

# NGOs & RISK

MANAGING UNCERTAINTY IN  
LOCAL-INTERNATIONAL PARTNERSHIPS

GLOBAL REPORT



**USAID**  
FROM THE AMERICAN PEOPLE



**InterAction**

A United Voice For Global Change

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*Cover photo courtesy of Concern Worldwide U.S.*

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# ACRONYMS

<b>CBPF</b>	Country-based Pooled Fund
<b>DFID</b>	Department for International Development (UK)
<b>DRC</b>	Democratic Republic of the Congo
<b>ECHO</b>	European Commission Humanitarian Office
<b>ERM</b>	Enterprise Risk Management
<b>FTS</b>	Financial Tracking Service
<b>HQ</b>	Headquarters
<b>GDPR</b>	General Data Protection Regulation
<b>IASC</b>	Inter-Agency Standing Committee
<b>IATI</b>	International Aid Transparency Initiative
<b>IM</b>	Information management
<b>INGO</b>	International NGO
<b>IT</b>	Information technology
<b>L/NNGO</b>	Local/national NGO
<b>NGO</b>	Non-governmental organization
<b>OFDA</b>	Office of U.S. Foreign Disaster Assistance
<b>UN</b>	United Nations
<b>UN OCHA</b>	UN Office for the Coordination of Humanitarian Affairs
<b>PVS</b>	Partner Vetting System
<b>RM</b>	Risk Management



Photo courtesy of CARE

# GLOSSARY

**Threat** | A danger in the environment; a potential cause of harm.

**Risk** | The probability, and the potential impact, of encountering a threat.

**Risk management/mitigation** | Organizational practices, procedures, and policies that reduce the probability of risks being realized and limiting the harmful consequences if they are.

**Residual risk** | The risk which inevitably remains after all reasonable mitigation measures have been taken.

**Enterprise risk management (or integrated risk management)** | An organizational approach to risk management that

considers, combines, and prioritizes assessed risks in all risk areas, e.g. security, fiduciary, operational, informational, and reputational, in order to strategize and implement mitigation measures.

**Hawala** | A traditional system of transferring money used throughout the Muslim world, whereby the transferer pays an agent who then instructs a local associate to pay the amount to the intended recipient.

## RISK AREAS

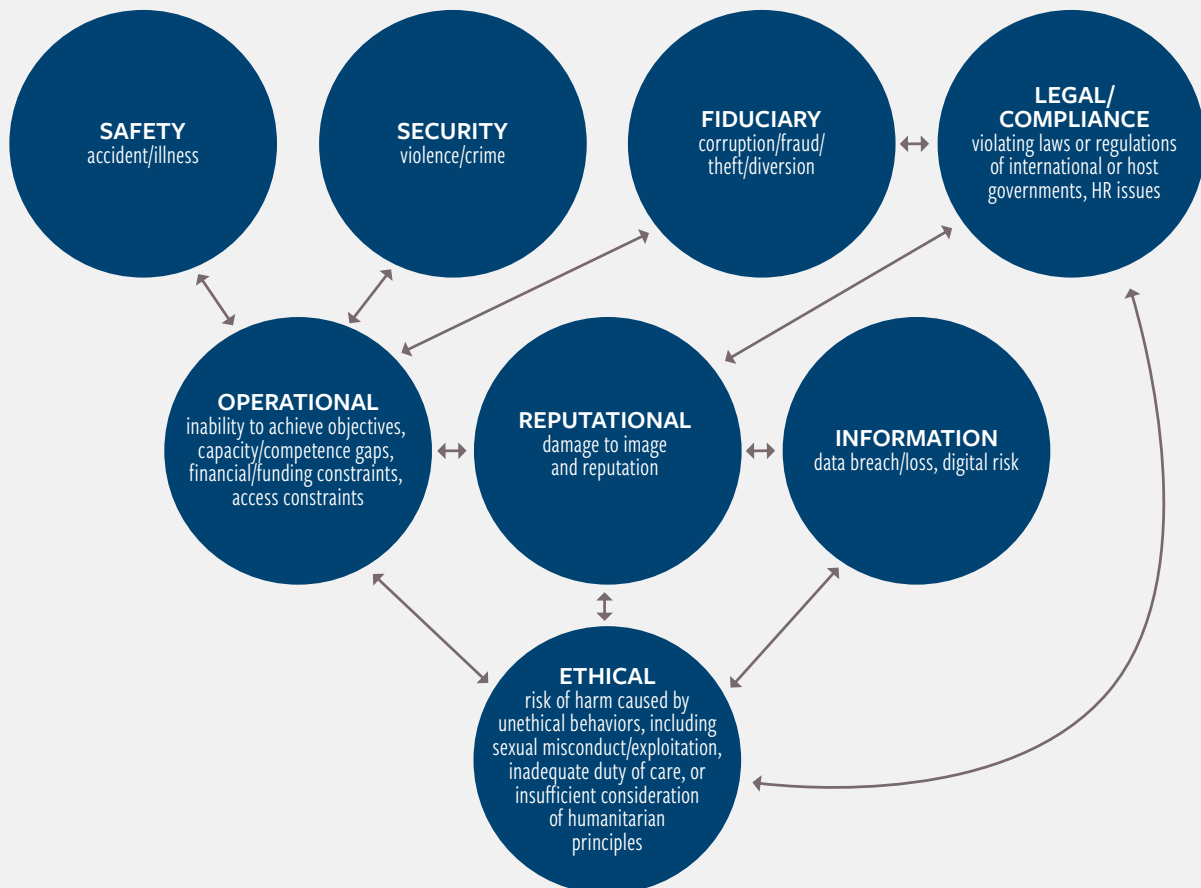




Photo courtesy of Save the Children

## EXECUTIVE SUMMARY

In humanitarian emergencies where access is limited and risk is high, people's ability to obtain vital assistance often depends on partnerships between national and international aid organizations. In recent years, driven by the Syrian conflict in particular, significantly larger portions of international humanitarian aid have been implemented with and through national and local entities. In addition, the localization commitments of the Grand Bargain call for more support and a greater share of resources to go to these local actors for the sake of better outcomes. At the same time, humanitarians face countervailing pressures that complicate and disincentivize partnering. These come in the form of intensifying financial scrutiny, legal constraints, and punitive repercussions for losses in what are highly volatile and high-risk environments. The collision between the increased needs (and stated will) for partnering and the growing risk aversion in the sector has distorted national-international partnership dynamics, resulting in greater risks, hindrances and inefficiencies for humanitarian response.

This report examines how risk is perceived and managed in partnerships between international and national NGOs working in humanitarian response. It follows from the 2016 report *NGOs and Risk: How international humanitarian actors manage uncertainty*, which was also produced by Humanitarian Outcomes under the leadership of InterAction. The study was funded by the U.S. Agency for International Development's Office of Foreign Disaster Assistance (USAID/OFDA) and benefited from the direct engagement of 10 international humanitarian NGOs.<sup>1</sup> The

research encompassed interviews with 117 humanitarian practitioners, undertaken remotely and in field visits to South Sudan and Nigeria, 446 survey responses from (mostly national) NGO field staff, and a systematic review of relevant policies from the participating organizations. In analyzing this evidence, the report identifies the trends, challenges and promising practices in this area, with the aim of strengthening partnerships for improved humanitarian action.

Risk management, like most other aspects of national-international partnerships, is inevitably affected by the reality of the power imbalance between local/national NGOs (L/NNGOs) and their far larger international NGO (INGO) counterparts. Most partnerships are of the "directive," sub-grant type, where the L/NNGO has limited agency and perceives and treats the INGO essentially as a donor. In these arrangements, the INGOs' approach to risk management exhibits a far greater emphasis on the risks of their local partners as opposed to the risks to them. Similarly, the prevalence of partnerships in a humanitarian response context is determined primarily by the INGOs' individual programming orientations, risk assessments, and perception of local civil society capacity, rather than following general patterns by country. The type of response can affect the risks for partnerships, however. In northeast Nigeria and South Sudan, the field research found that UN and donor agencies' approach to partnerships as a cost-effective means to scale up and extend humanitarian operations had the effect of incentivizing L/NNGOs to take on more risk, as they competed to lower their costs.

<sup>1</sup> CARE, Catholic Relief Services, Concern Worldwide, Danish Refugee Council, International Medical Corps, International Rescue Committee, Mercy Corps, CARE, Catholic Relief Services, Concern Worldwide, Danish Refugee Council, International Medical Corps, International Rescue Committee, Mercy Corps, Norwegian Refugee Council, Save the Children, and World Vision.

Driven by increasingly stringent donor requirements, INGOs' risk management tools and procedures for partnering are weighted toward mitigating **fiduciary** risk, in other words, ensuring that the L/NGO has adequate financial controls and can be monitored to prevent fraud, theft, or corrupt practices. The emphasis on fiduciary risk management has also come to be reflected in institutional structures, with new staff positions or units for partnership management increasingly siloed within INGOs' financial or compliance departments. In contrast, **security** risk management within partnerships is often perfunctory, involving much less discussion and cooperation. Joint security risk assessments, for example, are rare, despite survey findings that the majority of field staff of both INGOs and L/NGOs see insecurity as the number one threat to humanitarian operations. Similarly, while our interviewees and survey respondents nearly unanimously agree that INGOs have an "ethical duty of care" to their national partner organizations, this has not been realized in policy or practice save for a few promising (and mostly ad hoc) examples, such as support for self-insurance or evacuation.

As the primary grantees accountable to donors, INGOs bear the main fiduciary risk in the partnership. However, compared with large INGOs, L/NGOs are much more vulnerable to operational/financial risk, having no margin on their budgets to meet unforeseen costs or delays. Fiduciary risk mitigation on the part of the international partner raises this financial risk for L/NGOs. The research found cases where financial investigations left national organizations unable to pay employees (a circumstance that has also been known to increase security risk) and caused at least one major national organization to fold.<sup>2</sup> Along with INGOs, national and local partners also face increased compliance burdens (e.g. additional staff and work time required for reporting needs), but receive minimal overheads or direct administrative support costs to absorb them, and little in the way of advance funding from their international partners. As the field research observed, this creates incentives for L/NGOs to adopt poor cash management practices in order to stay afloat. Additionally, security risk for the (often-more-exposed) national partner remains under-managed and under-resourced in many partnerships. Even less attention and emphasis are focused on informational risk (including digital risk) by

either international or national/local partners, perhaps because there has not yet been a catastrophic data loss or breach in the humanitarian sector. Finally, organizations are only now beginning to look at ethical risk as an area for formal risk management, impelled by sexual exploitation scandals recently coming to light.

Many of the larger INGOs have made significant advances in their organizational risk management, having adopted integrated risk management models that enable them to assess, rank, and mitigate risks in all risk areas and across all work locations. One flaw in these systems, however, is that they generally do not expand to integrate the risks to the partner organization, but treat them, erroneously, as external and unrelated. Risk mitigation policies that do not acknowledge and co-own residual risk, but rather seek to transfer it to the subsidiary partner, result in perverse outcomes. The study identified certain examples of this: for instance, narrowing the L/NGO partner pool to an ever-smaller group of "preferred partners" that have worked with internationals before and can handle the fiduciary compliance requirements can lead to overstretch of those organizations and consequently greater risk of mismanagement and incapacity. Bank de-risking has made it difficult or impossible to transfer money to certain contexts, leading to ad hoc workarounds using traditional hawala systems for moving money, or physically transporting cash, which results in greater risk of theft and loss, as well as higher costs. And mounting constraints on negotiating with conflict parties designated as "terrorist groups"<sup>3</sup> have, in some cases, resulted in secretive and uncoordinated efforts by humanitarians to gain secure access with these groups. This secrecy and lack of coordination among humanitarian entities ultimately increases the risk of manipulation by armed actors.

The researchers found examples of good practice in risk management in partnerships, many from among the study's sample group, that would be beneficial to replicate and formalize across the sector. Presented as recommendations, these practices are grouped under five categories: shifting from risk transfer to risk sharing, taking a capacity-building approach to risk management in partnerships, strengthening security risk management, coordination, and practicing ethical duty of care.

2 It is not just national or local NGOs that face this financial risk, but smaller INGOs as well.

3 Such as the U.S. State Department's list of "Foreign Terrorist Organizations" ([www.state.gov/j/ct/rls/other/des/123085.htm](http://www.state.gov/j/ct/rls/other/des/123085.htm)) and the UK Home Office's "Proscribed terrorist groups or organisations" ([www.gov.uk/government/publications/proscribed-terror-groups-or-organisations-2](http://www.gov.uk/government/publications/proscribed-terror-groups-or-organisations-2)).





# INTRODUCTION

BACKGROUND AND OBJECTIVES OF THE STUDY

RISK DEFINITIONS

METHODOLOGY

CHALLENGES AND LIMITATIONS





Photo courtesy of Norwegian Refugee Council

# BACKGROUND AND OBJECTIVES OF THE STUDY

Partnerships are integral to international humanitarian response. National and local aid organizations can provide the contextual knowledge, situational awareness, and cultural relevance that result in better programming and more sustainable outcomes. In complex operating environments, where access constraints require international organizations to adopt alternative modes of operation, local partners can extend humanitarian coverage to populations that would otherwise not be able to access aid. In conditions of high risk, partnerships appear simultaneously as a tool and a subject for risk mitigation.

In the first iteration of this study, *NGOs and Risk: How international humanitarian actors manage uncertainty*,<sup>4</sup> partnerships were the second most-mentioned topic in international NGO (INGO) policy documents, after access, in relation to overall risk management. The Grand Bargain workstream to implement the commitment to more meaningfully “localize” humanitarian response has further propelled the issue, including, by 2020, the aim of reaching “a global, aggregated target of at least 25 per cent of humanitarian funding to local and national responders as directly as possible,” which some INGOs have adopted as an individual organizational goal (see Box 1). The goal of greater partnering has created some tensions with donor requirements and organizational interests in maintaining operational oversight and tight fiscal control, all in operational environments characterized by both high need and high expectations for

effective humanitarian responses. To provide clarity and guidance in this area, InterAction, in consultation with the steering group of INGOs that participated in the 2016 research, conceived a follow-on study to address risk management in national-international partnerships. With funding support from USAID/OFDA, InterAction again commissioned Humanitarian Outcomes to conduct the research under InterAction’s leadership.

Ten INGOs from the original advisory group participated in this study, providing field visit support, interview contacts, assistance in survey dissemination, and an extensive array of internal policy documentation for assessment. They were:

- CARE
- Catholic Relief Services
- Concern Worldwide
- Danish Refugee Council
- International Medical Corps
- International Rescue Committee
- Mercy Corps
- Norwegian Refugee Council
- Save the Children
- World Vision

The research phase of the study ran from December 2017 to December 2018, with the objective of producing a published report, field case studies, and additional tools and guidance as advised by the INGO participants.

