

Updated: April 2026

## Guidelines in risk management

**Being exposed to risk and taking risk is a natural part of all Sida, and Sida funded, operations. This guide gives you an overview on how Sida defines and handles risk together with you as a cooperation partner.**

Sida works on behalf of the Swedish parliament and government with the aim of implementing Swedish development policy, and this includes work carried out at Swedish Embassies. The overall goal is to enable people living in poverty and oppression to improve their lives. To achieve this, Sida collaborates with many different actors and cooperation partners.

There is often a high level of uncertainty in the contexts where Sida's cooperation partners and relevant third party implementing partners operate, and being exposed to and taking risks is a natural part of our operations.

### Definition and purpose

Sida defines risk as a (negative) future uncertainty that matters for the expected results, i.e. the planned objectives of a project/programme. That includes to not do harm through the project/programme, recognizing its potential negative effects.

The overall purpose of assessing and managing risks is to increase the likelihood of reaching the objectives.

### Dialogue in focus

Sida understands that there is often a high level of uncertainty, when working with development cooperation and humanitarian assistance.

Sida promotes a transparent and open dialogue with cooperation partners about risks, both during appraisal, before entering into an agreement, and during agreement implementation and follow-up. This serves proactive intervention adaptations to reach results.

The cooperation partner is encouraged to identify positive future uncertainties also, i.e. capturing opportunities that arise, and raise these in dialogue.

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## Risk-taking for different risk types

The mandate to take on contextual risks is given to Sida by the Swedish government in policies and development strategies. Sida commonly agrees to high levels of contextual risks, since development cooperation and humanitarian assistance implies working in high-risk contexts that run the risk of state failure, conflict, economic crises, natural disaster, humanitarian crises etc.

Sida commonly agrees to medium to high levels of programmatic risk of not achieving the planned objectives. All objectives are not always met, and adaptation and flexibility is often needed and agreed upon between Sida and the cooperation partner.

Sida commonly accepts a low level of institutional (security, fiduciary, reputational, political) risks, but might support partners to build required institutional capacity, when relevant. The agreement between Sida and the cooperation partner will include the conditions the partner is expected to comply with, indicating risks Sida will not share.

## Concrete and ongoing risk management

Sida's approach is that risk management for all parties should focus on the risks that are possible to control and act on by the cooperation partner, third parties and/or Sida. Challenges outside our control should of course be considered when planning and adjusting the project/programmes. Risk management should be an ongoing process that is customized to the organizations' and interventions' needs.

Sida does not require partners to use a specific template, tool or method, but will assess the cooperation partner's risk management in relation to the steps generally needed. For example can risks be managed in a separate risk-process or integrated in other processes. What matters is that partners have methods, tools and routines to effectively and efficiently manage (identify, describe, respond, and follow-up) risk, and have related resources and competencies available. This includes risk relating to third party implementing partners and, when relevant, strengthening their capacity.

## Different responsibilities and shared risks

For a project/programme, Sida will manage risks in the appraisal and follow-up stages (identifying and planning for risk responses), and will assess the cooperation partners capacity to manage risks<sup>1</sup>. The risks are based on partner's capacity to manage relevant weaknesses and challenges<sup>2</sup>.

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<sup>1</sup> Sida identified risks relate to contextual, programmatic and institutional risk types and are documented during the appraisal and follow-up. They include "Thematic assessments, development effectiveness and anti-democratic activity", "Objectives and theory of change, ownership and sustainability", "Budget", "Partner capacity" and "Anti-corruption".

<sup>2</sup> Partner capacity assessment covers several areas and is for example informed by reports, audits, evaluations, dialogue and previous experience.

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Sida will be responsible for the follow-up of its own risk-register for each intervention. The cooperation partner will be responsible a) for any risk mitigation measure included in the agreement and b) for using its own system/method/process for risk management to follow-up the specific intervention. In an intervention the cooperation partner, Sida and possible third parties all share and are exposed to certain common risks, but also have risks only relevant to their own organisation.

Sida has developed specific requirements for our cooperation partners, for some specific risks. This does not imply that other risk areas are not equally important. This regards partners active prevention and management of safety and security risks, sexual abuse, exploitation and sexual harassment risks, and anti-corruption/corruption risks, and the expectations that these are related to, or integrated within, the risk management "system/method/process" of the organisation.

## More on how Sida assesses cooperation partners

While cooperation partners should use the system/method/process most suitable to reach the objectives, Sida will assess the partner's capacity to manage risks along the below steps:

1. Setting objectives – Identifying and managing future uncertainties that can have negative effects on objectives or cause harm, requires clear objectives<sup>3</sup>.
2. Identifying risks – Identifying risks means gathering information to isolate relevant uncertainties of intervention delivery.
3. Prioritizing – It is not relevant or cost-efficient to manage all risks, with the same ambition at the same time. Prioritisation of risk can be based on assessing its likelihood and consequence. Explaining the valuing method is then needed.
4. Planning risk management/risk responses – Risks can be managed in different ways and can include risk mitigation measures (that should strive to be specific, measurable, attainable, relevant and timely to enable follow-up). The plan should include who has the responsibility to implement the measures.
5. Implementing risk responses/risk mitigation measures – The response can involve third parties, dialogue between different parties and/or updates of

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<sup>3</sup> See: <https://www.sida.se/English/partners/results-based-management>

agreement requirements, as well as improving internal processes/policies, or supporting capacity development.

6. Following up the risk and implementation of measures – Risk responses should be followed throughout their implementation.
7. Reviewing and reporting – Risks and risk management should be reviewed regularly to allow for new decisions and actions to be made, including identifying and managing new risks and communicating and reporting them to relevant parties, including Sida.

During review, considerations include:

- Has the risk (value) changed (likelihood or consequence)?
  - Did the risk response work – why/why not and how do you plan to act on this?
  - Do you need support from Sida to manage the risks?
  - How do you follow-up third party implementing partners in relation to risks and risk responses, and support their capacity to manage risk?
  - What has changed?
  - Do you have new information and have identified changed or new risks that should be managed (prioritized, planned and implemented)?
  - Have you conducted a dialogue with concerned parties incl. Sida about relevant risks?
8. Sida considerations at this stage also includes:
    - What risks have the partner identified for the intervention (that are relevant to the achievement of objectives), and what risk appetite is displayed?
    - How do they prioritize and plan for risk responses, what is the planned risk response, and who is responsible for implementation?

When assessing the partner's capacity for risk management in relation to the above steps, Sida will conduct a dialogue with its cooperation partner and review relevant documents that inform the risks identified, including risks within the partner organisation. Relevant documents can include policies, internal guidelines, the internal organisational structure, as well as information regarding the functioning of the organisation in practice, by reviewing audits, reports and third party documents as well as Sida partner visits.

### **Have any questions?**

If you need further help or guidance, please reach out to your Sida Programme Officer.