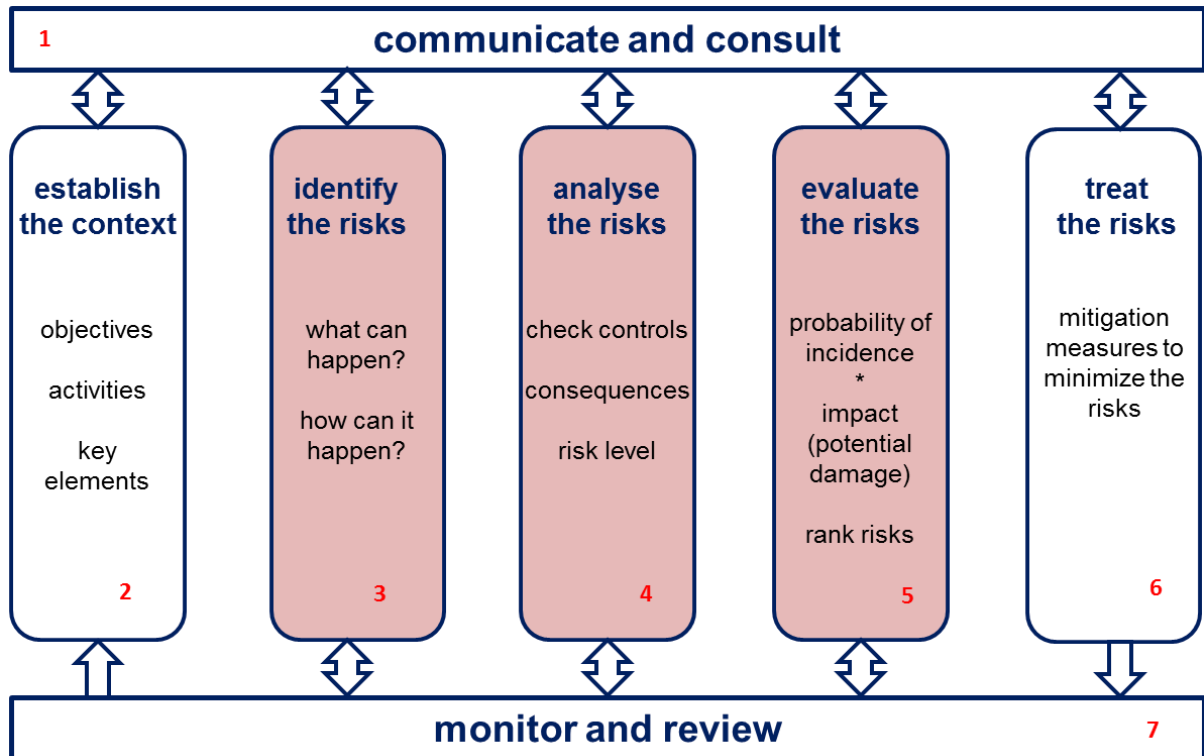
² i) In circumstances where access is limited due security or other external constraints, a remote PRA (desk study, interviews) or an outsourced PRA can be conducted.

ii) It is important that the Rapid Assessment does not hinder the intervention during the acute phase.

According to ISO 31000 the risk management process should be:

- an integral part of management;
- embedded in the culture and practices, and
- tailored to the business processes of the organization.

It covers the following activities:



Preparing the Risk Assessment

Communicate and consult (1)

Communication and consultation with external and internal stakeholders should take place at all stages of the process. It is an essential first step in order to include all parties involved in the achievement of the objectives and the activities. When implementing the risk management process ensure that the basis on which decisions are made, and the reasons why particular actions are required are understood by all parties involved.

Establish the context (2)

The objectives, strategies, scope and parameters of the activities of the partner organization should be established. The resources required, responsibilities, all the levels involved and the records to be kept should also be specified.

- CFPA/NPO/PB & evtl. external expert decide on the domains to be assessed (scope) according to the context (nature of project/programme; implementing partner, organizational capacity, flow of funds, main risks, etc.) and with the help of the *Partners's assessment checklist* (Annex 2).
- Clearly define the scope of the assessment (which field of interest you want to assess)
- Clarify and agree on the roles and responsibilities during the PRA, (e.g. who communicates with the Partners, who assess which domains?)
- Who needs to be present from the partner's side during the briefing, the assessment, the debriefing (focal point)?
- Who do you wish to interview?
- What document/instrument/system do you want to assess (establish a checklist)?
- Set a time frame for the assessment.
- Inform the partner transparently on the reasons, the objectives and the benefits of the RA.

Performing the Risk Assessment

Identify (3), Analyse (4) and Evaluate (5) the Risks

Risk Assessment is the overall process of risk identification, risk analysis and risk evaluation.