## BOX 1: LOCALIZATION COMMITMENTS OF THE GRAND BARGAIN

“Aid organisations and donors commit to:

1. Increase and support multi-year investment in the institutional capacities of local and national responders, including preparedness, response and coordination capacities, especially in fragile contexts and where communities are vulnerable to armed conflicts, disasters, recurrent outbreaks and the effects of climate change. We should achieve this through collaboration with development partners and incorporate capacity strengthening in partnership agreements.
2. Understand better and work to remove or reduce barriers that prevent organisations and donors from partnering with local and national responders in order to lessen their administrative burden.
3. Support and complement national coordination mechanisms where they exist and include local and national responders in international coordination mechanisms as appropriate and in keeping with humanitarian principles.
4. Achieve by 2020 a global, aggregated target of at least 25 per cent of humanitarian funding to local and national responders as directly as possible to improve outcomes for affected people and reduce transactional costs.
5. Develop, with the Inter-Agency Standing Committee (IASC), and apply a ‘localisation’ marker to measure direct and indirect funding to local and national responders.
6. Make greater use of funding tools which increase and improve assistance delivered by local and national responders, such as UN-led country-based pooled funds (CBPF), International Federation of Red Cross and Red Crescent Societies’ Disaster Relief Emergency Fund and NGO-led and other pooled funds.”

4 Stoddard et al., 2016a.



# RISK DEFINITIONS

Following from the original study – which focused on the experience of international organizations and the ways in which they identify, measure, and manage risk in their own programming and policies – this second iteration examines how international and local NGOs contend with the different types of risk, and how that risk is managed (or transferred) within national-international partnerships. In doing so it refers to the six main risk areas identified by the original study, listed below.

**Security risk** | physical risk to individuals and assets from acts of war, violence and crime

**Fiduciary risk** | the risk that money or materials are not used for intended purposes (i.e. fraud, theft, corruption)

**Legal/compliance risk** | the risk that laws and relevant regulations are violated by the organization or associated personnel

**Operational risk** | the risk of technical or human error, or capacity deficits, leading to operational failure/inability to achieve objectives.

Includes financial risk (the risk of unexpected fiscal outcomes or being unable to finance activities) as distinct from fiduciary risk

**Information risk** | the risk of confidentiality breaches or data loss/theft

**Reputational risk** | damage to the organization's image and reputation that results in future harm or losses

**Ethical risk** | the risk of harm caused by unethical behaviors, including sexual misconduct and exploitation, inadequate duty of care, or insufficient consideration of humanitarian principles

As illustrated in the original study, these risk areas overlap and interact with each other, and heightened risk in one area (or shortsighted efforts to mitigate it) can exacerbate the risk in another. In this iteration we explore a possible additional area of risk that has come into view, particularly in light of the safeguarding crisis now roiling the sector.



*Photo courtesy of International Medical Corps*



# METHODOLOGY

The findings of this report are based on a comprehensive set of assessments and analysis of internal partnership and risk policy documents, key informant interviews of headquarters (HQ) and field staff of INGOs and local/national NGOs (L/NNGOs), survey responses, partnership data, and relevant literature in the sector. These research components are detailed below.

## POLICY REVIEW

Organizations participating in this study were asked to provide all relevant internal policy documents that provided insight into their partnership practices. This included guidance, policies, tools, frameworks and other supporting documents pertaining to risk management in partnerships. A few additional national and international NGOs provided the researchers with sample policies on request, for comparative purposes. All policy documents received for the study are secured in encrypted files and not shared beyond the project team.

The organizations participating in this study provided a total of 261 documents. They included:

- **Tools:** Instruments or templates created to help simplify operational program management tasks or facilitate decision-making. This body of documents includes risk rating charts, risk assessment frameworks, planning templates, organizational assessments, award risk assessments, partner profile templates, and partner documentation checklists.
- **Guidance:** Manuals and documents meant to help staff understand policies, mission objectives, organizational philosophy, best practices and functional areas.
- **Policies:** Statements of intent toward a specific goal or defining the purpose of procedures.
- **Contracts:** Includes agreements to work towards a common goal, contractual arrangements for program delivery, and terms of reference.
- **Background/supporting documents:** Includes briefs, reports and case studies.
- **Miscellaneous:** Included informational fliers, letter of understanding, and glossaries of terms.

The researchers used an initial sampling of partnership-specific documents to identify repeating themes regarding partnership management, then coded each document for content, keywords, risk area, and length, in order to make quantitative and qualitative assessments.

## KEY INFORMANT INTERVIEWS

The research team conducted semi-structured interviews with 117 humanitarian practitioners and policymakers, 94 of whom were based in the field and 23 in international HQs. The entities represented by these interviewees consisted of INGOs, L/NNGOs, consortium organizations, UN agencies, and donor governments. Interviews were conducted on the record but not for attribution. For a full list of interviewees, see Annex 2. A small number of interviewees requested to remain fully anonymous and off the record, so their input was treated as background only and they are not listed or numbered among the other interviewees.

## FIELD VISITS

Two members of the research team made a field visit to South Sudan and Nigeria, interviewing a total of 72 people (37 in South Sudan, 35 in Nigeria) in 47 organizations. Thirty-four of those interviewed were from INGOs and 21 from L/NNGOs while 4 were donor representatives and 10 were UN agency staff members.

## SURVEY

The research team designed an online survey to collect field practitioner perspectives – particularly from national personnel – on approaches, policies and practices of risk management and partnerships. The survey was disseminated by the research team and the participating INGO focal points, and was available in French, Arabic and English. It received 446 individual responses (73% nationals, 27% internationals) representing 310 individual organizations, 81 percent of which were L/NNGOs. The respondents represented a wide range of humanitarian settings globally, but most were from high-risk contexts: Syria (46), Nigeria (35), South Sudan (33), Iraq (31), Afghanistan (30).

## PARTNERSHIP PREVALENCE ANALYSIS

To identify broad trends in the prevalence of NGO partnerships in different humanitarian contexts, the team looked for any patterns between the number and types of partnership arrangements with the level of risk in the operating environment. UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking Service (FTS) information was used in conjunction with organizational presence data (UN OCHA's 3/4Ws – “Who does What, Where (and When)” data) and cluster operational information to quantify these partnerships.

Eight of the ten organizations participated in a short survey designed to determine how much programming in specific countries (ranging from relatively stable and secure to high-risk contexts) was done through partnerships, and whether the INGO had increased, decreased, or stayed at the same level of partnering in recent years

#### LITERATURE REVIEW

The Grand Bargain agreement sparked renewed discourse around localization debates and power dependencies in partnerships, but the broad

body of research in this area spans a few decades. As background to the study, the team reviewed forty-nine evaluations, published reports, journal articles, and books encompassing four main themes: localization issues and debates, partnership models and risk-driven adaptations, risk assessment and risk management practices and tools, and legal and ethical issues.

## CHALLENGES AND LIMITATIONS

Because the policy documents and a large number of the interviews emanate from the 10 INGO study participants, findings from this sample group likely take on disproportionate weight in some of the conclusions, extrapolated to the INGO sector at large. The potential for bias is mitigated somewhat by the diversity of the INGO group, which includes both large and mid-sized organizations, secular and faith-based, with different programming orientations, and NGOs representing four different home countries as well as multinational federations.

Written policies and procedures often do not lend themselves to division into clearly demarcated risk categories. Indeed, the most robust typically encompass two or more broad risk areas, necessitating judgment calls in sorting them into the most appropriate data category for analysis. This was especially true for documents straddling both operational and fiduciary risk areas. For many of the materials on general operational policies for partnerships, such as procedures for administering projects, the research team was hard-pressed to classify them as risk management policies per se, except in the broadest conception of operational risk mitigation. Where documents were not directly relevant, they were excluded from parts of the analysis. In addition, some of the broader

policy documents, like data and communications materials, made it difficult to determine to what extent, if any, the partner was meant to abide by the policies or was covered by them.

The lack of comprehensive centralized data constrained the quantitative analysis on partnership prevalence by country that the research team hoped to conduct. The databases of the UN's FTS and the International Aid Transparency Initiative (IATI), although they are attempting to move toward greater transparency of the full contribution chain, to date are still underpopulated on humanitarian funds that flow to secondary and tertiary recipient organizations. Also, the 3/4Ws data compiled by UN OCHA lack comprehensiveness and consistency across contexts, so could not be used for comparison of L/INGO presence. Instead, the discussion of partnership prevalence relied mainly on survey responses and the data provided by our participating INGOs.

Finally, field travel in South Sudan and northeast Nigeria was necessarily constrained due to insecurity in certain regions of interest. As a result, the researchers conducted most of the interviews in national/provincial capital cities, i.e., Juba and Maiduguri.



# 2

## TYPES AND PATTERNS OF PARTNERSHIPS IN HUMANITARIAN RESPONSE

PARTNERSHIP TYPES:  
DIRECTIVE, SUPPORTIVE, COOPERATIVE

PARTNERSHIP PATTERNS BY RISK CONTEXT





Photo courtesy of Mercy Corps

Although the Grand Bargain agreement rekindled attention and efforts toward localizing humanitarian aid, partnerships and capacity building for independent humanitarian response have been part of the humanitarian discourse for decades. In 2007, a consortium of 40 humanitarian organizations endorsed the Principles of Partnership.<sup>5</sup> The document set out five aspirational principles for partnerships (equality, transparency, results-oriented approach, responsibility, and complementarity) while at the same time recognizing the challenges of realizing them; namely, the underlying competition and the significant power imbalances between organizations with resources and those seeking them.<sup>6</sup>

Throughout this paper, we refer to the operational and contractual relationships between national and international humanitarian NGOs under the broad term “partnerships.” However, it is important to acknowledge the asymmetry of size and autonomy that these relationships structurally entail. Longstanding funding patterns in the humanitarian sector have caused national and local NGOs to rely on international intermediary agencies for the bulk of their resources, and these arrangements comprise most of their project portfolio. As a result, many of them consider, and refer to, their INGO and UN agency counterparts as “donors” rather than “partners.”

The fact that the international organizations set the terms of whether and what sort of partnerships they will enter into means that the overall patterns of partnering in a given emergency context are determined more by the INGOs’ diverse orientations and decision-making than by common external factors such as the level of insecurity.

## PARTNERSHIP TYPES: DIRECTIVE, SUPPORTIVE, COOPERATIVE

Much of the literature on national-international partnering in the sector has defined partnership types along a scale from the most egalitarian to the most hierarchical.<sup>7</sup> These basic categories remain valid and useful, and we have modeled our own typology along those lines (Table 1). However, it is necessary to differentiate between partnerships undertaken to meet certain objectives or enhance or extend the INGO’s own programming from those that constitute the “core business” of an INGO, i.e. those who develop partner organizations as part of their mission. More common in the development realm, these “framework partnerships” provide aid mostly or completely through national/local actors, while the INGO provides funding and support but does little or no direct implementation.

This study focused instead on the other types of partnerships, i.e. the arrangements made by INGOs with L/NGOs on a contingent basis to enable, extend, or enhance international humanitarian response. INGOs undertake these partnerships for different reasons depending on their orientation and objectives, the availability of capable and independent local partner organizations, and their individual risk-benefit calculus of partnering in a particular context. The most ubiquitous model is also the most top-down, directive one; the so-called “implementing partnership,”

where the national or local organization is sub-granted (contracted) to implement part or all of a project under the direction of the INGO (or UN agency). At the other end of the spectrum we find egalitarian partnerships, which involve joint programming between a national and international NGO on equal footing, with each maintaining financial independence. Such partnerships are still very rare. In between these two models fall a variety of arrangements wherein the local partner enjoys varying degrees of strategic and project-design input, and also receives a benefit beyond the monetary amount of the contract, including such things as training and institutional support, technical assistance, and mentoring. We have termed this midrange type of partnership the “supportive” model. Although these partnerships may have access extension goals as well, the key difference is that they are more than an instrument to achieve programming objectives. They aim to strengthen the local organization as an objective in itself. Finally, there are “non-contract partnerships,” which exist solely to benefit the national partner with training or technical assistance, with no monetary pass-through.

In general, the INGOs in our sample that do most of their work in conflict-driven humanitarian emergencies have tended to partner less often (10–20 percent<sup>8</sup> of programming done in partnerships, as quoted by

5 Global Humanitarian Platform, 2007.

6 This subject features prominently in the body of literature on partnerships that draws on resource dependency theory. For seminal work on resource dependency theory and power imbalances in organizational settings, see Emerson, 1962.

7 For example, a 2012 European Interagency Security Forum (EISF) briefing paper described three models: “partner-driven, consultative and sub-contracted.” See Singh, 2012.

8 Most INGOs do not track precise figures in either dollars or numbers of projects for how much of their programming is done in partnership with local/national entities. Hence the percentage figures are estimates cited by interviewees and survey respondents.

TABLE 1

## BASIC CATEGORIES OF PARTNERSHIPS

	PARTNERSHIP MODELS	OBJECTIVES	CHARACTERISTICS	
↖ DIRECTIVE ↗	Sub-granting/-contracting	<ul style="list-style-type: none"> <li>• access extension</li> <li>• coverage extension</li> <li>• security risk mitigation</li> </ul>	<ul style="list-style-type: none"> <li>• short-term/project-based</li> <li>• transactional</li> <li>• principal-agent relationship</li> </ul>	↖ MORE COMMON ↗
↖ EQUITARIAN ↗	Supportive	<ul style="list-style-type: none"> <li>• capacity-building of the local partner as primary or key additional objectives</li> </ul>	<ul style="list-style-type: none"> <li>• longer-term (spanning project)</li> <li>• relational</li> <li>• institutional investments</li> </ul>	↖ LESS COMMON ↗
	Cooperative (equal partnership)	<ul style="list-style-type: none"> <li>• operational enhancement</li> <li>• effectiveness multiplication</li> </ul>	<ul style="list-style-type: none"> <li>• non-hierarchical</li> <li>• financial autonomy</li> <li>• co-design of activities and strategy</li> </ul>	
	Framework partnership	<ul style="list-style-type: none"> <li>• core business, standard programming model</li> </ul>	<ul style="list-style-type: none"> <li>• INGO not operational</li> <li>• oversees/supports the NNGOs</li> </ul>	

study participants). And they typically use local partnerships as an adaptive measure to extend access in extreme environments where they are unable to operate for reasons of insecurity or government restrictions. According to interview findings, this is beginning to change for some INGOs as they adopt strategies for working more through partners to align with the commitments of the Grand Bargain.<sup>9</sup> Others have seen their partnering increase not through an explicit strategy, but in a “more organic development” in certain contexts. Still others, mainly the smaller, mostly direct implementers, said they will continue partnering only on a case-by-case basis, to meet specific programming or skillset needs that some local partners provide.

For the more development-oriented INGOs, partnerships are increasingly the main delivery model around the world, with 50–100 percent of projects in development settings implemented either fully or partially through partners (including not only L/NNGOs but also local and national government entities). The INGOs with large development portfolios see partnerships as a mainstay of their work, and in many cases the partnership precedes the project agreement. With the recent push to localize humanitarian aid, these INGOs are now putting more resources into local

delivery on the humanitarian side as well. One of the INGO focal points interviewed explained that a significant portion of their longstanding development L/NNGO partners are not always candidates for humanitarian response, which requires a different skillset and operational orientation. Partnering in new humanitarian emergencies therefore requires training or finding new partners in emergencies, which means “no longer us supplanting them in emergencies,” but rather supporting them with what they need to assume leading roles.

