

Due Diligence Harmonisation: Learning and Reflections from the Due Diligence and Cash Capacity Assessment Harmonisation Project Lead

Overview

The Collaborative Cash Delivery Network (CCD) implemented a project in 2023-4 to develop a harmonised tool for due diligence of local partners. The pilot faced a number of challenges and was ultimately not able to reach its targets in the project timeline. However, it produced a due diligence assessment tool that received strongly positive feedback and generated useful learning for future innovation attempts. CCD's flexibility and willingness to share our tool has also supported other projects to build on it directly – moving forward what must ultimately be a sector-wide reform effort.

Additionally, through networking with other related initiatives as part of the project, a Community of Practice for Due Diligence Reform has been formed. This has already generated momentum with several meetings, the formation of a steering committee and a planned formal launch event. If this progress continues, the Community of Practice will represent a significant legacy for the project - as well as a further lesson around the non-linear pathways to innovation and the importance of flexibility.

The context

Localisation has long been acknowledged as a sector-wide priority, but despite pledges to localise aid, the proportion of aid going directly to local NGOs is actually going down¹. Burdensome due diligence procedures are consistently identified by local NGOs as a priority – with specific concerns including the burden on staff time, the need to carry out multiple assessments despite near-identical approaches across organisations, the level of detail required, and the judgemental attitude implied by the approach². Local NGOs also note that the training and capacity building they are offered is often focused on strengthening their ability to carry out due diligence requirements, rather than on technical capacity or programme leadership – in other words, it meets the needs of the INGO more than that of the Local NGO³. This is, therefore, a major priority for reform, which all parts of the sector must address to make real progress towards localisation.

At the time of development of this project, there had been a number of attempts to consider due diligence reform, particularly that led by the Start Network. This focused on introducing 'tiered' due diligence, which would replace a standard pass/fail model with an approach that would sort assessed agencies into three 'tiers', with agencies in tiers 1 and 2 able to secure smaller grants while those in tier 3 could access funding as previously. It was hoped that the model would also allow 'passporting' of due diligence among Start Network members – where one NGO agrees to accept the due diligence carried out by another in lieu of conducting their own. The approach

¹ CaLP Network (2023) The State of the World's Cash 2023; [Annual Ukraine Localization Survey 2024 - Refugees International](#)

² [Annual Ukraine Localization Survey 2024 - Refugees International](#)

³ Philanthropy in Ukraine (2024) Challenges and Needs Faced by the Ukrainian Non-Profit Sector [FULL ENG Challenges and needs faced by the Ukrainian non profit sector.pdf - Google Drive](#)

was later expanded to seek to reimagine due diligence on a more fundamental level, moving beyond compliance to better showcase local NGO strengths⁴.

Unfortunately, while this project had generated significant optimism, it had not had the sector-wide transformative impact that some had hoped. The CCD project team therefore felt that the time was right to trial different approaches. CCD felt that the close trust that we had built by working together on programming in multiple contexts could allow us to move progress on this challenging issue, and developed an approach focused on harmonisation of due diligence tools. This model offered two advantages: firstly, it would allow INGOs – often the blockage to reform – to retain control of their own assessments, rather than handing it over to others as with passporting; and secondly, it would cut administrative costs immediately for local NGOs, who could complete the harmonised tool once and share with multiple agencies rather than completing different (but highly overlapping) tools for each agency

If successful, the project could pave the way for passporting between participating agencies or for country-based certification approaches, as well as for harmonised capacity building. Similarly, while the focus of the project was on due diligence carried out between INGOs and local NGOs as part of humanitarian cash programmes, it had wider system implications.

The model and intended outcomes

With funding from the DEC, we hired a consultant to review the due diligence processes used by three to five CCD agencies working in Türkiye and North-West Syria. We later identified funds from the DEC to expand the pilot to Ukraine.

We planned to use a desk review and key informant interviews to develop a due diligence tool consisting of an excel-based questionnaire along with guidance notes and assessment framework. This would bring together the key aspects of the agency tools, which the participating agencies would then pilot over the course of several months. At the end of the pilot, if the tool was well received, we proposed making it available via the CCD website and promoting it via CCD country-based collaborations in other contexts.

A planned Phase 2 could then either attempt to piloting a passporting approach, or could look at harmonising capacity building to allow a higher quality of materials to be developed.

How it was implemented

A straw poll was conducted of CCD agencies to identify potential interest. Several agencies initially agreed to participate, although some dropped out and were replaced by others at the contracting stage. Ultimately, five INGOs agreed to participate across the three contexts: Action Against Hunger, Concern Worldwide, Oxfam, Save the Children International and World Vision International. This gave us the surety to proceed with the pilot.

