

A political risk management capability in an international NGO

Reference points for a consideration of the possibilities

Insight paper by Harmattan Risk

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The aim of this paper is to stir thinking about the potential value of an explicit political risk management capability within an international NGO and how it might work. We begin with a brief conceptual introduction, then subsequently proceed with the principal points of the discussion.

Political risk – what and why

International NGO readers no doubt have their own conceptions of politics and political risk. Both are somewhat ambiguous and perhaps should remain so, given the fluidity of the subject matter. Still, we need a conceptual baseline for what follows. This will not belabour the point, if nothing else because there are a number of papers on the Harmattan website which offer conceptual nuance.

Political risk is the actual and potential problems and hazards that an organisation can face because of political conditions, dynamics and behaviour. An organisation can suffer collateral damage and inhibitive uncertainty from political volatility and rivalries, and it can be directly targeted by political or quasi-political actors.

What, though, is political, or more specifically politics? Politics is behaviour at the intersection of power, ideals and identities. Most definitions make governments central to politics. Admittedly they usually are, but as we see in ungoverned spaces and failed states, they are not an essential ingredient. In political games, identity defines for whom one is acting, ideals define the why, and power is the means to safeguard the group and enact ideals. The quest for power can generate political

games even when all else seems satisfactory, because one can never be sure that other political groups are similarly content with the status quo.

With that, we can actually see why political risk is such a unique and potentially dangerous hazard. Power, ideals and identities are probably the most powerful drivers of group behaviour, creating games which can have existential effects on ordinary people and leaders alike. The stakes are high, ranging from day to day wellbeing to the survival of one's political tribe or subjugation to another's values. Thus, left to its own devices, politics is prone to generating intractable and irascible attitudes, paranoia, and violent or oppressive behaviour. Institutions and norms shaped by cooler heads, in calmer periods when level-headed rumination was feasible, mitigate this tendency. Where institutions are well designed and fortified, politics can just be background noise. Where they are absent, nascent, weak, or distorted and weaponised, politics can be very noticeable indeed.

NGOs often operate in places with weak institutions and intense political games, because that is where the most severe humanitarian and developmental problems are. Thus, they are accustomed to a degree of political risk. However, NGOs have had a degree of political top cover from a broader set of global institutions, the Western-backed, rules-based international order, whose humanitarian principles NGOs share. It provided NGOs with some deterrence against illegitimate and paranoid host country governments who would have preferred cracking down on troublesome foreign NGOs, but were often constrained by the risk of global opprobrium. Now, this global institutional framework is falling apart. NGOs still face the same challenges of operating in volatile environments, but without the shadow of a sympathetic, and influential, international community bound by a commitment to shared rules and values.

The same dynamics that led to the collapse of the old order, principally nationalist populism, authoritarianism and anti-globalism, are eroding institutions and norms in the established democracies of the Global North, where many international NGOs are based. Thus, the homefront too is becoming more politically risky. Not only do changing attitudes affect funding, but governments are increasingly willing to put pressure on NGOs when they are seen as politically inconvenient or if doing

so helps to prevent voter desertion to far-right opposition parties. When far-right parties actually come to power in HQ countries, political risk for NGOs can be pretty much on par with their harder overseas operating environments.

To summarise, NGOs have long experienced political risk, but with the collapse of the rules-based international order, it is becoming more acute across the board.

Why bother with political risk? Because it can move from risk, or hazard, to manifested harm, be it to people, reputation or performance. Political risk management is how we bother with it. Thus far, it has had very limited traction among NGOs. It has made much more headway in international companies, and nowadays it is even something of a business fad. NGOs do not have to get faddish about it, or use “political risk” in the label. However, having a clear sense of how to discern and manage the problems that politics poses is useful at the best of times, and NGOs are facing a more challenging period than they have seen in decades.

If we accept that a political risk management capability is worth considering, we then need to get our heads around what it is, how it helps, how it works, and how an NGO could build it. The rest of this paper tackles these questions at an introductory level.

What political risk management is

Political risk management can mean somewhat different things in different sub-sectors and contexts. It can also be a complex activity and it is easy to drift into excessive detail. Thus, we will keep this characterisation to a conceptual level.

Political risk management can be regarded as...

...intelligence and planning to inform the organisation of relevant attributes of its socio-political environment and stakeholder milieu, to identify and assess potential problems or friction points, and to plan to avoid or mitigate them (or to extricate from current problems).

When we say problems, we mean situations that could lead to harm to the organisation’s people, reputation, relationships, funding and performance.