Most INGOs engaged in humanitarian response (and reflected in this study’s sample group) are “mixed-mandate” organizations, in that they program in a range of modalities across a variety of crisis contexts, undertaking both emergency and long-term development-oriented programming. Among them are those whose portfolios are weighted more to development programming, those that focus primarily on emergency humanitarian action, and those that fall in the middle. For this middle group, the approximate partnership percentages cited ranged from 20–50 percent. The research revealed a wide range of attitudes toward partnership, stemming from the general mandate orientation of the INGO (which varies widely even in the mixed-mandate group). Those

9 Initiatives under the Agenda for Humanity, agreed by international humanitarian stakeholders at the 2016 World Humanitarian Summit: <https://www.agendaforhumanity.org>



with a more emergency orientation are more singularly focused on the immediate needs of the affected population and use partnerships when it is a more effective way to meet them.

Conversely, the INGOs with a longer time horizon, concerned with resilience and sustainability of program impacts, have a different take. One interviewee from a participating INGO spoke of the need to invest extra effort in forming partnerships and strengthening the partners, even when

it may not be the most expedient way to program. “I tell them ‘it’s not supposed to be easy.’ Cutting a partnership because of incapacity and ‘it’s just too hard’ is wrong. You need to build that capacity. We are supposed to be trying to work ourselves out of business.” Similarly, faith-based INGOs see their partnerships as more than programming expedience, but as part of their mission to support and work through their religion’s local network of organizations.

## PARTNERSHIP PATTERNS BY RISK CONTEXT

Most, though not all, INGO interviewees and survey respondents report an increase in the number and funding volume of L/NNGO partnerships they have entered into in recent years. This upward trend (reflected also in other recent research)<sup>10</sup> is driven by multiple factors, including the post-2016 localization commitments and access constraints in a small number of contexts with large funding volumes such as Syria and South Sudan. The exceptions (i.e., those INGOs that say their partnership percentage has remained roughly the same) appear to be those that already use the framework partnership as their standard programming model, and those that engage in technical medical programming.

A review of global operational presence data<sup>11</sup> and the partnership prevalence of the INGO sample group participating in our study revealed no strong sector-wide trends of partnership by risk level of the country context. In other words, apart from the Syria case, we did not find evidence of more partnering *across the board* in countries with greater insecurity and non-state armed group activity. Rather, the strongest determinants were the programming orientation and partnership approaches of the individual organizations, as described earlier. This is not to say that external drivers are not present, only that they affect these different organizations in different ways. The result is a global picture of humanitarian partnerships that is highly idiosyncratic. Even within Syria, not all INGOs have chosen to work through partnerships, as interviews revealed. One INGO in the participant group noted that they work exclusively through partners in Syria but “directly implement” programs in Iraq. Another important confounder to identifying sector-wide partnering trends by context type is the state of the civil society sector in the

context. An INGO may desire more partners to extend access in a conflict environment but have trouble identifying capable and/or independent local organizations. Conversely, in some settings, such as Somalia and Myanmar, donors have sought to diversify their risk (and streamline their administrative requirements) by increasingly funding through large umbrella agreements to field-level consortia of INGOs and L/NNGOs.

Some mixed-mandate INGOs describe something like a U-shaped curve in their partnering patterns. They use partners for much of their programming in more stable contexts with well-developed civil society sectors, and also in extremely volatile contexts where operational access is limited; but they do mostly direct implementation in humanitarian emergency contexts where local NGO capacity may be lacking or too closely associated with conflict parties (Figure 1).

On the opposite ends of the spectrum, the more development-oriented INGOs and the more emergency-oriented ones display inverse patterns (Figure 2). The emergency-oriented INGOs that usually do direct programming will rely on partners only when access constraints demand it, generally in the most insecure areas in conflict contexts. Conversely, the more development-oriented INGOs that work almost exclusively through partners in most settings were seen to depart from their standard programming model in extreme contexts; implementing programs directly instead, with staff experienced in emergency operations. It can be a mutual decision, an interviewee said. “Often our partners don’t want to take on the humanitarian response or can’t take the risk.”

10 Knox-Clarke, 2018.

11 Sourced from UN OCHA, [www.humanitarianresponse.info](http://www.humanitarianresponse.info)

FIGURE 1

### PARTNERSHIP PREVALENCE BY LEVEL OF RISK IN COUNTRY (U-SHAPED CURVE)

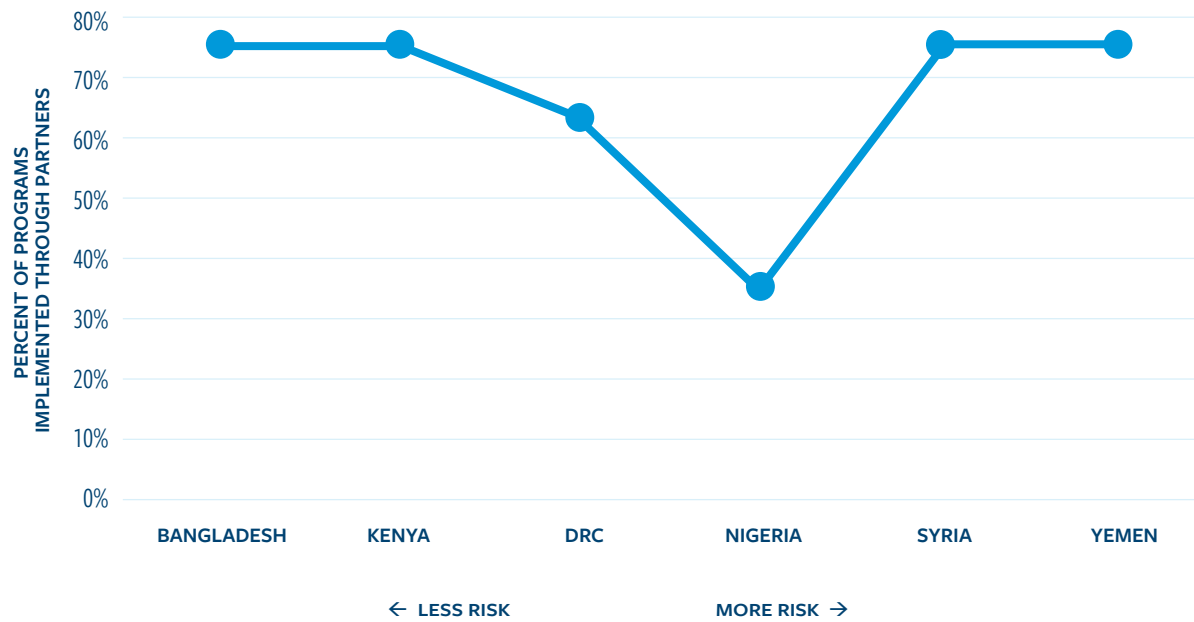
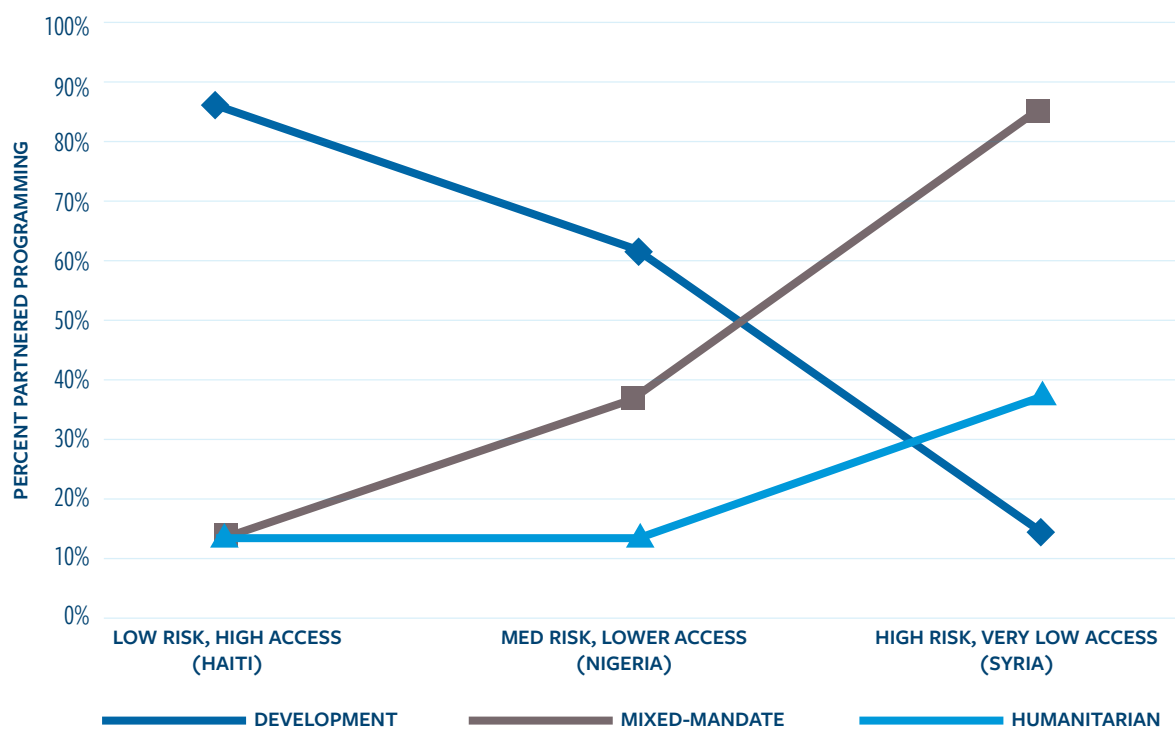


FIGURE 2

### INVERSE PARTNERING PATTERNS OF 3 INGOs





3

## RISK OWNERSHIP AND ALLOCATION IN PARTNERSHIPS: WHO ASSUMES WHICH RISKS?

DIFFERENCES IN RISK PERCEPTION

WHO OWNS RISK? MITIGATION,  
TRANSFER AND DUTY OF CARE

RESOURCING FOR RISK MANAGEMENT







Photo courtesy of Mercy Corps

The previous *NGOs and Risk* study explored the linkages and transferability of different kinds of risks for a single organization:

“For instance, an organization that operates through a partner or contractor in a dangerous setting in order to mitigate security risk can face increased fiduciary risk as it cedes direct control of the program. If corruption results, this will create new legal/compliance risks as well as risks to the organization’s reputation. Fears of legal implications (e.g., running afoul of counter-terrorism legislation) or fiduciary risk can in turn create the operational risk that vital humanitarian programming will be halted or cut back in certain places.”

Recognizing this complex interrelationship, many INGOs have adopted the holistic or “enterprise risk management” (ERM) model, which considers the combined and interrelated risks to the organization from all areas. When implemented well, ERM provides an integrated, global assessment of risk that can offer clear signposts for planning and mitigation measures. As much of an advance as this represents for risk management in humanitarian operations, however, it is inherently centered on and internal to the organization, and so does not lend itself to cooperative risk management with partner entities.

If an INGO’s risk management system can only consider the risk-reward calculus for itself, it will lead to decisions that either transfer risk to the partner organization or avoid partnering altogether in some circumstances. In treating the organization as a “closed system,” the ERM model also fails to factor in risks created for other implementing organizations and the humanitarian response as a whole, which of course includes the original INGO, as well as other INGOs who may be partnering with the same preferred L/NNGO partners.

Risk transfer to local partners is a subject covered at length in the security literature,<sup>13</sup> and one which most INGOs are conscious of in their decision-making, at least in terms of security risk. Yet because of the interrelated nature of risks, some degree of transfer is unavoidable when two organizations form a partnership. As one international NGO representative put it, “INGOs are conditioned to say, ‘we don’t transfer risk, we have a partnership strategy.’ This has actually inhibited the discussion because as soon as you enter into a partnership, you transfer risk in both directions.”

## DIFFERENCES IN RISK PERCEPTION

INGOs and L/NNGOs will naturally have very different perspectives on a given threat environment and the specific risks posed for their staff and operations. One of the most noted perceived differences is that L/NNGOs tend to have a significantly higher risk threshold, meaning that they will tolerate and willingly take on more risk than will their international counterparts. The survey results also suggest that internationals think L/NNGO staff are at greater risk than they themselves think they are. INGO respondents saw L/NNGOs as facing higher risks in all areas, while most L/NNGOs saw risks to both as roughly equal (Figure 3).

The case studies of northeast Nigeria and South Sudan additionally found that L/NNGO directors can create risks for their own staff, either by not appropriately budgeting for necessary support costs (such as vehicles or fuel, meaning staff would need to rely on public transport) or by knowingly accepting extremely challenging projects, just to keep the lights on. The perception of being “tough” and able to deliver in hard-to-access places is essential to L/NNGOs’ reputations and has led to overestimations of access/presence in some areas and to lapses in staff care.

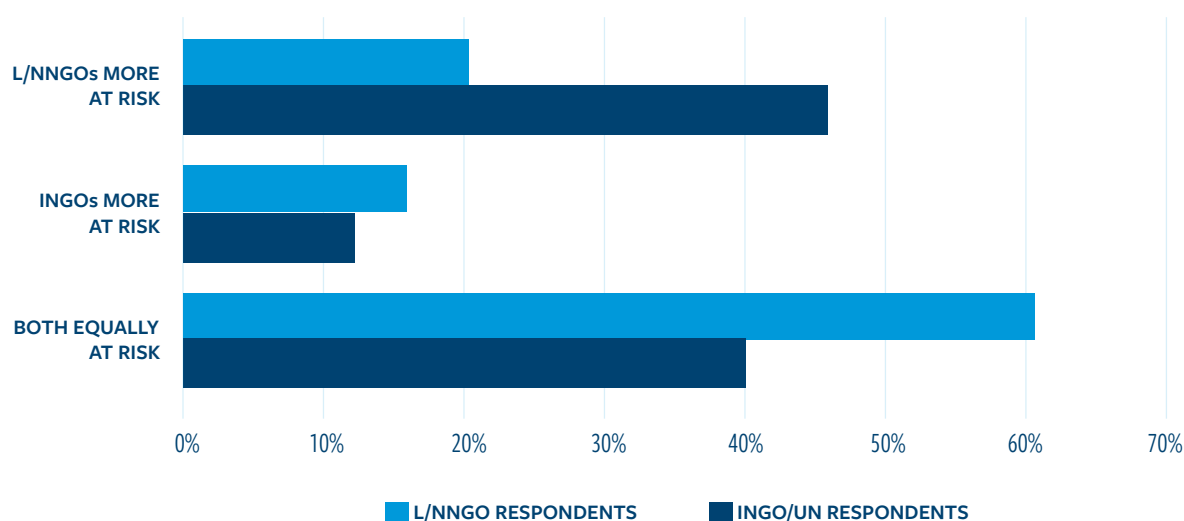
It is undeniable that L/NNGO staff, typically frontline operators in the remotest locations, are frequently more vulnerable to security risk due to their exposure to potential violence. INGOs often worry that their local partners’ habituation to dangerous conditions can desensitize them to rising risk levels and cause complacency. It is a reasonable concern, but one which can sometimes obscure the fact that the L/NNGOs’ contextual knowledge and familiarity with their environment can mitigate some of that risk. As an Afghan NGO interviewee noted, “There are multiple risks for us that INGOs are not even aware of.” In other words, what can look like risk tolerance in some cases may simply be a higher level of situational and risk awareness.