Create an open, constructive and factual atmosphere during the assessment. FDFA representation shall take the driving seat and have the lead at all times during the process. Be open for partner's concerns, but make sure that the objective of the assessment remains central

At the Partner's premises:

- Hold a briefing/planning meeting with the partner's management and all persons involved.
- Ask the partner to show you the office and to explain its organizational setup.
- Undertake key informant interviews and discussion with responsible project staff.
- Review necessary documents, systems, controls based on the scope/areas you defined to be relevant for the assessment.
- Document the observations, the results and your impressions during the assessment.
- Hold a debriefing meeting with the partner's management informing them about your first impressions and results and let them know about the next steps.

FDFA internally:

- Discussion on observations, findings and possible mitigation measures with the assessment team.
- Identified risks need to be documented and described according to **the Partner Risk Assessment (PRA) Report** (Annex 1).
- Analyze, evaluate and rank the identified risks including the overall risk according to the PRA-Report.

In some circumstances, the risk evaluation can lead to a decision to undertake further analysis. The risk evaluation can also lead to a decision not to treat the risk in any way other than maintaining existing controls. In all cases it is important that the identified risk mitigation measures are well documented and approved by the Head of Mission / Head of Cooperation.

Risk Management Process

Treat the risks (6)

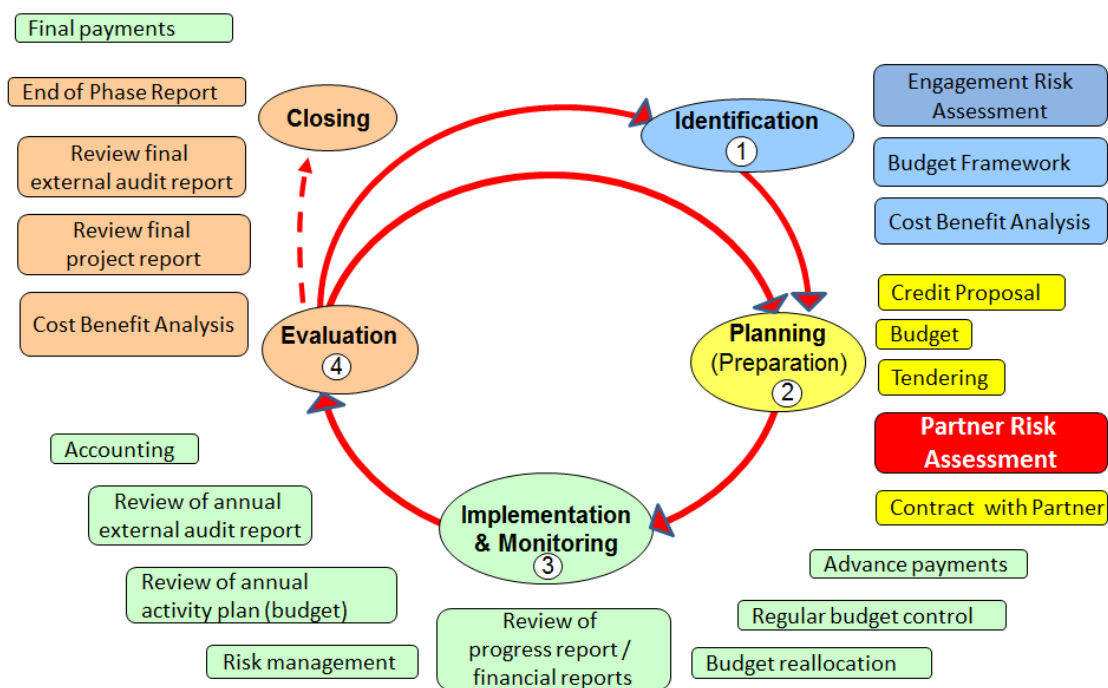
- Draw/propose recommendations in order to mitigate the risks.
- Possibly share / harmonize results with other donors.
- Finalize the PRA Report; seek HoC/HoM's agreement on mitigation measures with his signature.
- Elaborate the partner-report indicating the major findings, recommendations and level of priorities according to the respective template presented in **Annex 5 – Assessment Report Template**.
- Be aware of the nature and extent of the residual risk after risk treatment. The residual risk should also be documented and subjected to monitoring, review and, where appropriate, further treatment.
- Inform the partner and agree on mitigation measures (action plan), to be documented contractually.

Monitor and review the risks (7)

Monitoring and review should be a planned part of the risk management process and involve regular checking. It can be periodic or ad hoc.

- Plan and agree on mitigation monitoring e.g. during project review, yearly audit, annual planning, etc.
- Review the risks and mitigation measures regularly (PCM Process) and decide on necessary measures to take.

Partner Risk Assessment in the PCM



Annexes

- 1) Partner Risk Assessment Report (internal use)
- 2) Partner's assessment checklist (questionnaire)
- 3) Partner Risk Assessment – Outsourcing Decision Sheet
- 4) Sample Terms of Reference – Outsourced Partner Risk Assessment
- 5) PRA Assessment Report template
- 6) PRA Cover Letter Assessment Report template