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Evaluation of WFP's Enterprise Risk Management Policy (2018)

CONTEXT

Rapid growth of operations in complex contexts exposes WFP to multi-layered risks, which may affect WFP's ability to reach all those most in need.

Enterprise Risk Management (ERM), originating in the private sector, provides a structured approach to identifying and mitigating risks to improve outcomes. The UN adopted ERM in 2006 to enhance its governance and oversight framework, and the management of risks affecting the UN system. Further guidance was issued in 2019 and 2020 to harmonize ERM practices across the UN system.

SUBJECT AND FOCUS OF THE EVALUATION

WFP introduced its first Enterprise Risk Management Policy in 2005, which was subsequently updated in 2015. The current policy was issued in 2018 and is the subject of this evaluation.

The ERM Policy provides a structured framework for identifying, assessing, managing, and monitoring risks across WFP's programmes and day-to-day operational activities. The policy articulates a vision for WFP to:

- **maintain a consistent risk management framework** through which risks can be identified, analysed, addressed, escalated and accountability assigned;
- **achieve a common understanding of WFP's exposure to different types of risks**, in relation to the type and level of risk WFP is willing to accept in different situations to achieve its goals (i.e. *risk appetite*);
- **establish and sustain a culture where risk management** is linked to implementing WFP's Strategic Plan, and where risks are considered proactively in operational decision making.

Key features of the policy include:

- i. the **categorization of risks** into defined areas and types;
- ii. a clear outline of **roles and responsibilities related to ERM**;
- iii. the definition of a **risk management lifecycle** comprising risk identification, assessment, escalation, mitigation, and risk monitoring.

OBJECTIVES AND USERS

The evaluation served dual objectives: to ensure accountability to stakeholders; and generate learning to inform future WFP policies and systems related to risk management.

The primary intended users of the evaluation are the WFP Risk Management Division, WFP Senior Management and Leadership Group, regional and country offices. External stakeholders include Members of the Executive Board, host governments, WFP donors, and cooperating partners among others.

KEY CONCLUSIONS

Policy quality, roll-out and support to implementation: The 2018 ERM policy is a marked improvement compared to earlier iterations which provided WFP with a structured framework for managing diverse risks across the organization.

The **policy design** was informed by evidence and integrated high-priority actions from relevant audits and advisory assignments¹. However, the links between the processes and objectives of the Policy lack clarity and were not articulated in a clear theory of change. Critical gaps were noted in the definition of risk appetite and tolerance, and specific risk response mechanisms such as escalation protocols.

Policy coherence: The Policy follows widely accepted industry standards and aligns UN frameworks. Within WFP, it is well-aligned with policies corporate policies, although its integration with policies categorized in the WFP compendium as 'cross-cutting' and 'principles' is limited. The policy also supported the commitments set out in the current (2022–2025) and previous (2017–2021) WFP Strategic Plans.

Policy roll-out and implementation: Since 2018, the risk network consisting of risk officers and risk focal points, expanded significantly to support policy implementation and accelerate the uptake of the ERM processes and related tools. However, the evaluation found that the use of key risk management tools has been hindered by fragmented guidance, limited policy dissemination, uneven training uptake, and delays in implementing an IT system, leading to administrative burden.

¹ Including the 2022 Advisory Assignment on Enterprise Risk Management Review and Assessment AA-22-01. WFP Office of the Inspector General conducted by Baldwin Global.

Risk management culture in WFP: Clearer, increasingly well-established risk categorization, stronger coordination across risk management functions, and sustained attention from senior leadership have elevated risk management on the corporate agenda. These efforts have fostered a stronger risk culture within WFP, whereby risks are proactively considered in decision-making processes.

The operating contexts and nature of WFP's work call for an approach to risk management that draws upon both formalized risk processes and more implicit risk-management practices part of day-to-day operational work. Enterprise Risk Management tools have had to adapt to this reality and positively, there is evidence that WFP is gradually moving from ERM implemented by specialists, towards **risk management becoming everyone's business**.

However, the evaluation also identified opportunities to better promote risk management, and embed it more systematically in staff core competencies, and performance goals and appraisals. Shortcomings were also noted around **trust and positive incentives** which are needed for open and transparent risk management practices, particularly when risks need to be escalated. Staff must feel confident that all levels of the organisations will fulfil their roles, responsibilities and accountabilities related to risk management.