Even so, L/NNGO representatives interviewed for this study admitted that they take on a good deal of risk, often explaining it as a moral imperative to help their fellow-citizens that goes beyond professional considerations. As one said, “This is a high-risk situation of course, but we are Syrians after all, so we are very passionate about doing this work. We make it possible for INGOs to program in Syria and would be doing it even without these partnerships.”

13 See, for example, Egeland et al, 2011; Stoddard et al, 2011.

FIGURE 3

## PERCEPTIONS OF RISK



*NGOs and Risk survey, 2018 (combined average of all risk areas)*

Both INGOs and L/NNGOs, in both survey findings and interviews, consider insecurity to be the most critical threat facing their organization (Figure 4, page 22). Their perceptions diverge from there, however. For INGOs, the second biggest obstacle to operations, according to survey respondents, is government interference, while for L/NNGOs it is the loss of funding. The vulnerability of L/NNGOs to financial risk cannot be overstated, and in conditions of higher risk and greater fiduciary scrutiny, it has risen to the level of an existential threat. This, therefore, provides

another part of the explanation behind what INGO personnel sometimes describe as a “blasé” or “inshallah” attitude of their national partners to security risk. With so little central resources, organizations survive project by project, making it much harder to decline contracts even if they are uncomfortable with the level of risk. As a European Interagency Security Forum paper on partnerships noted back in 2012, “Fear of losing funding from the international partner may result in risk-taking behaviour.”<sup>14</sup>

## WHO OWNS RISK? MITIGATION, TRANSFER AND DUTY OF CARE

As the primary grantees, INGOs assume the main fiduciary responsibility to the donor. They are accountable for ensuring the resources granted are used as intended, and not wasted, lost, or stolen. Given this accountability relationship of the prime grantee to the donor, which encompasses the actions of all partners and subcontractors they may use, INGOs bear the brunt of the fiduciary risk. The same goes for the legal risk entailed by counter-terror regulations and sanctions enforcement. NGO stakehold-

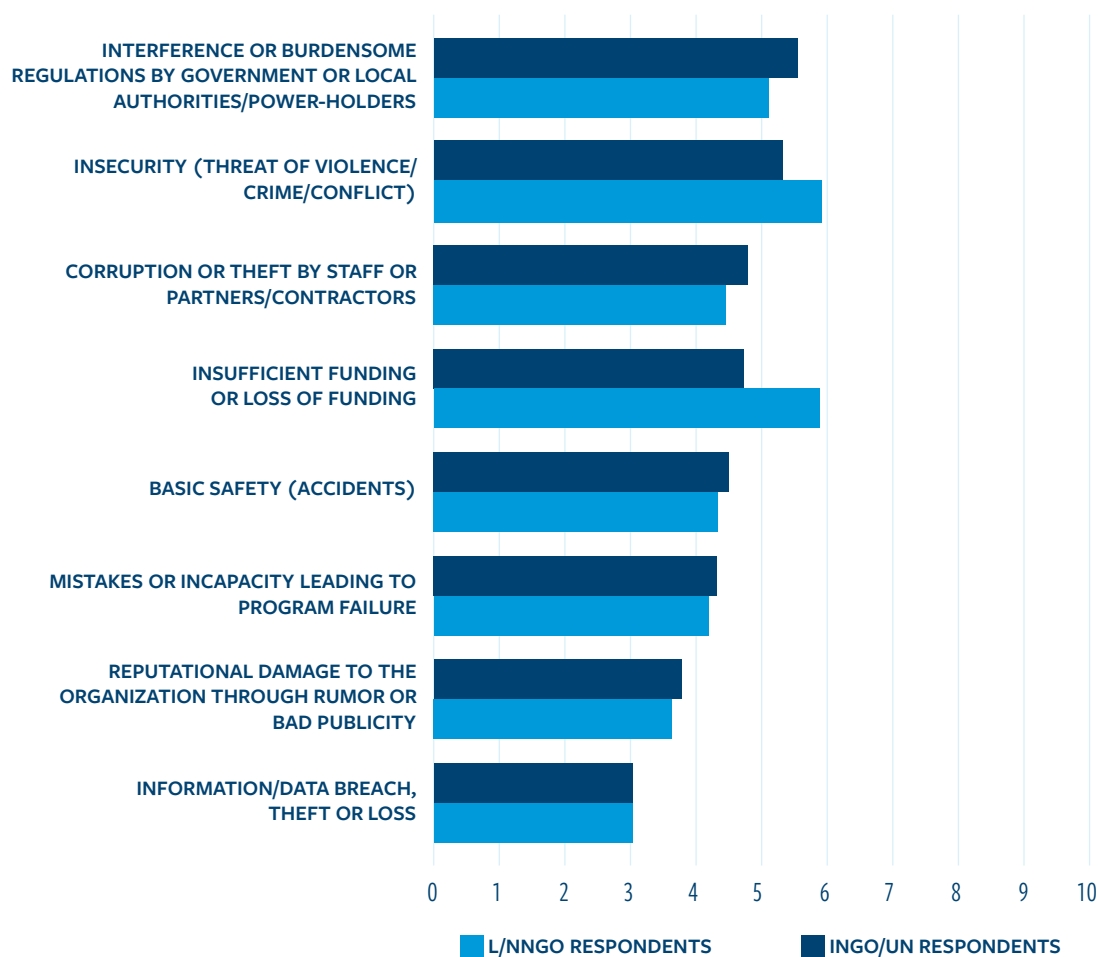
ers expressed the concern that donors seem not to be able to communicate to domestic publics the need to accept certain unavoidable risks in extreme contexts when humanitarian conditions are critical. Instead, they have succumbed to negative media narratives about foreign aid (sometimes referred to as the “Daily Mail effect”) and responded by shunting all the risk onto their INGO grantees, and in doing so belying their rhetorical support for localization.

<sup>14</sup> Singh, 2012.



FIGURE 4

## IN YOUR OPINION, WHAT ARE THE BIGGEST THREATS FACING AID ORGANIZATIONS IN YOUR COUNTRY?



NGOs and Risk survey, 2018

“Donors don’t take on Syrian partners directly because they don’t want to assume the risk. They want us to assume it – and punish us when we fail. They say they want to fund locals directly, but they really don’t.” – INGO interviewee

“There is a call for aid localization here at the moment, but still only the Somalia Humanitarian Fund has been funding us directly.” – L/NGO interviewee

As donors ratchet up the fiduciary and legal risk to their grantees by tightening restrictions and attaching more severe penalties, INGOs must expend more time and resources on compliance. This creates transac-

tion costs that are passed along to partners.<sup>15</sup> It is notoriously difficult for NGOs to quantify these transaction costs in terms of precise numbers of staff hours spent and the extent to which they divert efforts from programming activities. This difficulty may explain why they have not been more successful at pushing back on these requirements or requesting additional donor resources to meet them. Nevertheless, the cost is keenly felt and has the effect of raising the already significant financial/operational risk to L/NGO partners.

Many local NGO staff interviewed spoke of the burden this compliance imposes on their lean staffing structures and razor-thin budget margins. International partners often do not pass on budget overheads, said one

15 One INGO pointed out that when there is no donor, i.e. when the INGO is running the project from its own unrestricted funds, they have more flexibility in dealing with partners and potential losses incurred by them.

L/NGO representative, even when these overheads are applied to the subgrant line. The L/NGO partner therefore lacks the resources to add technical staff for monitoring and other fiduciary risk mitigation. Even if, as a downstream partner, they are not required to absorb the potential losses, the mere fact of a delay or halt in grant disbursements can spell the end for a small NGO.

No such accountability chains exist for security risk, which is borne entirely by the personnel of the affected organization. Representatives of donor agencies and INGOs alike acknowledge this fact and the ethical issue it raises.

“We are very conscious of how much risk we are exposing our partners to. Our partners in Syria were taking 100% of the security risk inside.” – INGO interviewee

“What NGOs are saying about the emphasis on financial and diversion risk is a direct reflection of donor requirements on fiscal risk and counter-terror concerns. The physical safety of the people implementing these programs has been a far lesser concern of the government. It’s something that I struggle with a lot.” – Donor interviewee

National interviewees also noted that security risks can result from the realization of financial risks, i.e. when staff and vendors in the field cannot be paid. The field research found that many INGOs working in northeast Nigeria and South Sudan recognized this risk, and as a result did not make

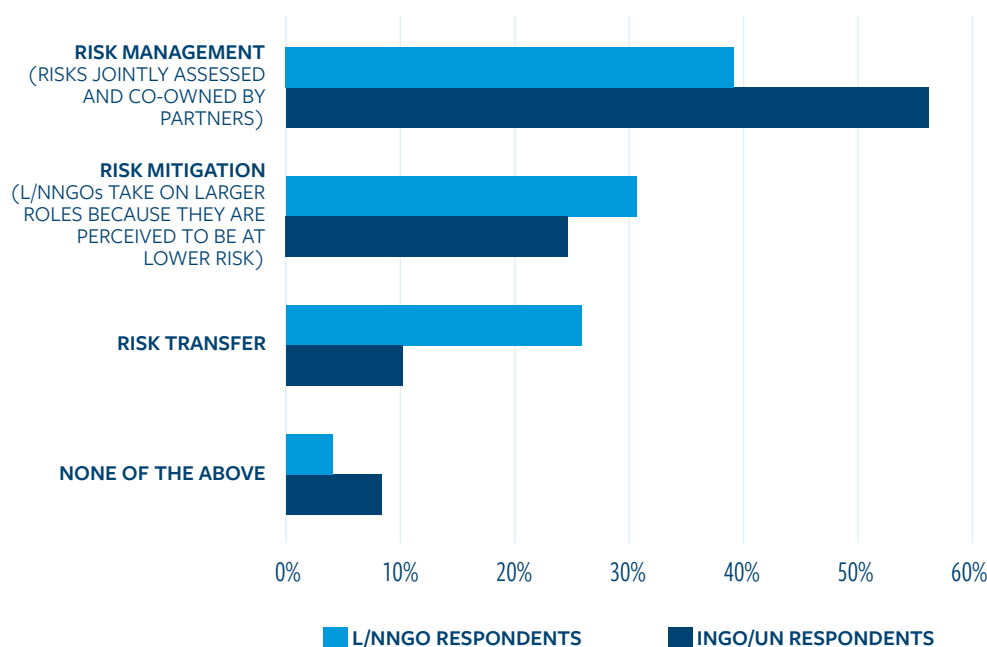
their partner payments exclusively subject to results verification or on a reimbursement basis. However, the same cannot be said for all INGOs, nor all UN agencies and donor governments.

In general (and in the case of Syria in particular, where very few INGOs have staff working inside), the consensus seems to be that the L/NGOs (including diaspora NGOs) take on greater security risk, while INGOs assume most of the fiduciary, reputational and legal risks. Both INGOs and L/NGOs can suffer from reputational damage as a result of encountering compliance problems and losses. The critical difference being that reputational damage to an INGO in one context is rarely fatal, whereas once an L/NGO is labeled as corrupt, they can be blacklisted among international actors and quickly run out of business. L/NGO staff interviewed on this spoke of the difficulty of getting off a blacklist once put on, which has been a particular issue in Somalia. INGOs and UN agencies tend to cluster together in these decisions, and word of mouth is often as much a factor in assessing the risk of potential local partners as any formal vetting procedures.

In terms of their own field experience, most survey respondents do not perceive outright risk transfer occurring. Instead, majorities from both types of organizations took the more positive view that risks are being managed or mitigated through the partnership arrangement. However, those that did perceive that risks were simply being transferred rather than managed were more likely to be representatives of L/NGOs than internationals, highlighting at least some divergence in perspective between the two (Figure 5).

FIGURE 5

## WHAT BEST DESCRIBES THE RISK RELATIONSHIP IN INTERNATIONAL-LOCAL PARTNERSHIPS IN YOUR CONTEXT?



NGOs and Risk survey, 2018

In the words of one L/NNGO interviewed, “The capacity assessments they do on us are very tough. They do not provide us a flexible budget – it is specific areas, targets, beneficiaries. Very top down, and not consulting with us or the community. Meanwhile, we face the security risk, we go where they cannot go.” Some of these issues stem from rigid contractual agreements. Research commissioned by six INGOs that support 55 local and national partners concluded that the difficulty in localization originates in part from donors favoring grants that look like commercial contracts. These contracts require INGOs to subcontract partners to meet inflexible deliverables where the liability still rests with the contracting INGO. Shifting power to the local partner becomes difficult, and the study notes that it created circumstances where risk is transferred unequally between the two partners.<sup>16</sup>

Finally, a key finding to come out of the field research in South Sudan and northeast Nigeria was the lack of visibility along the humanitarian delivery chain. A lack of shared information on operational partners, and who is working with whom, can result in a poor understanding of risks and how they may impact different actors. The Department for International Development (DFID)’s new requirement on “delivery chain mapping”<sup>17</sup> seeks to remedy this problem, but (as mentioned in a later section) comes with an additional administrative cost.

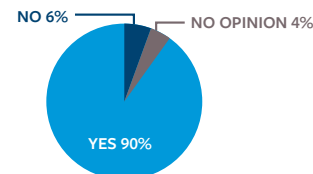
## DUTY OF CARE

Although it pertains mostly to security risk, the question of an INGO’s duty of care to its national and local partners remains highly salient in the risk management discussion. As a legal concept, an organization’s duty of care technically applies only to its own personnel. As a practical matter, it is unrealistic to expect that an INGO could provide 100 percent of the same level of benefits to all of its partners that it offers its staff. “It would bankrupt us,” said one senior INGO manager. Nonetheless, interviewees and survey respondents of all organization types expressed a strong, nearly unanimous agreement that international partners have an ethical responsibility to minimize the risks to their partners, including support to mitigate the impacts of negative events encountered as a result of programming. The duty of care question received the strongest response in the survey by far (Figure 6).

Some INGOs have formalized discussions around duty of care to partners, while others spoke of a “general sense” of this responsibility and noted, “it comes up all the time.” One HQ staffer noted that in trying to encom-

FIGURE 6

DO INGOs  
HAVE AN  
OBLIGATION  
TO HELP MINIMIZE  
THE RISK FACED  
BY L/NNGO  
PARTNERS?



INGOs and Risk survey, 2018

pass partners into their organization’s definition of duty of care, they ran into strong pushback from their INGO’s legal team who want to make the line between employees and partners’ staff very clear. The interviewee saw this as a direct conflict between legal and ethical interests. Accounts from INGO staff indicate that this conflict is not insurmountable, however. Some workarounds mentioned include providing support to partners to implement their own duty-of-care policies, having partners sign onto a joint code of conduct that the INGO uses, providing resources or training for psychosocial support, and helping them set up self-insurance schemes to pay medical and death benefits in the case of an accident or encountering violence on the job. In this way, duty of care represents both a component and an end-goal of capacity building for partners. One INGO program in Syria, using unrestricted organizational funds, provided three months’ severance to its partners affected by the evacuation of Eastern Ghouta. Implementing such “force majeure” provisions in partner contracts is an effective way to mitigate the operational, financial, and security risks they face from working in volatile conditions. The research team also heard examples of INGOs collaborating to support L/NNGOs in cases of need, even when the organization in question was not a partner. In South Sudan, for example, INGOs pooled their resources to support the families of L/NNGO staff members who were killed.