	Türkiye	North-West Syria	Ukraine
ACTION AGAINST HUNGER	x		X (later dropped)

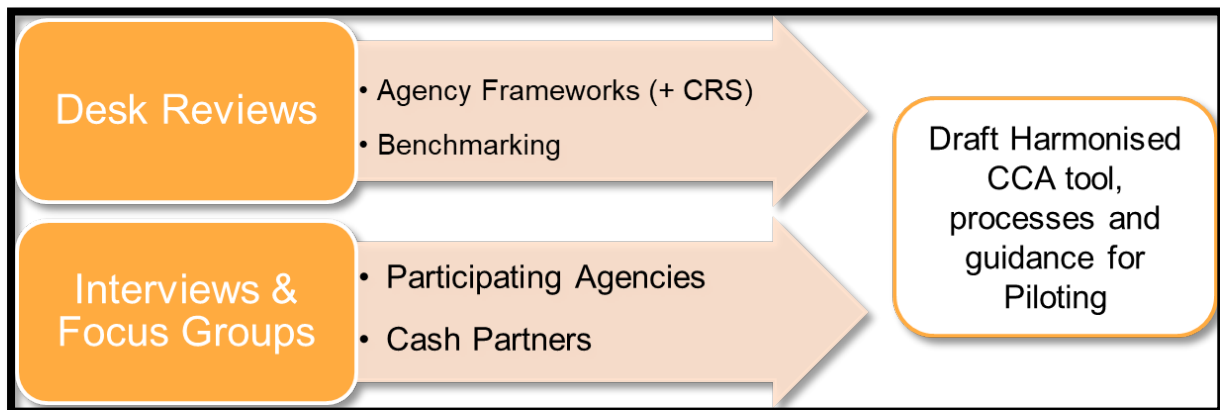
⁴ [Start Fund Localisation Pilot \(English\) | Start Network](#)

CONCERN WORLDWIDE	x	x	x
OXFAM	x	X (later dropped)	x
SAVE THE CHILDREN INTERNATIONAL			X (later dropped)
WORLD VISION INTERNATIONAL	X (later dropped)	x	X (later dropped)

In parallel, a tender was launched and BDO was identified as the successful bidder in May 2023. Although not the cheapest option, we felt that as an international audit firm, they offered the credibility that would be essential to convincing risk-averse compliance and legal departments to approve the pilot. Due to delays in contracting caused by the expansion of programmes to Ukraine, work did not begin until July 2023.

Over the remainder of 2023, the Consultant worked with INGOs to collate their existing tools for desk review, as well as carrying out key informant interviews with partnership and compliance leads at HQ and country level. Additionally, she carried out a focus group in each country to consult with local NGO partners of the participating INGOs to understand their needs and ensure the tool was able to meet them. Throughout these processes, both INGO and Local NGO representatives reiterated their interest in the project.

In addition, the Consultant reviewed other tools that had been developed as a benchmarking exercise, including the Humentum tool developed for Charter for Change, the approach taken by the Start Network, and that taken by the Somali NGO Consortium. While each of these had strengths, we believed that these did not meet our participants' needs. Nevertheless, the Consultant drew heavily on these models when developing the tool.



Based on the document review, interviews and benchmarking exercise a tool was developed by November 2023. This had a number of characteristics which we believed met participants' needs. These included:

- Tiered approach, with lower levels of compliance for non-funded partners and for smaller grants;
- Excel-based to avoid connectivity issues and ensure that the format would be familiar to most potential users;
- Accompanying guidance in plain English in a separate tab;

- Flexibility on documents to include and guidance on questions to ask to understand organisational practice if these were not available;
- Clear scoring and scoring guidance embedded in the tool; automatic scoring calculations to minimise error risk;
- Tab to include capacity strengthening plan.

We then entered a process of working with agencies to approve the tool for piloting. While we had strong initial support from World Vision, who piloted the tool North-West Syria, and Concern later were able to pilot the tool in Türkiye, despite engagement over several months the other three participating agencies were unfortunately not able to pilot the tool. ACF withdrew from the pilot due to an overlapping process of digitisation of their partnership model which they felt would cause confusion if rolled out at the same time. Oxfam and Save the Children were unfortunately unable to approve the tool for piloting during the project timeframe, partly due to challenges with HQ engagement and partly due to turnover at country level which removed key champions for the pilot.

The feedback we received from the agencies that did pilot the tool was positive, with users particularly keen on the tiered approach, the clear guidance and scoring, and the collaborative approach outlined in the guidance. However, the low usage level meant that unfortunately the project did not achieve its piloting objectives.

A New Phase in Collaboration

While the pilot outcomes were ultimately disappointing, the project nevertheless generated an important step-change in collaboration between NGOs on due diligence reform that ultimately may have significant impact.

Over the course of 2023 and 2024, it became apparent that a number of other collaborations were developing due diligence reform approaches. In particular, Charter for Change developed a Due Diligence passporting pilot involving seven INGOs and 42 local and national partners across nine countries, committed to moving straight to testing a passporting approach, while in Ukraine in particular agencies were developing an NGO certification platform that would take a similar approach. The Start Network's Ukraine Fund also developed a country-specific due diligence tool that further complicated the picture, while the LOCAL programme, funded by ECHO and led by DRC in West Africa proposed a passporting approach initially in Burkina Faso.

