

# HOW TO INCORPORATE RISK MANAGEMENT INTO MONITORING AND EVALUATION

Risk management does not end with the grant check. Unlike due diligence, risk management is an ongoing process, as risks themselves are dynamic and shift over time. As such, funders should align their monitoring and evaluation processes with the level of risk anticipated for each portfolio or project. Funders should continue to engage grantees in conversations about risk throughout project implementation, and tailor the frequency and depth of these exchanges to align with their risk profile. This document provides specific guidance on how funders can address and mitigate risk through the monitoring and evaluation process and offers sample language for funders to adopt or adapt.

**1. Right-size your reporting requirements to better align with your risk profile and the risks at hand.** For example, allow repeat grantees or lower-risk grants to submit more streamlined interim and final grant reports. In contrast, for high-risk projects, you may want to request more detailed reporting so you are well-positioned to partner with your grantee to help address and mitigate risks as they arise. See the box to the right for an example tool to monitor projects based on their level of risk.


**2. Go beyond only asking your grantees what challenges they are facing.** Such a question—posed at a mid-implementation point—will likely result in a stock answer. Instead, take the time to connect verbally and ask your grantee more nuanced, engaging questions, such as:

- a. What about this project is keeping you up at night? How have your concerns changed since project launch, if at all?
- b. It sounds like things are going really well overall. What's not perfect right now?
- c. You've told me about the good and the bad—now tell me about the ugly.
- d. Has the project faced risks that were not only avoided but yielded significant return/impact?

**3. Revisit the topic of your grantees' financials.** Take the time to gather updated financial documentation from your grantee, including cash flow statements, if available, and reexamine any concerns you had regarding the nonprofit's financials at project launch. Make sure to go beyond the project budget to really assess the ongoing health of the organization overall, which is critical to its ability to overcome project-level challenges. Important questions to ask your grantee include:

## **Risk Management in Practice: Risk Scorecard**

At Open Road Alliance, the recoverable grants team developed a Risk Scorecard that assesses individual grants across a range of roughly 30 pre-identified risk factors that include balance sheet strength, liquidity, management quality, operating methodologies, country risk, regulatory risk, and others. Categories are weighted according to Open Road's risk profile and preferences. Based on qualitative and quantitative assessment, each recoverable grant is then assigned a "risk level category," which determines the extent of monitoring and reporting. For example, a project in the lowest risk category is only asked to have a 30-minute verbal check-in with the portfolio manager once a quarter, whereas those in the highest risk category may be asked to submit monthly financials along with an in-person site visit every quarter. During these check-ins, risk levels are reassessed and scores are shared and discussed with grantees.

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- a. Have you faced any cash flow crunches (inside or outside of this project) since we last connected?  
If so, why?
  - b. Since the last time we talked, did you not receive any funding that you had been anticipating?  
If so, why?
  - c. How have your revenue projections for the next six months shifted, if at all, since we last spoke?
  - d. Do you anticipate having any grant funds left over? If so, how do you plan to allocate these resources?

**4. Use the final grant report to identify actionable solutions for both funder and grantee.** Rather than simply using the final report as an opportunity for grantees to reflect on challenges they faced and lessons they learned, the Commons encourages funders to use the final report to push both themselves and their grantees to think about what they might consider doing differently in the future. Making the final report template forward-looking and actionable—or even conducting a face-to-face exit interview—will make the exercise more useful for grantees, and position them to identify solutions and better mitigate and manage future risks. Sample questions may include:

- a. In hindsight, what would you have done differently in terms of project implementation? What might you change next time in terms of staffing, partners, resources, etc.?
- b. If implementing a similar project in the future, how might you shift your approach?
- c. How could we as a funder be a better partner to you in the future? What do you need more or less of from us?

**5. On an annual basis, assess how risk has affected your portfolio. Funders should review the risks that have arisen to identify patterns and course correct if needed.** For example, funders may find that they consistently encounter the same type of risk in their portfolio and could proactively address this with grantees moving forward. In addition, funders may realize that risks frequently occur with one particular grantee and that having more in-depth and/or frequent conversations about risk with that grantee could help alleviate this issue