Many, if not most, of these initiatives are taken at the INGO’s own expense, simply because “it’s the right thing to do.” INGO stakeholders clearly feel an ethical obligation exists to mitigate risk to their partners to the maximum extent possible and see it as an important way that INGOs add value rather than serving merely as intermediate donors. Other international stakeholders feel likewise. Said one, “Legal issues and terminology aside, it is an important ethical concept that the sector needs to make real in their work. I don’t care what they call it, as long as they do it.”

16 Shifting the Power, 2017. See also Reith, 2010.

17 Instituted in April 2017, this policy requires DFID grantees to provide information on sub-grantees (and sub-sub-grantees, as far down the chain as possible), including an assessment of risks related to each downstream partner. (DFID, Delivery Chain Mapping and Delivery Chain Risk Mapping Guidance for external partners.)



# RESOURCING FOR RISK MANAGEMENT

Supporting the costs of risk mitigation is a challenge for national and internationals alike. Not all donors provide the budget to completely support risk management, and neither do all INGOs for their L/NNGO partners. The larger INGOs can, and do, allocate some of their unrestricted funds to pay for their own and some of their partners' costs, such as security inputs or additional financial staff.

When asked in the survey if their partners provided resources for risk management in various areas of risk, pluralities of L/NNGO respondents answered “no,” with the second highest number answering “sometimes.” (Figure 7).<sup>18</sup>

Some of the INGOs in the sample group for this study, however, typically provide risk management budget lines and additional resources for their partners particularly to ensure fiduciary and counter-terror compliance. According to L/NNGO interviewees, this is rarely the case with UN partners and other INGOs. At times, they say, budget funding is provided, but there is no flexibility for unforeseen needs. “If we request additional security resources, they do not accept it.” Said a Pakistani NGO interviewee. “They say the budget is all set already.” The converse is also seen at times, as a Somali L/NNGO representative reported: “Local actors bear the security risk. In our agreements, they don’t provide any security resources or insurance cover, but they do assist when there is a calamity. In 2016 there was a huge blast in Mogadishu. We lost our driver and staff member. We did receive some ad hoc family support then.”

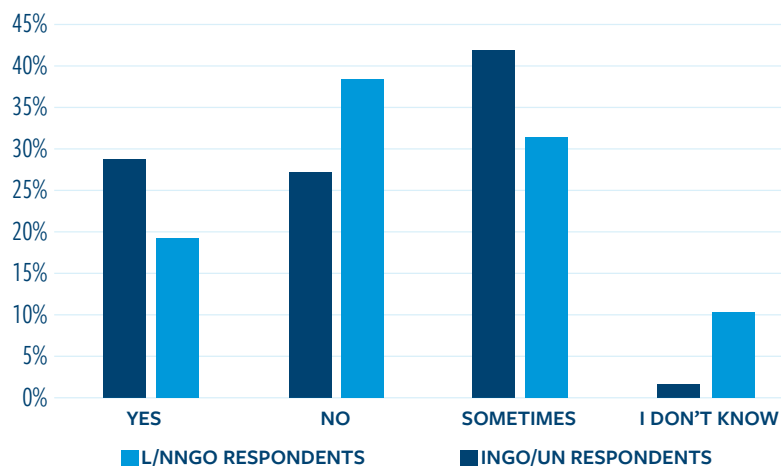
Similarly, the issue of overheads often comes up in the discussion of this issue because L/NNGOs often do not receive these in contracts, making it

difficult for them to allocate risk management needs flexibly. One Afghan NGO interviewee said, “... UN agencies also don’t give overheads to the national partners. I put in life insurance for staff in our [UN] contract (at least for burial costs), and he laughed at me.” UN agencies have different policies and contract vehicles for partnership and are widely viewed as less flexible than INGOs. At least one UN humanitarian agency has a policy to not provide indirect costs to their L/NNGO partners – only their INGO partners who have international HQs to support. In South Sudan, a senior UN official disclosed that “national organizations are so dependent on our funding that I sometimes wonder if they are scared to ask because they want to be competitive in pricing.”

To the extent that INGOs provide additional and/or flexible funding for their partners’ risk management needs, it is of their own volition, and not at the behest of donors. One donor interviewee made clear that while they make sure international grantees have risk mitigation and costing plans, these are only funded through direct costs and moreover they do not require or encourage them to provide similar plans for their downstream national partners. Conversely, a donor agency in South Sudan noted that they were increasing tolerance thresholds for their UN fundees and expected them in turn to pass down that flexibility to their partners but admitted they did not know whether the UN agencies had done so. Moreover, faced with mounting compliance costs themselves, INGOs must use still more unrestricted funds for additional oversight and due diligence requirements.

FIGURE 7

## DO YOUR PARTNERSHIP CONTRACTS PROVIDE FOR RISK MANAGEMENT BUDGET OR OTHER RESOURCES (E.G. TRAINING, EQUIPMENT)?



NGOs and Risk survey, 2018

18 The survey question referred to all partners (including UN). Some interviewees noted that the country-based pooled funds were the only notable exception, with all other security resources provided on an ad hoc basis only.

4



## MANAGING THE RISKS IN PARTNERSHIPS: POLICIES AND PRACTICES OBSERVED

GENERAL PARTNERSHIP AND RISK  
MANAGEMENT APPROACHES IN POLICY AND PRACTICE

FIDUCIARY RISK: COMPLIANCE OVERWHELM

SECURITY RISK: PARALLEL AND PERFUNCTORY MANAGEMENT

LEGAL RISK: COPING WITH COUNTER-TERROR REGULATIONS

OPERATIONAL AND FINANCIAL RISK

LESS EMPHASIZED AREAS:  
REPUTATIONAL, INFORMATIONAL AND ETHICAL RISK



Photo courtesy of World Vision



INGO policies and procedures related to risk management in national-international partnerships reflect a heavy emphasis on fiduciary risk, centering on financial management and compliance issues. This emphasis echoes in organizational structures, with new partnership management positions and units increasingly situated in the financial/compliance departments rather than within program or as cross-cutting functions. Other risk areas that could bear on partnerships, such as security, informational and reputational risk, receive far less policy and management attention and are rarely jointly assessed. Finally, despite recent sexual exploitation scandals, the area of “ethical risk” or safeguarding failures has yet to be fully incorporated and addressed by risk management in the partnership arena by some agencies. The result has been an approach to partnership risk management that is increasingly conservative, and at the same time one-sided; in other words, it is concerned primarily with the risk of local partners to international organizations as opposed to risks faced by these partners or others in the affected communities.

## GENERAL PARTNERSHIP AND RISK MANAGEMENT APPROACHES IN POLICY AND PRACTICE

The policy analysis reviewed more than 250 relevant documents provided by the INGO participant group. Although only a portion of these were dated, those that were suggested that the development of new or revised partnership management documents (including tools) began to increase in 2015, with a big jump in 2017 and 2018. This was possibly in response to the Grand Bargain localization commitments or the more stringent regulatory environment that emerged over the same time period, or both.

The review found that most of the organizations have a robust and highly developed set of policies and tools that cover various aspects of partnership management and their associated risks. Moreover, these organizations have situated their policies within a larger partnership framework that, for the most part, shows advanced institutional thinking about what partnering means to each organization through the lens of its mission, and when and how to use partnering to strengthen humanitarian programming.

Operational management was the main focus of most policies, which tended to include a lot of financial compliance procedures as well as monitoring and partner assessment. Because most documents touched on more than one management area of risk or were broadly operational in character, it is difficult to break them down cleanly by risk area. However, even with the catch-all operational category subsuming many fiduciary and due diligence protocols, it is clear that fiduciary risk remains a principal concern in partnership management (Figure 8). If we accept the sample of participating INGOs as broadly representative of the sector, then the overall corpus of documents suggests a sector that is fairly consumed by compliance, particularly fiduciary matters.

The implicit assumption underlying these policies – that the downstream partner poses a potential risk to the principal – comes through clearer still when the policies are ranked by subject prevalence (Figure 9). The policy picture supports findings from the field and in interviews, where

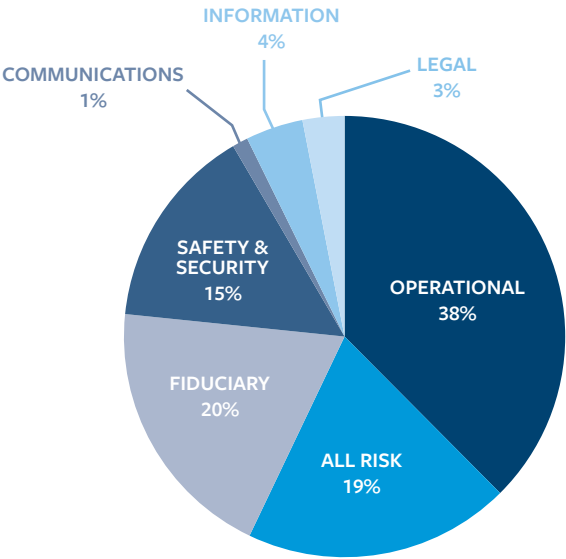
stakeholders spoke of a growing “culture of fear” between INGOs and their donors and between L/NGOs and their INGO partners.

The policy documents also include a large number of assessment tools and criteria for the INGO to evaluate the capacity of their potential partners and assess the risks that partnering with them would entail. The partner assessment documents vary by organization in their depth and extent of issues covered, however, they all contain a common core of basic questions on the prospective local partner’s organizational structure, capacity, and controls. What this means in practice is that the L/NGOs, which typically work with multiple international partners, must provide their bona fides numerous times to different organizations in the same context. Although it may not seem a high bar, when working with limited staffing resources this can result in inordinately high transaction costs for the local organization. Moreover, when a partnership contract is not forthcoming, it represents a significant loss in time and effort.

Despite having developed individual assessment tools for partner candidates, the INGO community has not approached the initial identification of potential partners in a systematic or transparent way. Instead, in many contexts, international organizations tend to partner with a subset of “preferred” L/NGOs, often identified by word of mouth and without a mechanism to share their information with others in the sector. One L/NGO interviewee complained that these preferred L/NGOs “get all the contracts, they are the ‘prequalified partners’ that also block new entrants, and this prevents healthy competition and the development of civil society here.” Combined, these practices can amount to much time and duplication of efforts on the busywork of partnership, while neglecting the bigger picture of what the partnership should be trying to achieve. As one INGO Country Director in Nigeria observed, “[W]e don’t have a strategy. We just say, ‘You’re a partner. You look good enough.’ We do all this sub-recipient financial monitoring, and we never sit down with them and ask what they want to do and how they want to do it.”

FIGURE 8

BREAKDOWN OF TOTAL POLICY DOCUMENTS BY RISK AREA



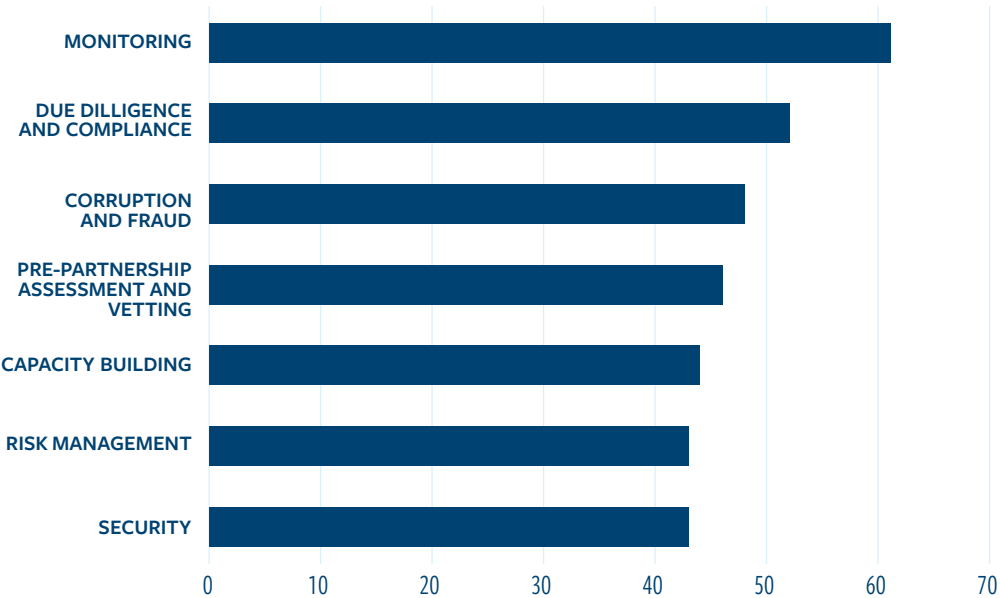
“[W]e don’t have a strategy. We just say, ‘You’re a partner. You look good enough.’ We do all this sub-recipient financial monitoring, and we never sit down with them and ask what they want to do and how they want to do it.”

– INGO Interviewee

NGOs and Risk policy synthesis, 2018

FIGURE 9

TOP 7 PARTNERSHIP POLICY SUBJECTS



NGOs and Risk policy synthesis, 2018

# FIDUCIARY RISK: COMPLIANCE OVERWHELM

In recent years, corruption scandals involving humanitarian NGOs, such as in Somalia following the 2011 drought and famine response (which involved partner organizations), and in Turkey around vendors and procurement (which did not), have greatly added to the pressure for fiduciary risk management and the attendant compliance regimes. Even measures that fill a known gap and stand to improve operational transparency, such as DFID's delivery chain mapping, unavoidably add new administrative tasks to be absorbed by finite resources of staff and time. The compliance requirements, which INGOs acknowledge they have passed along to their partners, are rarely relaxed in the face of more extreme emergencies and acute needs.

Some in the sector speak of compliance concerns beginning to “overwhelm the larger INGOs,” to the point of affecting their senior leadership, which is increasingly composed of professionals coming from outside the sector or from the fundraising and development side. The effects on partnerships are unavoidable. “We demand more [in terms of detailed reporting on compliance] from our partners than donors would ask of us,” said one INGO senior staffer, “because we’ve been caught out before.”

In policies this is reflected in more rigorous and inflexible processes. For example, one INGO has instituted a financial management assessment procedure for sub-grantees that allows them to rank partners in terms of risk. UN agencies and Country-Based Pooled Funds do this as well. Partners rated as low risk (meaning they have strong systems in place) can receive funds by three-month advance, whereas higher-risk partners month-to-month disbursements with heavier monitoring.

The truth is that some degree of weak or fraudulent practice exists within every sector, and fiduciary controls and risk assessments are appropriate.