As the number of pilots became clear, the team became increasingly concerned about the risk of duplication or even of pilots inadvertently undermining one another as agencies struggled to decide which to participate in. Accordingly, we reached out to agencies leading these pilots and began making contacts and sharing learning. By taking an open approach to sharing our own learning and tools, we were able to build trust that led to a regular information sharing meeting for those working on this area in Ukraine. Following discussions with the leadership of the LOCAL project and a generous hosting offer from ICVA, this developed into a global Community of Practice on Due Diligence reform, which was launched in October 2024.

The Community of Practice now consists of 33 members representing 22 agencies attending quarterly practitioner exchange meetings, and a wider mailing list so far comprising more than seventy individuals who will be invited to larger meetings focused on information sharing and advocacy. These will be kicked off with a formal launch event in February 2025. The objectives of the group have been agreed as primarily information sharing, coordination, and mutual

learning, and secondarily wider advocacy focused on due diligence reform. A Steering Committee has been established, ensuring the group's sustainability, and Save the Children UK has been asked to co-host the group alongside ICVA as primary host. While it is still a new initiative, the clear enthusiasm from participants for collaboration bodes well for its longevity and impact – and if this continues, it will represent a significant legacy for this project that will more than compensate for the disappointment around the pilot.

Successes

Tool overall well-received: the tool received positive feedback from reviewers at every stage of development. Given the complexity of the topic and the number of agencies participating this is an impressive achievement. We have since offered to share the tool with ActionAid and the Ukraine Humanitarian NGO Forum, who plan to use it as a basis for a further due diligence pilot involving different NGOs based in Ukraine, and have contracted BDO to lead the work. This will cut costs and avoid duplication work and demonstrates that the tool's relevance to user needs.

Collaboration: the project's most significant success is ultimately one of collaboration through the establishment of the Due Diligence Community of Practice. The strong enthusiasm this has generated among participants demonstrates that it meets a need among the sector and bodes well for its sustainability. It has already contributed to sharing of resources in the form of our sharing our tool with Action Aid, and the participation of the Somali NGO Consortium and the Ukraine Humanitarian NGO Forum – and hopefully other local NGO groupings in due course – will enable it to amplify local voices. By bringing together agencies with strong voices for change, we hope that it will ultimately allow advocacy to donors and mutual accountability to deliver the deep and sustainable change we need.

Challenges and Barriers

Complexity and lack of buy-in: the most significant challenge the project faced was poor take-up by participating agencies. Ultimately, this can only have reflected insufficient buy-in, as well as the sheer complexity of the project meaning inputs from many different teams were needed to move forward. While one agency, ACF, withdrew due to a business change project that they felt was incompatible with the pilot, two others were simply not able to approve the tool for piloting within the project timeframe – something that could potentially have been further mitigated through additional investment of resources in supporting them through the process. Future projects in this area will need to ensure buy-in at multiple levels as well as the dedicated time to shepherd projects through the approvals process.

Management and Delays: While the decision to widen the pilot to include Ukraine allowed for a broader range of feedback, it did introduce substantial delays to the process, which were compounded by a confusing management structure. This initially included the project being managed by the in-country CCD Cash Coordinator based in Türkiye, who was not familiar with the project design, had a heavy workload that precluded prioritising it, and was not closely linked in with the Ukraine project or the CCD project team. To mitigate this, management responsibility was shared with a variety of other functions. Simplifying this structure and allowing the project to be managed by the Save the Children Humanitarian Transformation Lead helped things to move more smoothly.

Turnover: Partly as a result of the delays outlined above, in a number of instances the partner staff who initially supported the project had moved on by the time it was ready to implement – contributing to a lack of buy-in and ultimately challenges with approval.

Mandate: While CCD has expanded its scope of work significantly over the past years, delivering successful projects in a number of contexts that are not always solely focused on our original mandate of cash programming, it is undoubtedly true that this project pushed the envelope of the network’s mandate. With hindsight, given the complexity of the subject matter, this may have been an overly ambitious approach that meant we struggled to obtain the organisational-level and wider sectoral buy-in we needed to deliver change.

Competing Projects: a further challenge was the emergence of a number of projects working in similar areas, most notably the Charter for Change project. While this was developed in parallel with the CCD project, the delays faced by CCD meant that the Charter for Change project was consistently ahead of our own. While on one level this was unavoidable, it may have contributed to a sense that this project – focused on harmonisation rather than passporting – was not needed and ultimately to our challenges with buy-in. We hope, however, that by sharing learning through the Community of Practice, these projects will ultimately add up to more than the sum of their parts.

Conclusion

This project clearly did not meet its objectives, and the team must take significant learning from this. By sharing some of our lessons openly here, we hope that others will be able to draw further learning from our experience. If we are to move closer to reforming due diligence – crucial if we want to achieve our sector-wide localisation commitments – we must draw on lessons from every source in order to advance our objectives.

However, the project also has more positive lessons around flexibility and collaboration. By openly sharing the challenges we have faced and seeking to build trust and bring others together, we have been able to build a new forum for specialised collaboration that we hope will ultimately contribute to the sector-wide reform we seek. If the project has any one lesson, it may be this: innovation is non-linear, and sometimes new opportunities will arise which, if pursued, will allow impact to be delivered in unexpected ways.

Note: If you are working on due diligence reform and would like to be part of the Community of Practice, please contact l.gordon@savethechildren.org.uk