The problems that we look at in political risk management partly come from the organisation's exposure to political dynamics in the given environment. This can lead to experiencing the effects of political behaviour even when it is not aimed at the organisation. Relevant problems also come from the direct responses of socio-political actors, particularly those who see the NGO, or NGOs in general, as somehow a challenge to their interests or values.

The above means that the intelligence side of political risk management has two foci. One is the socio-political system, key dynamics within it, and how it could change, all in relation to relevant organisational exposures. The other is socio-political actors who have or could develop a direct interest in the NGO's presence and activities – in other words socio-political stakeholders – and how they might react.

That dual focus also shapes planning. One aim of planning is preparation to avoid or manage the potential effects of relevant environmental dynamics and the changes they might give rise to. The second aim is to prepare the NGO to manage critical stakeholder relationships, in order to gain and sustain acceptance or support, and to reduce the chance of incurring hostile attitudes. When stakeholder intelligence identifies actors who could seek to harm the NGO regardless of its relationship-building efforts, stakeholder engagement planning effectively merges with security planning.

Planning accounts for difficult trade-offs and ensures that all relevant teams or functions are working off the same intelligence picture and know their roles in plan implementation. These are key reasons for explicit political risk management. Without it, NGO team members, teams and functions might manage the issues they perceive or experience, but the end result can be silos of knowledge and activity, mixed or incoherent messaging from the perspective of stakeholders, and even working at cross-purposes.

Much of that might sound familiar. NGOs routinely undertake intelligence and planning exercises to support their programmes and projects. The key distinction between those exercises and political risk management is not so much in the nuts and bolts activities, but rather the object of the exercise. In political risk management, the organisation doing the action, or the principal, is the focus. We are seeking to keep it safe, reputable and stable. Operational, delivery-oriented intelligence is important, but if the executing organisation is weak, confused, or hurt, then mission execution inevitably suffers.

There can be a fine line or overlap between organisation-oriented intelligence and planning, and that which is aimed at effective service delivery. For example, one might need to conduct a conflict analysis to understand potential fracture lines within a beneficiary community, to avoid exacerbating inter-group friction in the course of aid distribution. That same analysis could feed into an NGO's security planning, including the development of an acceptance strategy and crisis preparedness. What tends to happen with NGOs, however, is that the operational delivery aspect takes most share of mind, and the implications for the organisation itself remain only a tacit consideration.

There are different levels of political risk management, and how these break down depends on an NGO's operating model. For the sake of illustration we will just use two, the first being a project in a specific country, and the other being the whole, global organisation.

The country project level is about local dynamics and relationships, and intelligence and planning also needs to account for relevant national political dynamics and change directions, as well as national-level stakeholders. The aim is to safely sustain the NGO's safe, effective and reputable presence.

The level of the whole, global organisation has two parts. One is the NGO's HQ country or region. Political trends, such as nationalist populism and its effect on trust in NGOs, or electoral changes that might lead to new international aid policies or NGO regulations, would be one angle therein. Stakeholders would include, among others, political party representatives, relevant government

agencies, the national media, the national NGO association and in some cases domestic NGOs or CSOs.

The second part of the overall organisation level is the global political environment. In corporate parlance, this is the level of “geopolitical risk”. At this level, an NGO would examine patterns in the evolution of great and middle power rivalries and interaction, as well as significant global socio-political trends. The aim is to understand how global dynamics could lead to changes or pressures that directly impinge on the NGO. The erosion and then fracturing of the rules-based international order is a good example of a relevant global dynamic. Another example might be US and Chinese competition for rare earth minerals, an aspect of the two countries’ rivalry which is likely going to have direct implications for peace and stability in Africa in particular.

At the global level, stakeholder analysis might seem irrelevant since the main actors are entire states. However, stakeholders are still relevant. An NGO would not treat a whole government or bloc as a stakeholder, but it could find ingress points to influence policies and attitudes of different governments. Additionally, transnational organisations, other NGOs and NGO associations, the media, and think tanks could be valuable partners in joint international lobbying efforts, and such partnerships could help their members to foresee and navigate new global pressures.

How it helps – the value of political risk management

This question is worth its own section because even for experienced international managers, political risk management can seem somewhat wishy-washy and ambiguous compared to their usual operational or technical endeavours.

Imagine that you are a part-time travel writer and you are about to travel to a new country to get grist for some articles. While you have an interest in the country’s cultural history, you have not done much homework about what is really going on in the place. News stories make the country sound rather unstable and it seems like the government is somewhat quirky, but that’s politics and it doesn’t concern you. Excited by the upcoming adventure, you head to airport and away you go.

