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How-to-Note: Tailoring the Risk Assessment

An Additional Help for ADS Chapter 220

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HOW-TO-NOTE

Tailoring the G2G Risk Assessment

INTRODUCTION

This Note provides guidance to USAID missions on how to tailor or customize a Risk Assessment to help identify, evaluate, and manage risk effectively.

How-To-Notes provide guidelines and practical advice to USAID staff and partners related to Risk Management. This How-To Note supplements USAID ADS Chapter 220.

This note supplements USAID Automated Directives Systems (ADS) Chapter 220, Redefining our Development Relationship with Partner Governments through Government-to-Government (G2G) Assistance. Specifically, it provides guidance to USAID Missions on tailoring a G2G Risk Assessment to be completed prior to a G2G activity obligation to make it fit-for-purpose and a value-added tool. It should be read in conjunction with the G2G Risk Management and Implementation Guide, an overall help reference to ADS 220.

This note provides background and requirements from ADS 220 and provides an overview and general concepts on the approach for tailoring/customizing the G2G Risk Assessment and suggested steps and considerations while conducting the risk assessment. This document also includes templates and sample documents that have been embedded in it using hyperlinks. This is an interim draft and the contents of this note may be periodically reassessed and updated based on feedback from USAID Missions and Washington offices.

ADS Chapter 220 outlines the policies and procedures that govern USAID when it disburses funds directly to a partner government or relies upon partner government systems to implement direct assistance projects or project activities.

RISK MANAGEMENT PROCESS

The G2G Risk Management Process encompasses seven steps that begin with “Establish the Context.” Establishing the context involves taking into account Mission knowledge and experience; information derived from country road maps; risk profiles; audits;

required analyses and any internal or external reports; assessments; or audits that would be helpful to further understand factors that could present an opportunity, pose a challenge, or assist consensus on the viability of G2G assistance.

The G2G Risk Assessment (Steps 2, 3, and 4 of the risk management process) is designed to identify, analyze/evaluate, and propose risk response measures to mitigate the risks of implementing entity(ies) systems utilized when applying G2G-type assistance.

The G2G Risk Assessment is both informed by the proposed G2G activity design and, at the same time, provides useful information to finalize the design of the proposed G2G activity and forms the basis to incorporate risk response measures into the G2G activity components. The Risk Mitigation Plan (RMP) (Step 5 of the risk management process) resulting from the G2G Risk Assessment is integrated into the proposed G2G activity design, as well as one of the required analyses which guide decision making on all aspects of the final activity design.

Accordingly, customizing/tailoring the G2G Risk Assessment is key to conducting a successful, efficient, and timely assessment. The level of effort for tailoring the G2G Risk Assessment varies given Mission experience with G2G and its understanding of the proposed activity design and objectives. However, the key point is that the [G2G Risk Assessment Workbook](#), which includes sample questions that may be used to identify and evaluate risks, should be **tailored/customized** before the Mission commences the fieldwork of the risk assessment.

The [G2G Risk Assessment Workbook](#) is a tool to help risk assessment teams conduct the assessment. It includes a comprehensive list of illustrative questions by functional area, evaluation criteria/questions and sub-criteria that help evaluate adherence to common best practices, standards, and internal controls. This is only a starting point for the development of the relevant questions that address the scope of areas reviewed during the G2G Risk Assessment. There is no requirement to use all the listed questions in their entirety; but rather, focus on those functional areas and questions considered relevant for the specific assessment. It is also appropriate to draw upon other relevant professional guidelines or checklists (i.e. the American Institute of Certified Public Accountants (AICPA), the Institute of Internal Auditors (IIA) and questionnaires, and [OIG Fraud](#)) to come up with a customized set of questions. It is recommended that the assessment team document the rationale and specifics of the customization. See the tab titled "Risk Assessment G2G Tailoring Rationale" included in the [G2G Risk Assessment Workbook](#). The G2G Risk Assessment workbook is a tool to help risk assessment teams conduct the assessment.

Adequate completion of a customized set of G2G Risk Questions will become the primary source of evidence for the G2G Risk Assessment. The identified risks should be logically cross-walked or referenced to support information included in a G2G Risk Assessment report.