It is inaccurate to approach the problem as one stemming from NGOs alone, and in fact there is evidence that corruption may be facilitated and made more likely by the nature of the national-international partnerships themselves.<sup>19</sup> The problem, interviewees contend, comes when the system is built on a punitive model and does not allow for a collaborative, corrective approach. Zero tolerance for corruption is not the same as zero tolerance for any losses or incidence of theft or fraud. A more useful definition would be zero tolerance for inaction to prevent and quickly rectify problems when they come to light. It is also important to distinguish true corruption from negative or ineffective coping strategies. When capacity and cash flow are stretched thin, smaller NGOs may resort to “robbing-Peter-to-pay-Paul” measures that can resemble fraud, with L/NGOs possibly more at risk of this due to both size and a lack of diversity in funding partners. Additionally, and most critically, when organizational survival is at stake, incentives to keep quiet become greater than those to alert partners to problems. Approaching the issue as one of capacity building is perhaps a more effective and realistic approach. “Fiscal risk is a gradual process to mitigate,” said one INGO’s partner manager. “It is a learning curve, and you have to work with them [partners] over and over. It’s bad practice to think you can explain once what is needed and have them comply.”

In addition, problems with lack of capacity are not exclusive to national and local organizations. One L/NGO staffer interviewed made the point that sometimes the issue is “poor quality staff among the internationals – they don’t know themselves how to guide you on their HQ’s requirements. It reflects on our capacity, but it is really their incapacity. This is a really common problem.”

# SECURITY RISK: PARALLEL AND PERFUNCTORY MANAGEMENT

INGOs’ use of local partnerships to mitigate security risk and extend access does not necessarily involve an ethically questionable transfer of risk to the L/NGO partner. Past studies have found this to be the case only when the partnership is ad hoc and opportunistic, without adequately assessing the risks to the local partner or resourcing their

security needs.<sup>20</sup> While such cases still occur, recent research on aid in extreme environments has found some of the most effective agencies and programs in insecure areas “invest in supporting national staff and partners to oversee activities at a high level of quality and management responsibility, which allows staff to have regular face-to-face interaction

19 A Transparency International study on Somalia observed that “humanitarian resources are not only manipulated by governmental actors and national NGOs, but also as a result of the practices of international agencies. This may occur through collusion between staff of international agencies and other actors in the humanitarian chain.”

20 Egeland et al, 2011; Stoddard et al, 2011.





Photo courtesy of Save the Children

***“It is no surprise that SRM [security risk management] has not made it onto the agenda of many of the L/NNGOs we deal with. A few INGOs added security management criteria to their vetting and assessment tools for partners, but it is done once and never revisited, even after years and changing conditions. In contrast, the financial due diligence is redone every year, for audits, etc.” – INGO Interviewee***

with affected people.”<sup>21</sup> That same study found that “[t]he level of trust and communication between partners – specifically for local partners to be able to discuss, and not hide, challenges and problems encountered during implementation – is an important factor in successful partnerships that enable access.”<sup>22</sup>

The effectiveness of security cooperation within partnerships varies widely within and across organizations and contexts, with the best (but also rarest) examples involving close and sustained communication between security focal points, flexible resourcing, and joint efforts to assess risks and audit risk management. At the other end of the spectrum, the INGO expects security to be at the sole discretion and responsibility of its national partner. One national NGO interviewee reported, “They mainly assess financial systems, HR, and procurement. Physical risks are not at all part of it. They never ask us about our security.” In only slightly better examples, the INGO requests and accepts the partner’s “security plan” which may be little more than an adapted or plagiarized document meant to tick the box. There was also a report of some INGOs, though none in our sample group, approaching security defensively, as in “security is your responsibility and if we mention it, we become liable.”

Unlike fiduciary matters, the humanitarian delivery chain has no strong through line of accountability on security matters or repercussions for bad practice. Expectations are for each organization to see to the security

of its own staff, which leaves weak incentives, if any, to ensure that their partners possess the skills and capacity to do likewise. To foster greater shared responsibility on security, one donor now requires their INGO grantees and each of their sub-grantees to submit security plans with the project proposal. If the L/NNGO partner can’t furnish one of their own, the INGO “must explicitly cover their partner under their own plan” according to the grant guidelines. “The word ‘explicitly’ is intentional,” explained the donor representative interviewed. “It used to be ‘vouch for’ and we found that the INGO would just say ‘yes, they’re covered by our plan.’ We want them to work with their partners and build their capacity for security as well as financial, compliance stuff, so this language sort of forces them to do that because we know that legally they can’t really cover them under their own plan. Our preference is that the capacity building happens.” Capacity building for security risk management can be a tall order if INGO security staff feel unsupported by their executive or senior leadership who are more focused on fiduciary risk matters. For that reason, many security coordinators welcomed these more robust requirements.

Security capacity building for partners would include, at a minimum, arranging for joint security risk assessments, which could stand to benefit the INGO staff as much as their partners in terms of enhancing knowledge and awareness of the local environment. To further cultivate shared responsibility and co-ownership of security risks, partners could also

21 Haver & Carter, 2016.

22 Ibid.

adopt the sort of accountability frameworks used in the INGO's security management system, adapted for applying to the partnership. The purpose would be to formalize and make transparent the roles and duties of specific staff in both organizations generally and in the event of critical incidents. Drawing from the sample of INGO policies reviewed, such a framework could include standard provisions for:

- **Delegation of security responsibilities:** outlining the relevant positions in each partner organization and the lines of communication between them.
- **Monitoring and sharing information on security:** ensuring a continuous, two-way channel of relevant and timely information.
- **Contingency plans for evacuation** (if the INGO can provide this for the L/NGO partner or **hibernation**, if not). This could include language similar to what INGOs use for their staff on "the right to withdraw" (hibernate, temporarily cease operating) if security conditions change and the partner organization no longer feels comfortable working in the area.
- **Incident tracking and reporting:** each partner will commit to compiling and sharing with the other any and all security incidents and threats it encounters.
- **Joint crisis management/critical incident teams:** in the case of kidnapping or other protracted security incidents.

- **After-action reviews:** a joint process for gathering information after an incident to extract lessons learned and recommendations for future action.

The partner manager/coordinator position in INGOs is usually siloed on the financial side of the house and the person filling it is unlikely to have security expertise. As a result, said one interviewee, "It is no surprise that SRM [security risk management] has not made it onto the agenda of many of the L/NGOs we deal with. A few INGOs added security management criteria to their vetting and assessment tools for partners, but it is done once and never revisited, even after years and changing conditions. In contrast, the financial due diligence is redone every year, for audits, etc."

INGO staff recognize there is a line, which can sometimes be hard to draw, between requiring security risk management capacities of their partner and what could be seen as paternalism. As interviewees in the field emphasized, the organizational independence of L/NGOs must be respected. However, it would be a greater offense not to consider – and work to mitigate – the potentially lethal risks local organizations are sometimes induced to take on in these environments. It is not paternalistic to recognize the crucial supportive and enabling role that good security risk management plays in program delivery and regularize direct budget support for staff security for all partners in the delivery chain.

## LEGAL RISK: COPING WITH COUNTER-TERROR REGULATIONS

*"Donor's [risk aversion] raises the risk for smaller NGOs that can't handle it. Compliance requires money – money to hire people to build systems and then enforce them – and donors are not offering money for that part of it." – INGO interviewee*

NGOs face greater risk of violating international counter-terror regulations today than at any time since 9/11.<sup>23</sup> In 2018 alone, the US and UK governments have passed or proposed new rules affecting humanitarian action in Syria, the Lake Chad Basin and other places where sanctioned

groups are active, and also established new guidelines for proposals in high-risk environments. The rules, which come in the form of donor agency instructions to fundees as well as new legislation,<sup>24</sup> include restrictions on working in places of concern, and detail how the organization

23 Parker, 2018.

24 See Britain's new counter-terror bill: [www.theguardian.com/global-development/2019/jan/23/mps-pass-counter-terror-bill-amendments-to-protect-aid-workers?CMP=Share\\_iOSApp\\_Other](http://www.theguardian.com/global-development/2019/jan/23/mps-pass-counter-terror-bill-amendments-to-protect-aid-workers?CMP=Share_iOSApp_Other)

“will prevent direct or *indirect* benefits to sanctioned groups and individuals” (emphasis added).<sup>25</sup> While such restrictions and certifications on working with sanctioned groups have been in place since the early 2000s, the compliance requirements around them have been repeatedly ratcheted up, broadened, and extended to the sub-grant level.<sup>26</sup> The strengthened rules come on top of now years-old partner vetting requirements that have INGOs running security checks on partner and intermediary organizations against government databases of sanctioned groups and individuals. And as demonstrated by a recent \$2 million settlement of a lawsuit against an INGO that violated US counter-terror regulations in its Gaza program (albeit with activities *not* funded by the US government), the penalties are real and potentially very steep.<sup>27</sup>

Uncertainty about the scope of the regulations, how to comply with them, and how they will be enforced persist among INGOs, which creates unavoidable disincentives to operating in certain places, thereby compromising impartiality of humanitarian action. Furthermore, because additional information gathering in the field is often required, many NGO staff fear increased security risk as a result. And not unlike fiduciary risk management, compliance with regulations to avert legal risk entails cost. “Donors’ [risk aversion] raises the risk for smaller NGOs that can’t handle it,” said an INGO interviewee. “Compliance requires money: money to hire people to build systems and then enforce them – and donors are not offering money for that part of it.”

## OPERATIONAL AND FINANCIAL RISK

Operational risk refers to the possibility of failing to meet your objectives, either through mistake, misfortune, or incapacity. As such it encompasses business continuity concerns and financial risk (the risk of insufficient resources or defunding). International donors and partners can create or exacerbate operational risk for their L/NGO partners through their efforts to mitigate fiduciary risk by such things as payment on results, tightly earmarked budgets, extensive reporting requirements, and underfunding of support costs. As the field research found, when these measures create cash-flow problems for L/NGOs they often resort to bad accounting practices as a negative coping mechanism. Similar negative incentives and the need for organizational survival have resulted in L/NGOs sometimes overestimating their operational presence and capacity, artificially deflating their budgets to be seen as “competitive” to funders, taking on riskier projects, forgoing security provisions, and delaying payments to their staff.

The most dramatic examples of fiduciary control measures creating operational risks for L/NGO partners were when programs were abruptly halted for investigations of suspected fraud or mismanagement. One large Syrian NGO recounts how a disgruntled employee lodged a charge

against the organization with its partner/donor INGO, who withdrew funding pending a full audit but did not provide resources to help the senior management carry this out. The L/NGO’s director’s request for a third-party investigator was not granted and the organization carried on for months attempting to sort out the issues while not being able to pay staff, and rapidly losing reputational credibility. The L/NGO, never proved of wrongdoing, was ultimately forced to close down. Such suspensions and cessations of activities during investigations — whether affecting international or national aid providers — entail significant consequences to people in need. Generally occurring without a well-coordinated handover, they can leave gaps in critical services.

In some contexts, like South Sudan, a great deal of operational risk comes in the form of host government bureaucratic impediments, such as changing rules on visas, customs and work permits. INGOs clearly face certain access impediments by dint of their foreign status, but in many places local organizations can be equally or even more exposed to the vagaries of local authorities and corruption, with less leverage to push back. This is occurring against a backdrop of shrinking civil society space in many humanitarian operational contexts.<sup>28</sup>

26 For West Bank/Gaza examples, see: [www.usaid.gov/sites/default/files/documents/1883/2007-WBG-26.pdf](http://www.usaid.gov/sites/default/files/documents/1883/2007-WBG-26.pdf) and [www.usaid.gov/sites/default/files/documents/1883/Sub-awardReportingTrainingMaterial.pdf](http://www.usaid.gov/sites/default/files/documents/1883/Sub-awardReportingTrainingMaterial.pdf)

27 [www.charityandsecurity.org/News\\_NPA-US\\_Settle\\_Case](http://www.charityandsecurity.org/News_NPA-US_Settle_Case)

28 Youngs & Echague, 2017.



## BANK DE-RISKING

*“We are really struggling with counter-terror policies as they have affected the movement of money...The banks are simply not willing to take the risk. When we have managed to pay vendors through banks, it can take as long as six weeks. No prospect of using cryptocurrency either, because the UK Charity Commission and donors would not allow it. As a result, we have resorted to using the hawala system for close to 100 percent of our transactions. This entails a 4–5 percent fee, which must be paid from our private funds”*  
– Syrian diaspora NGO interviewee

The issue of bank de-risking has gained a good deal of recent attention, not only among humanitarian organizations, but also in the wider non-profit sector.<sup>29</sup> InterAction’s Together Project, a multi-agency platform created to work on this problem, has reported that it particularly affects Islamic charities and organizations working in places the banks have designated high-risk areas for doing business. The banks’ risk averse actions, which include delaying or denying transfers, and summarily closing accounts, flow downstream from government regulations, since the banks are themselves subject to major fines and reputational risk if the money should end up in the hands of designated terrorist groups. The Charity and Security Network released a report in 2017 that found two

thirds of all non-profits doing charity work face access issues because of de-risking. This included “delays of wire transfers (37%), unusual documentation requests (26%), and increased fees (33%). Account closures represent 6% and refusal to open accounts 10%.”<sup>30</sup>

INGOs working in high-risk areas that have had their bank transfers delayed (up to six weeks is typical) face serious operational risk, including not being able to pay their staff. The banks are not required to give warnings or explanations.<sup>31</sup> The U.S. Department of the Treasury has a helpline for NGOs dealing with these problems, but the guidelines and rules are sufficiently vague and open to interpretation that there is no clear means of redress. An example provided to this study was a winterization project that couldn’t proceed due to a delay in a bank transfer that took six months to go through, long after the end of a harsh winter where there were many deaths due to exposure.

Many organizations placed in this position have started moving their money through hawala systems, which are more costly and can involve additional risks as some of them, in turn, get blacklisted by regulators. Other NGOs have “de-risked themselves out of countries,” deciding it was too difficult and dangerous for them to continue to operate given the regulations.



Photo courtesy of Catholic Relief Services

29 See, for example, Eckert et al., 2017, Gordon et al., 2018 and Fairbanks, 2018.

30 Eckert et al., 2017, p. vi.

31 Gordon, 2018; El Taraboulsi-McCarthy, 2018.

# LESS EMPHASIZED AREAS IN RISK MANAGEMENT: REPUTATIONAL, INFORMATIONAL AND ETHICAL RISK

Reputational risk is a less tangible area for risk management, but an undeniably important one in that it can directly and deeply affect the finances, operations, and even security of an organization. Usually approached mainly through communications and messaging guidance, it is rarely directly addressed with local partners, much less jointly assessed or strategized around. It remains an area of mutual importance and interdependence that is nonetheless very lightly covered in partnership policy and practice. Of the policy documents reviewed for the study, for instance, those pertaining to fiduciary due diligence and compliance outnumbered those pertaining to preventing exploitation by more than five to one.

Similarly, although the humanitarian sector writ large is awake to the issue of informational risks – a broad area, which include digital risks having to do with the misuse, loss, or breach of data on the organization and the populations it works for<sup>32</sup> – risk management for these is still underdeveloped in policies and partnerships. Structurally as well, having strong information management/information technology departments in INGOs and even UN agencies is often not prioritized among all the other pressing functions in the field. The new General Data Protection Regulation (GDPR) enacted by the European Union<sup>33</sup> is expected to impact the partner vetting systems now in use by many INGOs. This is because the information gathered for these systems (like what USAID requires for its Partner Vetting System program) could endanger partner organizations or individuals if it gets in the hands of malign governments or opposition armed forces. The two donors, who have many INGO partners in common, have yet to square this circle.