Once you arrive, you begin to have a series of difficult encounters and experiences. People are suspicious of you, the police drag you in for questioning, a town official warns people that you come from imperialist country, you stumble into a fight between local crime gangs and nearly get hurt, the banks are closed for no particular reason and you cannot get money, when that is resolved you suddenly discover that you can now only exchange money at ridiculous rates and this is going to play havoc with your budget, an official insists that your visa is incorrect and he asks for an exorbitant fee to fix the problem, and when you try to leave, you discover that the airline you are using has been denied landing rights because the government is annoyed that it did not sign a one-sided contract with the airport services company owned by the president's nephew. That night, after scrambling to book a new flight for the next day, instead of sleeping you nervously listen to what sounds like a brawl between the police and an angry mob.

You had planned on keeping a detailed travelog, taking lots of evocative photos, and spending time poking into the fascinating history of the capital's old town, all in the interests of writing some interesting pieces about the place. Instead, you were running from one mini-crisis to the next, looking so out of place and desperate that people did not trust you or try to help you – you seemed like a risk yourself. When you make it back home, you have little to show for the trip but a bad case of nerves. Your magazine editor, who gave you an advance to help pay for the trip in anticipation of an article, wonders if you are reliable enough to keep on the roster.

Now, what if you had had a way to avoid about half of those problems, smooth out or reduce the effects of other ones, and quickly recover from the rest? You would have had a much more effective trip, you would have a reputation for delivery in challenging circumstances, and you would not be stressed out and demoralised.

Political risk management is the differentiator. It is not some arcane ritual that experts do on the sidelines. It is applied common sense aimed at getting a practical grasp of one's socio-political context, sensing what the problems could be and planning what to do about them. It is for the principal, the doer of the action, to keep them intact, calm and reputable so that it can effectively do what it is

supposed to do. We plan in order to effectively implement our technical skills, but unless we, the principal, are ourselves in good shape, then even the best operational plan becomes hit and miss.

How political risk management works

There is no one formula or model for managing political risk, because what is appropriate varies by sub-sector, organisation and operation. Additionally, the capability can organically grow in organisations which accumulate experience in challenging contexts, and their models might be perfectly workable for them but inappropriate as template for others. Thus, again, we will keep the discussion to a level that is sufficiently general to at least broadly apply to most international NGOs.

If I decide that managing political risk is a good idea, I am not going to jump into an intensive exercise and start spending a lot of time on it, because I have no clear target or objective. I need a context for it, or a reason. But how do I know when I am facing one? I think about the assets that I want to sustain and enable, and which could be exposed to political dynamics and reactions in the kinds of contexts I expect to find myself in (we mentioned that for NGOs these assets would comprise people, reputation, relationships, funding and performance). Then I define the kinds of situations in which these assets would become more exposed to potentially harmful political dynamics. Let us say that I run a small NGO based in Europe and operating in the Middle East and South Asia. The situations I devise include:

- When we are considering or planning entry into a challenging new environment;
- When there are early indications of potentially problematic policy and regulatory changes in a place we operate in, including our home country and in this case also the EU;
- When a particular operating environment has a high potential of becoming more problematic, or has already started to deteriorate or pressurise;

- When a major discontinuity has occurred in a particular environment and we would need to understand its potential implications;
- When there is an anticipation of, or indications that, our presence in an environment could be regarded with suspicion by relevant actors, or that the environment is particularly sensitive to external actors;
- When there are indications of a decline in socio-political stakeholder and / or public trust in us specifically or NGOs more broadly;
- When we plan to do something which we think is necessary or right, yet which we sense could incur hostile socio-political sentiment from certain segments or interests;
- When the global environment is becoming more volatile and we are unsure how evolving dynamics could affect us.

Now, I set up a programme to look for the emergence of these situations anywhere where my NGO has a presence or significant links. Note that the focus is not just on political dynamics, but also on the things that my NGO might do which could increase our exposure, like going to a new and potentially problematic country, or deciding to publicly call out governments that ramp up restrictions on NGO and CSO funding and activity.

My monitoring programme does not have to be very time consuming. Between myself and a couple of colleagues, we periodically scan relevant sources and then discuss our findings as part of our weekly meeting (if we find something urgent, of course we double down on monitoring and inform each other right away). When we find something of concern, we decide how urgent it is. If it is something that needs to be managed proactively or in short order, we set up a specific political risk management exercise, or case, to learn about it and plan for it.