Results in implementing the ERM Policy: Guided by the ERM policy and its tools, risk informed decision-making has improved across WFP, with opportunities to better connect risk management with programme planning and operational decision-making. Specific results include:

Effectiveness and use of key ERM processes: By the end of 2024, the ERM Policy had largely achieved its goal of establishing a risk management framework to support informed decision-making. Key progress was made in *risk identification*, *risk assessment*, and *monitoring*, although challenges in *risk escalation* and in *risk mitigation* remained.

Effectiveness and use of ERM tools: Over time, the quality of risk registers, as one of the main tools for risk management has improved. During the reporting period, key risks indicators were used more frequently to set thresholds for when risks should be escalated.

Effective uptake of ERM was challenged by the limited collaboration on risk management across functional areas, and lack of a centralized IT platform for risk management. Country offices also faced challenges in managing situations where risks are out-of-appetite (e.g. in relation to fraud and corruption; beneficiaries, or WFP employee health, safety and security) and have sometimes lacked support (from regional and HQ levels) in implementing mitigation actions.

ERM contribution to enhanced WFP performance: Corporate/strategic planning processes are highly risk informed, especially in corporate scale-up and private sector partnerships. Risk management is formally integrated into Country Strategic Plans (CSPs) but the results from the analysis of Operational Risk Registers, maintained by country offices, could feed more explicitly in CSPs' design to support planning and performance management. The lack of a standardised ERM IT tool to help connecting risks, strategic outcomes and performance metrics is a constraint for this.

Role of risk officers: While in some offices risk officers actively support risk-informed decision making – e.g. contributing to CSP development and participating in decision making– in others, collaboration between risk specialists and programme staff is perceived as ineffective and siloed across roles and functions.

WFP exposure to risks: Where risks are poorly defined at country level and where, even after risk mitigation, the remaining level of risk (*residual risk*) is high, WFP often engages in activities which go beyond what WFP has identified (in *corporate risk statements*) as the level of risk it is willing to accept. Available evidence suggests that

country offices often report more out-of-appetite risks than the threshold set in corporate risk appetite statements.

Risk sharing with donors and partners: WFP has developed detailed and comprehensive guidance for sharing risk information with external partners including host governments, donors and cooperating partners but it is inconsistently used across WFP.

Risk management and cooperating partners: Risk management practices – particularly around sharing risk information– are relatively well-established at the level of individual projects and programmes. However, cooperating partners are not consistently consulted on wider, country-level risk management issues, despite the key role they play in risk mitigation. This creates the perception that WFP transfers rather than shares risk with them.

Risk management and host governments: Risk sharing and risk management practices and expectations between host governments and WFP are not consistently formalized in partnership agreements, which is a constraint to risk sharing.

Risk management with Member States and donors: There is evidence that WFP's interaction with donors and Member States on risk has improved, driven by more regular communication by WFP with donors and Member States, greater clarity and focus on accountability and transparency in risk management processes. Challenges remain in navigating the tensions between WFP's operational needs, securing donors' confidence and funding. This is especially difficult given that WFP often operates in high-risk contexts, where there is limited clarity on the types and level of risks donors are willing to accept in different situations.

Consideration of humanitarian principles: There can be **tension but no contradiction between humanitarian principles, and the pressure to reduce risks**. While adherence to humanitarian principles can contribute to risk mitigation, WFP routinely grapples with the trade-offs between agile delivery, operating in a principled manner, and the pressure to 'get things done.' This challenge is particularly acute in emergency response contexts, where risk management processes could potentially increase WFP's response times if additional ERM requirements are placed on decision-makers.

There is evidence of misalignment in how risks manifest in operational settings and how they are defined corporately. The current approach to define and categorize risks at the corporate level may not fully capture complex realities WFP faces in the field, particularly in operationally sensitive environments.

Resourcing challenges: Funding prospects for WFP's ERM remain uncertain. Limited financial resources may hinder effective risk assessment and monitoring, especially when reliable data and mitigation efforts require additional investments. In a constrained resource environment, concerns emerged staffing for risk management roles at the country and regional level could compete with the need for staff in operational roles, particularly in smaller offices.

RECOMMENDATIONS

Recommendation 1: WFP should revise, update and consolidate the Enterprise Risk Management Policy and accompanying guidelines.

Recommendation 2: WFP should take steps to further strengthen the ERM culture within the organization.

Recommendation 3: WFP should strengthen ERM tools to enhance contribution to decision-making and performance – including around cross-cutting issues.

Recommendation 4: WFP should enhance clarity of resourcing and capacity for risk management.

Recommendation 5: WFP should take steps to enhance mutual transparency on risk management with external stakeholders.