The 2018 sexual exploitation scandals<sup>34</sup> that roiled the aid community have brought the issue of “safeguarding” (of aid recipients and commu-

nity members as well as aid staff) to the fore. This issue area can impact reputational risk to be sure, but goes beyond the surface interests of an organization in maintaining good optics to strike at the core of its purported mission to help and protect the most vulnerable people. Many INGOs have started strengthening their safeguarding policies. For example, DFID’s new safeguarding due diligence explicitly states that, “Organisations have a safeguarding duty of care to beneficiaries, staff and volunteers, including where downstream partners are part of delivery. This includes children and vulnerable adults in the community who are not direct beneficiaries but may be vulnerable to abuse.”<sup>35</sup> And while INGOs have started thinking about how to apply more rigorous safeguarding within their own organizations<sup>36</sup>, action to work with partners on this issue is nascent at best. Like so many other of these new institutional developments, it runs the risk of becoming another un-resourced demand – with both INGOs and L/NGOs alike guaranteeing that they have put in place robust safeguarding systems, just so a box can be ticked.

The crisis of conscience that the safeguarding crisis should and has prompted in the humanitarian community can serve to drive new thinking around what it means to contend with and mitigate ethical risk. The 2016 *NGOs and Risk* report noted that one of the gaps common to most INGO risk management frameworks was that they did not “explicitly address the risk of programming unethically or of violating humanitarian principles,” a finding that was shared by the *Secure Access in Volatile Environments* study.<sup>37</sup> Extending this area for action to include the ethics of safeguarding should be an important item on the risk management agenda.

32 See, for example, the report by Pirlot de Corbion, 2018, and ICRC’s related Symposium on Digital Risks in Situations of Armed Conflict, held 11-12 December in London. Also, see Cornish, 2018.

33 “Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation)”. See <https://eur-lex.europa.eu/eli/reg/2016/679/oj>

34 For example, the sexual exploitation of Syrian female aid recipients, see Landale & O’Dowd, 2018.

35 UK Aid Direct, 2018.

36 Independent Commission on Sexual Misconduct, Accountability and Culture Change, 2019.

37 Haver, 2016. See also [www.saveresearch.net](http://www.saveresearch.net)

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## CONCLUSIONS AND RECOMMENDATIONS

TENSIONS AND PERVERSE OUTCOMES

GOOD PRACTICE EXAMPLES AND  
RECOMMENDATIONS





*Photo courtesy of Concern Worldwide U.S.*

Findings from the global research on risk in partnerships, borne out by field-based observations from the South Sudan and northeast Nigeria case studies, point to a series of inadvertent, counterproductive consequences of risks being passed down the chain from donor to INGO to L/NNGO partners. These tensions and perverse outcomes, illustrated below, have created inefficiencies and obstacles for the provision of humanitarian aid to people in need.

At the same time, we found many examples of good practice and promising developments in the field indicating goodwill and willingness to improve on the current state of partnerships for the mutual benefit of both partners as well as the communities they serve. The good practices are presented as recommendations, primarily directed to INGOs, but also to L/NNGOs, UN agencies, and donors.

## TENSIONS AND PERVERSE OUTCOMES

As the previous sections have detailed, when risks are mitigated by transferring them to another party rather than co-owning and managing them jointly, new or intensified risks to both partners can result. Figures 10 through 12 depict three examples of these vicious cycles.

In the first, fiduciary risk aversion leads donors and international partners to demand increasingly heavy reporting and other compliance requirements. Because only the largest and most developed of national organizations are able to handle this burden, they become increasingly in demand as the partners of choice for the international community. With more resources flowing to fewer organizations, they quickly become overstretched and less able to effectively manage the larger volume, which in turn can lead to the mismanagement and fiduciary losses initially feared (Figure 10).

Similarly, bank de-risking leaves organizations with no options other than informal workarounds such as physically moving cash, which is undeniably risky, or using hawala systems, which, while reliable in many cases, is unregulated and could result in losses (Figure 11).

As also noted in the first iteration of this study, the emergence of the culture-of-fear conditions created by donors' "zero-tolerance" policies inhibits humanitarian efforts at negotiated access and effectively shuts down information sharing. This makes it next to impossible for humanitarians to work together and with their donors to form common strategies and redlines, increasing the likelihood of manipulation and diversion (Figure 12). In addition, the secrecy hinders risk awareness and increases security risk.



Photo courtesy of Save the Children

FIGURE 10

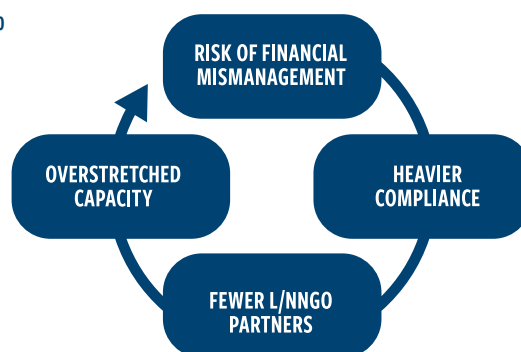


FIGURE 11

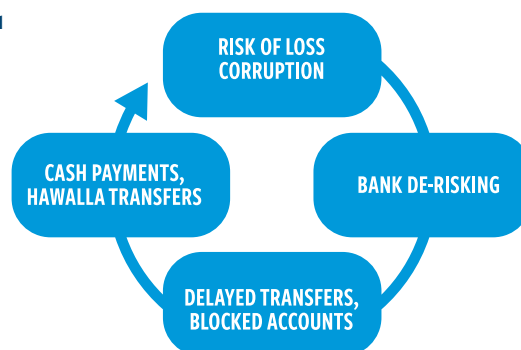
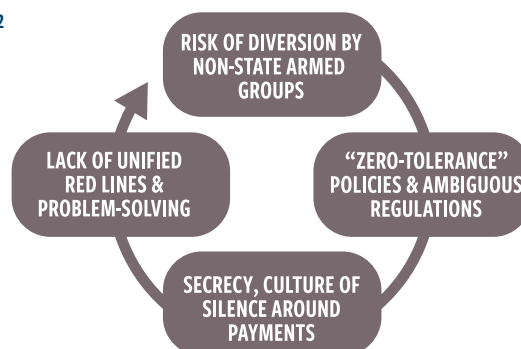


FIGURE 12



# GOOD PRACTICE EXAMPLES AND RECOMMENDATIONS

Although reviews like this one necessarily focus on weaknesses and problems needing to be addressed, positive examples of cooperative risk management and supportive partnerships in general can also be found. Many of these good practices were seen among the study's sample group of INGOs, who noted that they were by no means easy to implement and entail additional costs and real challenges that their organizations are struggling to meet. The fact that this group includes some of the largest, best-resourced organizations implies they have greater independent capacity to implement these actions than most NGOs, and so speaks to the need for these practices to be concretely supported by donor funding.

With those caveats in mind, we recommend the adoption or consideration of the following practices, listed by theme and target group.

## SHIFTING FROM RISK TRANSFER TO RISK SHARING

### INGOs and UN Agencies

- **Build risk mitigation and risk co-ownership into contracts.** *Force majeure* clauses and provisions for unforeseen evacuations, hibernations or other major disruptions have been included to mitigate the risk of operational cessations or delays to partners. Such arrangements should allow the partner to spend a certain percentage of its overall budget for immediate program or operational interventions to mitigate and manage unforeseen risks. International actors may also explore the potential for using insurance policies for program cessation and other types of operational risk.
- **Broaden the partner management function.** As one INGO recently learned, taking the partner manager position out of the financial/compliance wing and making it cross-cutting of all functions can greatly enhance an organization's strategic approach to partnership.

### L/NGOs

- **Do not compromise staff safety to meet partnership expectations. Advocate strongly for the logistical and other resources needed for staff to operate securely.** Determine a reasonable risk threshold and refrain from taking on activities that exceed it.

### Donors

- **Include *force majeure* clauses in awards to proactively allocate and share risks between donor, prime award recipient, and any sub-awardee** under circumstances where program deliv-

ery becomes untenable either temporarily or indefinitely. This should include excusing the partner from award obligations for both unforeseen environmental conditions and/or foreseen risk scenarios, assuming the partner had clear risk mitigation measures in place. One INGO in Syria noted that *force majeure* arrangements allowed them to better manage forced withdrawals and evacuations for L/NGO partners. If certain conditions exist, awards should allow the partner to spend a pre-defined percentage of its overall budget for immediate program or operational interventions, allowing them to mitigate and manage foreseen and unforeseen risks.

- **Require that, where *force majeure* clauses are established, these same contract conditions are passed down in all sub-award recipient contracts.** To increase flexibility, donors should, whenever feasible, pre-negotiate with partners the conditions upon which *force majeure* clauses in INGO or L/NGO awards can be activated by notification, without requiring pre-approval.
- **Consider the adverse effect of recent counter-terror and sanctions policies that hinder humanitarian access and create risk for humanitarian actors.** Use the Good Humanitarian Donorship initiative to study the issue and consider adopting a common humanitarian exemption policy to incentivize rather than constrain or discourage humanitarian access in conflicts.
- **Prioritize early dialogue with INGOs to address increased concerns related to the perceived risk of counter-terrorism, material support, and diversion, as opposed to contractual measures and other regulatory conditions. Undertake a process for regular consultation with partners** in the field (and HQ) on any future regulatory requirements focusing on those with the greatest potential to create additional safety and security risk to field staff and considering the administrative burden, costs, and risks associated with compliance.
- **Where agreements exist between donors and UN agencies to jointly share losses on humanitarian supplies and assets, ensure such policies are passed on to the partners of UN agencies.** In consultation with L/NGOs and INGOs, develop and disseminate clear provisions that outline the circumstances under which losses on humanitarian supplies (i.e. common pipeline goods) would be shared.



## A CAPACITY-BUILDING APPROACH TO RISK MANAGEMENT IN PARTNERSHIPS

### INGOs and UN Agencies

- **Increase secondments of staff to L/NNGO partners' offices, and vice versa, for better training (and working relationships).**

Staff secondments and exchanges are used extensively by some INGOs as part of their partnership strategy. "We help them recruit for financial positions, then they send that staff member to our finance office and work there for at least a month. Not only do they get trained, but they develop a relationship with [our] staff that they can use as a resource in future." Another INGO requires its country office staff (project managers, junior staff, grants managers, etc.) to dedicate 10 percent of their time to working with partners to build their capacity in their area.

- **Devote one project in the program portfolio specifically to cultivate new partners.** One INGO interviewee described a donor-funded project solely geared for identifying, training, and capacitating local partners to meet humanitarian needs in an environment of extremely limited access. It allowed for many new organizations to enter the sector, and the INGO was able to budget all necessary resources for them rather than struggle with the chronic problem of having "no big back office" to handle partner needs that had always challenged their projects in the past. Alternatively, INGOs and UN agencies can **build capacity strengthening into projects as a funded objective/outcome.** This allows project managers to prioritize and be accountable for partner capacity strengthening as part of their core work.
- **Repay access support with continuity support.** An INGO that often works in parallel with partners doing direct implementation sometimes begins by shadowing a local partner in new areas where the INGO is not yet registered. The L/NNGO thus helps enable access for the INGO, which provides the grant funding. Once the INGO gets registered and establishes formal presence, the INGO does not then drop the partner, but rather expands the program. This approach worked well for one particular INGO in both Afghanistan and Nigeria.
- **Act as partner, not police.** The use of regular collaborative audits, as opposed to investigations triggered by specific allegations/complaints, can help build trust in a collegial working relationship and diminish disincentives to reporting problems and irregularities that may arise. INGOs can reward transparency and the proactive reporting of problems by positive evaluations and technical support to address emerging issues. A representative of an organization that uses this model advised the following: "The

riskier the environment, the more investment you need to make in your partners. And accept that in some places you can't hold to the same standard, especially when lives are at stake. It should not be 'one strike and you're out.' Incorporate trust and learning into long-term partnerships."

- **Ensure partners' administrative costs are covered** in contracts, whether by overhead percentage or direct cost budgeting. **Refrain from payment solely by reimbursement (in arrears) or results-based mechanisms.** Many L/NNGOs noted that payment delays and associated cash-flow challenges led them to rely on negative coping mechanisms (i.e., bad accounting practices) which in turn increased fiduciary risks for their INGO and UN partners.

### L/NNGOs

- **Commit to transparency and improvement in risk mitigation within partnerships.** In negotiations with prospective international partners, request and expect an appropriate level of institutional support, and risk management inputs.

### Donors

- **Donors should cover the additional costs of risk management and compliance requirements in high-risk settings by including additional, field-based indirect cost recovery lines in project budgets.** This would mean that projects in high-risk areas, or where the NGO fundees are required to undertake extensive partner vetting/monitoring, would have additional overhead lines in their budgets. These would be applied as a percentage of project costs rather than as direct costs to ensure flexibility to meet changing needs, and flow to the field as opposed to HQ. Further, the budget lines for sub-granted partners in high-risk areas should have an indirect cost percentage applied that is passed on in full to the partner, to provide the partner with similar flexible support for risk-management and compliance needs.
- **Work with development donors and partners to mobilize resources and funding for L/NNGOs delivering assistance in partnership with INGOs. Bundle multi-year funding for institutional strengthening of local partners** alongside humanitarian funding with localization components to ensure sustained institutional capacity support and training and mentorship continuity beyond the lifecycle of a single humanitarian program cycle.<sup>38</sup>
- **Find ways (including amending existing domestic rules and regulations) to provide more direct funding to L/NNGOs** as per the World Humanitarian Summit and Grand Bargain commitments.

38 The Grand Bargain specifically references supporting multi-year investment in institutional capacities of local and national responders. The commitments note that capacity strengthening of L/NNGOs should be achieved through collaborating with development partners and including capacity strengthening in partnership agreements.



- **Encourage and support INGOs and UN agencies to ensure pass-through of Grand Bargain dividends beyond the primary recipient agency**, including through real changes to contracting approaches and fair overhead allowances.
- **Address the risk of severe humanitarian consequences of lengthy fiduciary investigations** by prioritizing program continuity/rapid resolution and making contingency plans for handover.

## STRENGTHENING SECURITY RISK MANAGEMENT

### INGOs and UN Agencies

- **Undertake joint security risk assessments with L/NNGO partners.** An Iraqi NGO reported that one of its INGO partners had undertaken a joint security risk assessment with the L/NNGO's staff, providing training at the same time. It allowed the L/NNGO to understand the INGO's risk management approach and to form good working relationships with the security focal point as well as benefiting from training on risk assessment and mitigation strategy.
- **Write additional security resources into partners' budgets and ensure that partner proposal guidelines include safety and security categories in project narrative and budget templates.** One challenge cited was that most L/NNGOs don't have a full-time security staffer and may not know what they can and should ask for. One INGO has a practice of providing additional communications equipment and will prompt their partner to ask for it in its proposals and budgets, as well as funding for security staff salaries.
- **Develop a menu of options and associated costing for L/NNGO security support at the country level which can be integrated into L/NNGO partner proposal development processes.** Many INGO and UN officials expressed reluctance to undermine institutional independence by requiring partners to account for security

costs. A menu that is integrated into standard partner proposal templates could encourage planning, more accurate costing, and safeguard organizational independence among L/NNGOs. The menu might potentially include security trainings, telecommunications equipment, guards, physical security enhancements to offices and field bases, and on-site technical assistance and mentorship.

