

NGOs & RISK

MANAGING UNCERTAINTY IN
LOCAL-INTERNATIONAL PARTNERSHIPS

GOOD PRACTICE AND RECOMMENDATIONS
FOR HUMANITARIAN ACTORS



Humanitarian Outcomes

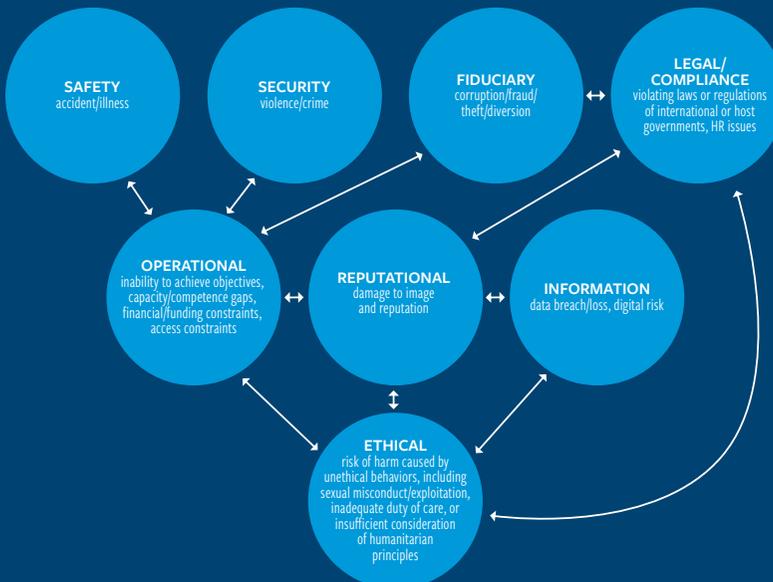
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RISK AREAS



This briefing paper compiles the recommendations from the 2019 reports of the research program *NGOs and Risk – Managing Uncertainty in Local-International Partnerships*, undertaken by InterAction with Humanitarian Outcomes. The recommendations derive from research at the global level and field case studies in South Sudan and northeast Nigeria.

Given the critical and growing role of local-international partnerships in providing humanitarian aid in high-risk settings, the study sought to examine the different types of risk faced by international NGOs (INGOs) and local/national NGOs (L/NNGOs), and how well that risk is jointly managed in their partnership arrangements. The study was made possible by funding from the U.S. Agency for International Development’s Office of U.S. Foreign Disaster Assistance (USAID/OFDA) and the participation and guidance of 10 aid organizations.¹

The study found that the demands of operating in contexts of high need and high risk, coupled with growing risk aversion in the sector, have distorted national-international partnership dynamics, resulting in greater risks, hindrances, and inefficiencies for humanitarian response.

The risk management systems and policies of INGOs, driven by increasingly stringent donor requirements, are heavily geared to mitigate fiduciary risk (i.e. the perceived risk to the INGO of mismanagement, fraud, or corruption in national/local partnerships). In contrast, the management of security and other types of risks in partnerships is often perfunctory, ad hoc, or absent. As a result of focusing on managing its fiduciary risks, the INGO can inadvertently transfer risks to the L/NNGO, which is compelled to take on security, operational, and financial risks to fund its work, while receiving inadequate institutional resources for managing them.

More broadly, the research concluded that some INGOs’ approaches to integrated risk management do not sufficiently encompass the partnership relationship. By treating the INGO as a “closed system,” these risk mitigation strategies fail to account for the risks transferred to L/NNGO partners. This can, in turn, create new risks for the partnership as well as the broader NGO community in a given context. The reports detail examples of perverse outcomes that can result, including 1) how INGOs’ fiduciary risk management policies can raise financial and operational risks for L/NNGOs, 2) how banks’ de-risking initiatives can raise operational and financial risks for all NGOs, and 3) how donor governments’ counter-terror policies and own fiduciary risk management measures can raise security risks as well as operational ones.

In sum, despite evident good will and a spirit of cooperation across the international and national NGOs in the study population, current structural incentives do not adequately support strong partnerships. Deliberate efforts are needed to realize a more active and effective approach to shared risk awareness and responsiveness in partnerships.

1 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.

The below recommendations follow from the two reports' findings on key areas for improvement and examples of good practice. Although the participant stakeholders and most interviewees for this review were INGOs, the findings at the field level in particular show that UN agencies and INGOs are partnering with a small cohort of preferred local partners. As such, many of the recommendations apply equally to INGOs and UN agencies, as indicated, while others are aimed at L/NNGOs and donors.

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/NNGOs

- **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 delivery 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/NNGO 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 on which *force majeure* clauses in INGO or L/NNGO 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/NNGOs 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.²
- **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.
- **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 prompts its partners to ask for it in their proposals and budgets, as well as funding for security staff salaries.

² 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.

- **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 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. Inter-Agency Standing Committee (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

- **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 administrating 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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