When a G2G proposed activity/project involves multiple related entities (i.e., pharmacies, hospitals, schools, provinces, etc.) that are likely to share similar risk profiles, the tailoring of the G2G risk questions should describe a sampling approach which is representative of the related entities.

TAILORING/CUSTOMIZING OVERVIEW

As noted earlier, there is no requirement to use the list of G2G risk questions, included in the [G2G Risk Assessment Workbook](#), in its entirety; rather, Missions are encouraged to focus on those functional areas that are relevant to the proposed G2G activity given:

- ❖ the proposed G2G activity objectives;
- ❖ the implementing entity(ies) (to include its roles and responsibilities in handling U.S. Government funds);
- ❖ the notional implementation/funding mechanism (
- ❖ Fixed Amount Reimbursement Agreement Activity [FARA] or Cost-reimbursement); and,
- ❖ the flow of funds.

Risk is defined as the “effect of uncertainty on achieving objectives.” Therefore, having only general knowledge of what the Mission is proposing to do makes the process lengthier, less effective, and onerous because specifics are unknown. Knowing the “who, what, when, where, and how” provides more specificity:

- Who will implement the activity?
- What is/are the objective(s) the proposed G2G activity is trying to achieve?
- What is the dollar amount of the proposed G2G activity?
- What Public Financial Management (PFM) systems of the government will be utilized to implement the activity?
- What funding mechanism (FARA or Cost-Reimbursement) do you plan to use?
- When do you plan to undertake the activity?
- Where will the activity take place---national level, sub-national, multiple locations?
- How will the funds flow?

When both USAID and the implementing partner clearly understand that the G2G Risk Assessment is a tool for assessing risk within the context of the proposed G2G activity design, and not of the entity as a whole, the application of the G2G Risk Management process is more efficient and effective. A shared understanding of the objectives of the proposed G2G activity allows for a detailed review and customization of the G2G risk questions, included in the [G2G Risk Assessment Workbook](#), tailored to the partner government’s regulations, such as compliance with rules and requirements. At the entity level, this customization approach allows the assessment team to leave out G2G risk questions or sections of the questions that are not applicable or that have been covered under other assessments.

1. **Preliminary Considerations.** The proposed G2G activity design is key when you plan to conduct a G2G Risk Assessment. Therefore, as a first step, the G2G activity objectives should be clearly defined. The Mission should be cognizant and informed about what the activity is trying to accomplish and only then examine the risk exposure. It is recommended that the G2G Risk Assessment Statement of Work (SOW) include, at a minimum, the following information regarding the proposed G2G activity:

- ❖ the G2G activity objective;
- ❖ the beneficiaries;
- ❖ the funding levels (budget);
- ❖ the implementation entity(ies) (roles and responsibilities in handling G2G activity funds);
- ❖ the proposed implementation mechanism (Fixed Amount Reimbursement Agreement (FARA) or Cost Reimbursement);
- ❖ the length of the proposed G2G activity; and
- ❖ the proposed flow of funds.

It is recommended to include all this information in the [Key elements for a G2G Risk Assessment - LT](#), which is essential for the assessment team.

2. **Planning for the G2G Risk Assessment:** The following items should be considered in planning a G2G Risk Assessment:

- a. When developing a G2G Risk Assessment SOW, Missions should be aware that there is no “one-size-fits all;” even within the same country. Some activities focus on service delivery, others on procuring commodities, and others on both. Therefore, SOWs will be different.
- b. Missions should try not to get caught up in trying to answer all of the G2G risk questions included in the [G2G Risk Assessment Workbook](#); but realize that the intent is to understand the nature and functionality of the systems. The G2G risk questions should be used to garner the information needed to conduct the required G2G Risk Assessment testing.

Basically, while conducting the assessment fieldwork, Missions seek to verify that the partner government systems are in place and are functional. The G2G risk questions included in the G2G Risk Assessment Workbook intended as a menu of questions from which Missions can choose those applicable to the proposed G2G activity. Completion of a customized set of G2G Risk Questions represents the backbone of the G2G Risk Assessment and will become the primary source of evidence for the assessment.