- **Consider making basic security management training a component of partner onboarding processes, especially for new partners. If feasible, create a joint security responsibility framework** with L/NNGO partners (particularly regular/long-term partners) that formalizes the roles and duties of specific staff, the lines of communication, critical incident management, security incident tracking and reporting, and after-action reviews.

### L/NNGOs

- **Endeavor to more carefully consider security risks and the duty of care to personnel**, ensuring that staff do not assume high levels of risk for the sake of financial solvency.

### Donors

- **Require UN and INGO fundees to furnish security risk management plans** for all downstream partners (helping to create them if necessary), or else explicitly state that the INGO will cover all partners with its own security plan.

## COORDINATION

### INGOs and UN Agencies

- **Harmonize and uphold key partnership standards.** For example, at country level, jointly and in consultation with L/NNGOs, develop and agree on a harmonized set of standards and costs at a field level



Photo courtesy of Mercy Corps

for accommodation and per diems for local partners. Advocate to donors and UN agencies to ensure these standard costs are integrated into direct and indirect grants to L/NNGOs.

- **Reduce transaction costs for local partners by harmonizing the basic assessment tool.** Some INGOs in Syria realized that their L/NNGO partners were spending a great deal of time providing basic vetting information on their organizations to multiple prospective partners and having to repeat the exercise for each new organization and project. To address this inefficiency, they came up with a common shared tool so that the information would only need to be provided once. IASC partners should take stock of the current standard tools that exist among INGOs and UN agencies and see if they can be usefully replicated in their context (see Annex 1 for an example).
- **Explore possibilities for independent evaluation and/or peer review and learning at field level** on the changing risk landscape and risk management and mitigation approaches within partnerships. It was recognized by many INGOs that risk in humanitarian operations shifts with such velocity and frequency that it requires continual and collective monitoring and assessment. Such mechanisms for information sharing may help ensure crucial, risk-relevant information reaches decision-makers.
- **Support greater integration of, and information-sharing between, global compliance/risk units and country leadership** to ensure global early warning and control systems can detect emerging trends and are responsive to field realities.

#### L/NNGOs

- **Undertake a comprehensive salary survey among L/NNGOs at country level** to establish common and standard structures and advance more transparent and harmonized personnel costs. This could potentially be done through established NGO forums that include L/NNGO membership or other local coordinating bodies. Reflect agreed personnel costs structures in staff salaries for proposals to UN and INGO funders.

#### Donors

- **Recognize, endorse, and support risk management coordination initiatives and harmonized tools.** Coordinate with NGO partners in their development to ensure they meet or do not conflict with donor standards and requirements.
- **Set the standard (in your funding agreements and those of their downstream partners) of not paying on a reimbursement model,** recognizing that this creates undue financial and operational risk for all but the largest and best-resourced organizations.

#### All IASC Partners

- **Develop interagency analysis and information sharing on organizational risk** with a lens toward analyzing where risk is invisibly shared and/or has implications for strategic response management. Such assessment and analysis should be made collaboratively and could be incorporated at a relevant stage during the development of Humanitarian Needs Overviews and Humanitarian Response Plans.
- **As a first step to the above, cultivate a shared understanding of the different risk areas and how they interrelate with each other in the context.** Joint analysis requires that participants begin on the same page. Understanding concepts of integrated risk management will help humanitarian actors to recognize and set priorities for action. Peer reviews could play a useful role in developing this shared understanding.

### PRACTICING ETHICAL DUTY OF CARE

#### INGOs and UN Agencies

- **Support L/NNGO partners to establish self-insurance schemes for staff.** An INGO has stipulated in its partner contracts that \$42 per month per staff member will be put aside as insurance, so that six months of salary can be paid to a staffer or family members in the case of injury or death. In addition to providing funding for them in contracts, INGOs can encourage and advise partners on establishing and administering these self-insurance funds for their staff.
- **Provide partners with models of staff care and psychosocial programs.** One INGO that does this also mentioned sharing schemes for rotating R&R, staff relocation plans, and models where people can work from home if they need to hibernate. In addition, build in accountability for security risk by undertaking post-mortems of partners' incidents that include both the L/NNGO and INGO security staff, in the same spirit as the collaborative risk assessments and consultative audits.

#### L/NNGOs

- **Begin integrating staff insurance into personnel costs, drawing on practical guidance from INGOs** that adopt the same practice for their own national staff. Through national NGO forums, agree collectively to a common approach and timeline to begin integrating costs into funding proposals to both UN and INGO donors.





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## ANNEX 1

# INDICATIVE COMMON PARTNER INFORMATION TOOL

BASIC INFORMATION	MANAGEMENT CAPACITY
Organization name Acronym HQ address Director name Name of administration contact Date established Legal status/registration Current geographic area(s) of operation Past geographic area(s) of operation Mission statement Sector(s) of operation	Staffing structure (organigram) Security management staff, policies, and procedures Security incident reporting and tracking Financial management staff, policies, and procedures HR management staff, policies, and procedures Administrative management staff, policies, and procedures Logistics management staff, policies, and procedures Inventory management system Operational policies and procedures
GOVERNANCE AND TRANSPARENCY	FINANCIAL SYSTEMS AND CONTROLS
Board of Directors/Executive Committee Y/N Published annual report Y/N (upload) Annual financial statement Y/N (upload) Annual audit Website Y/N (link)	Annual budget Bank account(s) Computerized bookkeeping system Segregation of duties Cash controls and approvals Procurement policies
PROGRAMMING CAPACITY AND EXPERIENCE	ACCEPTANCE & REPUTATION
Sectoral and technical capacities Past projects (past 5 years). For each, list: <ul style="list-style-type: none"> <li>• Date of project start/end</li> <li>• Total budget</li> <li>• Donor/intermediary partner</li> <li>• Location</li> <li>• Number of beneficiaries reached</li> </ul> Monitoring capacity Program reporting capacity	Perception of community, acceptance & legitimacy Perception of organization by other organizations (NGOs, INGOs) Perception of organization by government authorities



# ANNEX 2

## PEOPLE INTERVIEWED

### GLOBAL/HQ

#### International NGOs and Consortia

Princess Bazley-Bethea, Manager, The Together Project, InterAction

Michael Bowers, Vice President, Humanitarian Leadership and Response, Mercy Corps

Emily Bussigel, Deputy Chief Compliance Officer, International Medical Corps

Andre Clerici, Risk Management Coordinator, Danish Refugee Council

Patrick Crump, Head of Partnerships, Save the Children USA

Áine Fay, President, Concern USA

Kay Guinane, Director, Charity and Security Network

Hibak Kalfan, Executive Director, NEAR

Rafael Khusnutdinov, Senior Director, Global Safety & Security, Save the Children USA

Andrew Kirkham, Corporate Security Manager, Christian Aid

Bob Kitchen, Director, Emergency Unit, International Rescue Committee

Frederique Lehoux, Humanitarian Partnerships Coordinator, CARE

Patricia McIlreavy, Vice President, Humanitarian Policy & Practice, InterAction

Tia Pausic, Senior Director of Awards & Measurement, International Medical Corps

Jennifer Podiatz, Vice President, Humanitarian Response, Catholic Relief Services

Lisa Reilly, Executive Director, European Interagency Security Forum

Kathy Relleen Evans, Hard to Reach (H2R) Ambition Coordinator, Norwegian Refugee Council

Amanda Schweitzer, Emergency Capacity Strengthening Coordinator, Catholic Relief Services

Brian Standley, Emergency Response Officer, CAFOD

Andrea Tamburini, CEO, Action Against Hunger

#### Donors/others

Joshua Kearns, Safety and Security Coordinator, USAID

Brigitte Mukengeshayi, European Union Directorate-General for Humanitarian Aid and Civil Protection, ECHO

Lynn Yoshikawa, Regional Representative, CaLP Americas

### FIELD

#### International NGOs

Jubril Agbolade, Government Engagement and Partnerships Manager, Nigeria INGO Forum

Alaba Agarau, Regional Finance Officer for Southern Africa Region, Catholic Relief Services

Mubashir Ahmed, Country Director, Pakistan, Concern

Albert Yusuf, Program Manager, International Alert

Thiri Aung, Program Director, Mercy Corps

Taiye Barbarinsa, Humanitarian Team Lead, Save the Children

Aude Bertrand, Emergency Response Manager, Catholic Relief Services

Matt Bessler, Head of Support Services, Tearfund

Gary Burke, Country Risk and Safety Coordinator, Polish Humanitarian Action

Jackson Christie, Partner Finance Coordinator, Catholic Relief Services

Gama Clement Quintin, Projects Officer-Partnership, Tearfund

Beata Dolińska, Head of Programmes, Polish Humanitarian Action

Neil Elliot, Whole of Syria Safety and Security Manager, CARE

Jerry Farrell, Country Representative, Catholic Relief Services

Joanna Garbalinska, Deputy Director, Nigeria INGO Forum

Beatrice Githinji, Partners Capacity Development Coordinator, World Vision

Philip Gunta, M&E Coordinator, Oxfam

Faris Habib Hanna, Safety & Security Coordinator, Iraq, Mercy Corps

Abdi-Rashid Haji Nur, Country Director, Somalia, Concern

Feras Hamdouni, Grants Manager, Global Communities

Michael Hatch, Country Director, Catholic Relief Services

Julie Hefner, Awards Coordinator, Save the Children

Ahin Issa, Senior Safety and Security Officer, CARE

Orin Jusu, Humanitarian Team Leader, Mercy Corps

John Kai, Security Officer, Danish Refugee Council

Zinnah Kamah, Head of Programme, Danish Refugee Council

Jacobus Koen, Program Development and Quality Assurance Director, World Vision

Mesfin Loha, Country Programme Director, South Sudan, World Vision

William Lynch, Consultant, Save the Children

Deepmala Mahla, Country Director, Iraq, Mercy Corps

Arshad Malik, Director, Programme Operations, Save the Children

Roisin Mangan, Policy Advisory, Nigeria INGO Forum

Ahmad Zia Mayar, Head of Risk and Compliance, Danish Refugee Council, Afghanistan

Fiona McLysaght, Country Director, Concern

Le Cao Minh, Manager, Strategy and Program Effectiveness, Habitat for Humanity International – Asia Pacific

Zuleim Mtaku, Operations Director, Catholic Relief Services

Jolene Mae Mullins, Country Director, International Medical Corps

Ballama Mustafa, Senior Liaison Advisor, Nigeria INGO Forum

Maclean Natugasha, Deputy Director of Programs, International Rescue Committee

Fred Njue, Head of Finance and Administration, World Vision  
 Deborah Obise, FSL Coordinator, Christian Aid  
 Tobias Oloo, Operations Director, World Vision  
 Patroba Otieno, Risk and Financial Specialist, World Vision  
 Aasish Ranjan, Field Site Coordinator – Ibb field office, International Medical Corps  
 Yahaya Shingo, Deputy Team Leader, Save the Children  
 Aromeo Sworo Sekwat, Research Fellow, Oxfam  
 Tonny Villy, Area Manager, Danish Refugee Council  
 Erin Weir, Senior Syria Crisis Advocacy Coordinator (Regional), CARE  
 Sirak Mehari Weldemichael, Head of Program, Norwegian Refugee Council  
 Tetyana Zaugolnikova, Area Manager-Mariupol, International Medical Corps

#### **NGO (local/national)**

Fadi Al-Dairi, Country Director, Hand in Hand for Aid & Development  
 Khamis Alfred Surur, Executive Director, Apt Succor  
 Panther Alier, Country Director, SAADO  
 Samah Bassas, CEO, Syria Relief Network (SRN)  
 Ann Darman, Borno State Coordinator Gender Equality Peace and Development Center (GEPaDC)  
 Majus Dominic, Executive Director, Trust Action Youth Association  
 Khalil el-Hamdan, Procurement and Logistics Officer, MARAM Foundation  
 Dawn Erickson, Twinning Project, ACBAR  
 Omer Jama Farah, Executive Director, Taakulo Somali Community  
 Dr Zia Ur Rahman Farooqi, Head of Program Planning and Management, National Integrated Development Association (NIDA-Pakistan)  
 Riing Garwech Kuol, National Director, Chiddo  
 Dr Nazir Ahmad Ghafoori, Director, Rehabilitation Association and Agriculture Development for Afghanistan (RAADA)  
 Gulliver Ishmael, Director, SEM  
 Soro Mike Hakim, Chief Executive Officer, SPEDP - Agency for Transformation, Peace and Development  
 Suleiman Mohamed Hassan, Communications Manager, Centre for Peace and Democracy  
 Shireen Wasab Hassan, Director, Kurdistan Relief Association  
 Benjamin John, Program Manager, Restoration of Hope Initiative (ROHI)  
 Usen Listowel, Program Manager, Chad International  
 Rev. Lexson A. Maku, Head of Mission, ACEM  
 Jaffar Mbugua, Programme Director, GREDO

Mohammed Hassan, Executive Director, HERWA  
 Gambo Mohammed, Executive Director, Tamaiko Community Development Initiative  
 Thomas Muto Samuel, Executive Director, Youth Technology Development Organization (YTDO)  
 Pius Ojara, Secretariat Director, South Sudan NGO Forum  
 Dr. Olatinuke Olayemi, Executive Director, Samaritan Care Initiative  
 Philip Onyango, Program Specialist, Hope Restoration  
 David Otim, Capacity Building Manager, The Conflict Sensitivity Resource Facility  
 Taban Paride Lokasmoi, Program Manager, Trust Action Youth Association  
 Muhammad Humayun Razmal, Program Operational Manager, Social Humanitarian Assistance Organization  
 Habu Kale Tijjani, Director, Bolori Youth Development Association  
 Paul Tombe, Programs Coordinator/FSL Manager, Stop Poverty Communal Initiative  
 Elizabeth White, Head of Analysis and Outreach, The Conflict Sensitivity Resource Facility  
 Lucy Dlane Yunana, Executive Director, Women in the New Nigerian (WINN)  
 Sajid Zabihullah, Executive Director, Afghan Planning Agency

#### **UN Agencies**

Nicki Bennett, Emergency Manager, UNICEF  
 Fiona Lithgow, Logistics Cluster Coordinator, World Food Programme  
 Diego Morales Barco, Programme Officer, UNHCR  
 Andrea Noyes, Deputy Head of Office, South Sudan, UN OCHA  
 Jochen Riegg, Head of Access/Civil Military Coordination, UN OCHA  
 Andrea Suley, Deputy Representative, UNICEF  
 David Throp, Head of Humanitarian Financing Unit, UN OCHA  
 Gillian Walker, Emergency Manager, UNICEF  
 Tigist Alemu, Humanitarian Affairs Officer, UN OCHA

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