Now we have an active case. Monitoring for other situations continues in the background, but we have a specific target to deal with in the here and now. For example, we got word that we will obtain a grant for a development project in South Sudan. We need to know what is going on there, who could matter to us, the issues we might have and how to avoid or manage them, and whom we need to relate to. Or perhaps we learned that an EU parliamentary working group is

starting a review of the activities and political orientations of EU-funded NGOs. We need to understand who is involved on either side of the question, what might happen and the potential implications for us.

We get the relevant case team together and assign the most appropriate case team leader. Since our little gang at HQ has been working on developing the overall political risk management capability, we do not just hand it over and walk away, but rather stay engaged to advise and support the team. The team scopes the shape of the case and starts their work. In two or three weeks, they feel that they have a reasonable sense of the situation and the potential issues. We jointly work out a general playbook to prepare for what we might have to deal with, and the team then creates a more detailed implementation plan. As the given situation approaches, the team moves into implementation, running the plan as a programme alongside team members' routine "day jobs".

During implementation, situation monitoring keeps an eye on relevant variables and also on the effects of the political risk management plan so that it can adapt and adjust its foci and activities. If the case involves adapting to an operating environment or to new patterns in relevant global dynamics, our planned initiatives might suffice to keep us reasonably problem-free, so the case would move from active to latent. Continued monitoring would tell us if or when we need to reactivate the case, or when our initial intelligence picture and the assumptions we derived from it are becoming outdated and need to be reset from scratch.

In this picture, there are only really two things in political risk management that happen all the time, and even then periodically. One is monitoring for situations that would trigger a political risk management exercise. The other is continually honing our political risk intelligence and planning practices to ensure that our capabilities are adequate and can be easily activated when need be. Otherwise, we only conduct intensive exercises as and when needed. This stands in contrast to some common characterisations of political risk management, which portray it as always running in high gear as a separate function in its own right. It is not a separate function, it is just what people do as part of their own jobs when it is

necessary. And it is not always switched on, or at least not all the way. It becomes intensive when only we need it.

There are other ways of characterising or describing how political risk management works, and our characterisation should only be seen as a reference point to help get at least some sense of what it means in practice.

Organisational considerations – structures and resources

The basic ingredients of a capability to manage political risk include:

- A shared concept of what political risk means in the organisation's context, so that people are on the same basic page;
- Board and senior executive buy-in and representation – if the top has no stake in it, then despite the best of initial intentions, political risk will likely remain an afterthought;
- A core of practical knowhow in terms of political risk intelligence and planning, perhaps contained within a cross-functional working group, so that there is a source of guidance and training for the rest of the organisation;
- Training and learning programmes for relevant HQ functions, but importantly also for country teams, since they would lead their own project-level political risk management cases;
- A knowledge management system containing intelligence products and practice papers, so that people could engage in their own learning, and have access to others' assessments which might be helpful in a case they are working on; and
- An intelligence monitoring programme that keeps an eye out for triggers of intensive political risk exercises, and which provides the organisation with general contextual awareness of relevant global issues and dynamics in particularly volatile operating environments.

The above mentioned a cross-functional working group, and that is often an appropriate way to situate the permanent hub of the political risk management capability. The other option is to actually have a political risk department or unit,

but experience has shown that this tends to turn political risk into a silo, and fails to integrate the capability with relevant expertise in the organisation and within its overseas projects, which are often at the front line in terms of facing socio-political challenges. A working group would not have to be fulltime by any means. A few people spending a few hours each week on political risk would be sufficient to sustain a baseline capability and preparedness to initiate more intensive exercises.

As for relevant functions, security would certainly be one. In most NGOs, security is the one activity that is already looking out for the organisation itself, and internal security advisors have experience in relevant intelligence and planning processes. However, a number of other functions would provide appropriate members for a working group. External affairs / government relations, context analysis / crisis analytics, legal, programme management, internal control and (conventional) risk management, and experienced people on country projects, among others, would have much to contribute.

Given all the noise around risk management, or Enterprise Risk Management (ERM) as it is often known, we should address its relationship to political risk. In the author's experience, one should not cram political risk management into ERM or somehow subordinate it. The two are very different. ERM is almost an internal accounting system, logging risks which include basic "failure to" and health and safety risks, and tracking risk controls. ERM often turns out to be a rather paint-by-numbers, box-ticking, heavily templated exercise that yields static results which gather dust between risk reviews. It is also encumbered with ambiguous management consultant-speak, much of it not revised since ERM's heydays as a fad in the early 2000s. A military unit heading to a war-prone country as part of a peacekeeping mission does not call its intelligence and planning "ERM" – it is simply what it has to do given the context it is in. That is a much more effective and efficient interpretation of political risk management. If you really must put political risk management into an existing functional niche, put it with security. ERM might bear the risk label, but as it commonly manifests, it has no practical relationship to political risk management.