- c. Avoid overly broad scopes which may result in assessments of the entire implementing entity(ies) and/or focus areas that may not be relevant to the

envisioned G2G activity objectives. Tailoring the G2G risk questions can maximize time efficiency and reduce costs. A focused scope within the SOW is crucial to executing a successful and efficient risk assessment. The “Whole-of-Mission” engagement in the process remains a best practice. Tone at the top is also important to keep everyone working as a team. Leverage familiarity of the Mission and staff with the design of the proposed G2G activity. The Partner Government Systems Team (PGST) should work together in the design of the proposed activity to understand the objectives and avoid working in silos.

- d. It is a best practice to document the logic behind the tailoring of the G2G risk questions, included under the tab titled “Risk Assessment G2G Tailoring Rationales,” in the G2G Risk Assessment Workbook. While working on tailoring/customization, Missions should note the focus areas and questions that are applicable and those that are not and explain the rationale for eliminating any sections.” Maintaining this information is important and relevant in case of any audits of the G2G activity that may require this information.
- e. Do not reinvent the wheel/avoid duplication of efforts. Use all available assessments (both internal and external), including any other relevant G2G Risk Assessments Missions have already completed, and consider the results of that experience to inform the tailoring/customization of the G2G Risk Questions included in the G2G Risk Assessment Workbook. The G2G Risk Assessment should not be considered an extra burden on the partner government. Missions should garner information from any other available risk assessments and procurement system assessments/reviews.
- f. Use the information previously garnered to create a baseline to better understand the nature of the partner government systems (i.e., The Country Context Report (CCR) and any other risk assessment reports conducted for other activities, which may include relevant information).
- g. Missions are advised to track progress and the amount of time it takes to conduct each individual G2G Risk Assessment (from initiation to issuance of the final report). This will be useful in planning future assessments. The Timeline Tracking Template can also be used to identify any bottlenecks/problems.
- h. A sample report template [G2G Risk Assessment - Illustrative Report format](#) is available as a reference.
- i. Explore the possibility, whenever feasible, to conduct a joint assessment with another development partner(s), alleviating the need to overburden partner

country governments with similar and multiple requests for data. [Lessons learned from Senegal joint assessment experience.](#)

3. **Tips for the customization/tailoring of the G2G Risk Assessment.** Customization will run more efficiently and effectively if it is properly planned, scheduled, and tasks are allocated among PGST members. Participation from all members of the PGST is indispensable because sharing information about the design of the proposed G2G activity is essential to the success of the risk assessment. At a minimum, the following should be considered:
 - **Schedule:** Establish an overall schedule and meet to discuss the tailoring/customization of the G2G Risk Assessment. Make sure everyone understands the objective of the meeting and agree on a timeline in which you will complete the customization prior to fieldwork.
 - **Customization/Tailoring:** Make sure you have all the required information before you start the customization. This should include the proposed G2G activity objective(s); the proposed implementation mechanism; the proposed implementing entity(ies) and their roles and responsibilities; the flow of funds; the proposed budget; and the beneficiaries. It is better to spend time at the front end, to ensure everyone understands the objective of the activity and how the funds are going to flow through the partner government systems, rather than doing extra work assessing areas that are not applicable. Look at entities where the funds will flow through, such as the Ministry of Finance, Treasury accounts, and entities that will be handling funds or making payments. In the end, the Missions and the Agency will be accountable for decisions made. Therefore, the Mission must clearly understand what is being done and why it is being done.

Fieldwork: Fieldwork for the G2G Risk Assessment should only start after the G2G risk questions, included in the [G2G Risk Assessment Workbook](#), have been customized/tailored. If you customize appropriately, you will have a better understanding of the number of meetings needed, and walkthroughs and testing to be undertaken. This will avoid unnecessary meetings, efforts, cost, and time.

[G2G Resource Library](#) on ProgramNet has sample documents on various aspects of G2G programming and more general G2G lessons learned.

G2G Info Desk (G2GInfoDesk@usaid.gov) stands ready to answer Mission policy questions regarding G2G.