There are three other types of resources that bear mention. One is local NGO partners. They can be invaluable sources of intelligence for country projects, and trusted local partners should be included in political risk exercises both as participants and beneficiaries. Indeed, if an NGO makes headway and becomes confident with its own political risk management skills, it could proactively train local partners so that they are better at keeping themselves safe and intact, and hence more effective in their own work and as partners.

The second is other NGOs and NGO associations. NGOs in the same sub-sector, or who work in the same countries, could establish an inter-organisational political risk working group or forum to share practices, knowledge and intelligence, as well as lessons learned. The Global Interagency Security Forum (GISF) is an example focused specifically on security. While it is a standalone organisation and an NGO in its own right, it draws on member NGO experiences and expertise to create and articulate effective security practices. Something similar, but perhaps more of a collaboration, focusing on the more holistic activity of political risk management could be very valuable. It might even be capable of pooling resources across NGOs with similar concerns to conduct “multi-client” political risk exercises.

The final type of resource is external consultants and intelligence providers. In the corporate world, it is not uncommon for a manager to commission a custom political risk report, with recommendations, from an external political risk consultancy, or to wholly outsource the intelligence function to a specialist research firm. This is better than nothing, but in most cases externals fail to really make the link between the organisation and its socio-political environment, and their reporting tends to be tangent to, as opposed to directly aimed at, the organisation’s context. They simply cannot know the organisation’s needs and exposures as well as the organisation itself does. Additionally, offloading the capability means that political risk thinking is also externalised and fails to develop inside the organisation. External experts can be useful for new skills and approaches, advice and rare information, but their roles should be carefully scoped to fit into the organisation’s own initiatives rather than replace them.

We conclude this section with an assessment of the resource burden of a political risk management capability and the relevance of donors in the context of that question.

The capability does take resources, but how much dramatically varies with the organisations' contexts and exposures. A small NGO working in two or three countries might spend 20 to 30 person-days a year on it. A multinational NGO with operations across several regions might need 200 to 300. But those person-days are not entirely separated from what people normally do. There is already much activity going on in a typical NGO which generates political risk intelligence and applies it to planning. Again, the main difference between that and political risk management is that in the latter, the NGO itself is the object of the exercise. Rather than engaging in a long-winded research project for each political risk case, it can be sufficient to get the right people into a workshop setting and apply existing knowledge to the health and integrity of the organisation. That might identify specific intelligence gaps, but they are likely to be few and far between.

Unlike with security, which NGOs working in volatile regions can and should position as an absolute must-have and with which there is a strong business case for donor support, it is unlikely that donors would ever directly support political risk management. The question about donors then becomes whether or not they would see it as waste of funding. After all, it takes person-time, people get salaries, and those salaries ultimately come from donor funding even if donors do not directly pay for political risk management.

Our previous illustration of the value of political risk management might have been somewhat cartoonish, but the logic of the argument is sound. There are a great variety of ways in which socio-political dynamics can hurt an organisation, making it less efficient and effective in undertaking its core mission. If that case is articulated in the NGO's context, donors would be very unlikely to see the capability as a waste of money. Indeed, donors might even support an initiative to build such a capability, probably not by funding it, but perhaps with access to intelligence resources and the donor's own information networks in operating countries.

Conclusions

We have covered a conceptual introduction to political risk, what political risk management is, how it works, its potential value, and the organisational resources that a capability could entail. Hopefully this provides readers with at least a basic reference point from which to consider the question: Would it be a good idea for us to develop such a capability and how might we do it?

Lately, it has been fashionable to hype how volatile and uncertain the current period is, with terms like the “polycrisis” being breathlessly thrown around, often by risk consultants marketing their services. The author is old enough to remember previous periods when things seemed politically crazier than usual, and fads are inherently untrustworthy. But big changes are afoot. Trump was the final nail in the coffin of the rules-based international order and nationalist populism (perhaps the real crisis of capitalism) is making headway elsewhere, finishing off the hatchet job. Global rivalries, including the one between the US and China, are becoming acute and manifesting as proxy conflicts in fragile states. Climate change has gone past the tipping point and there is little appetite in the current global political context for the international collaboration required to deal with it. Thus, hype aside, we are entering into a new, far more complex period and it is hard to see where it might go next.

For that reason, it is a very good time for NGOs to contemplate the potential utility of a political risk management capability and how it might work.