

Harmonisation of Due Diligence and Cash Capacity Assessment Processes

Background

Collaborative Cash Delivery Network (CCD) is a network of 14 INGOs that collectively account for the majority of humanitarian cash and voucher assistance (CVA) implemented by NGOs in the humanitarian sector. Established in 2016, CCD's mission is to improve the efficiency, scale, and speed of CVA by amplifying the impact of NGOs through inter-agency collaboration, thereby impacting the wider cash ecosystem. CCD provides CVA collaboration and innovation services to its members for effective, efficient, and accountable implementation of CVA.

Save the Children UK, Catholic Relief Services and World Vision jointly host the secretariat and resource the core team. CCD is governed through two bodies: a Board which provides strategic oversight on the effective governance of CCD and the Technical Advisory Group (TAG) that supports CCD in shaping and elevating key technical, programmatic, advocacy and policy-related issues. Since 2016, CCD has supported the set-up of six locally-governed country networks in Ethiopia, Nigeria, Uganda, Ecuador, Colombia, and South Sudan. Currently, it is responding to the Ukraine crisis and Turkiye/Syria earthquake responses

through shared services and project teams. The shared services team provides collaboration, technical advisory and capacity -strengthening services to its members and wider NGO community, while the project team drives the implementation of innovative inter-agency pilot programmes to test new approaches and pilot models, and to generate shared learning and evidence.

Context

CCD's international non-governmental organisation (INGO) members and local non-governmental organisations (NGOs). These partnerships leverage local NGOs' unique knowledge, expertise, and contextual understanding to ensure locally driven, culturally sensitive, and responsive aid efforts.

In rapid onset emergencies, like the Türkiye/Syria earthquake or Ukraine crisis response, CCD members aim to quickly onboard partners to deliver life-saving aid. However, the current process of onboarding new partners – i.e. due diligence and cash capacity assessment processes – requires significant resources and involves duplication among agencies adding administrative burden on response staff, including finance, compliance, and partnership functions, especially during

the scale-up of a response.

Limited capacity for lengthy partnership processes or lack of easy-to-use tools for assessing potential partners' capacity to carry out CVA programming might result in choosing in-kind assistance over CVA where CVA would otherwise be appropriate, or CCD member agencies might be forced to limit the number of response partners to reduce the additional administrative burden. This may result in poorer-quality assistance or the persistence of inequitable partnership models where national NGOs are unable to take on programme leadership. Additionally, inadequate coordination among CCD members in cash capacity strengthening can lead to the repetition of training for agencies, wasting time and resources. As a consequence, responses become less effective, less community grounded, and less flexible.

The Project

In continuation of CCD's interoperability agenda i.e. increasing interoperability of processes, systems, ways of working, governance, approaches etc, among member agencies to improve the operational efficiencies of the NGO model of CVA delivery that will increase accountability to affected people, CCD is implementing a Phase 1 pilot project to harmonise (1) due diligence and (2) cash capacity assessment processes among the participating CCD and Disaster Emergency Committee (DEC) member agencies within the ongoing humanitarian responses.

The project's expected outcome is streamlined and responsible partnership practices and processes that would reduce duplication and the administrative

burden of local partners while managing risks appropriately. Through this outcome, CCD aims to enhance the speed and effectiveness of emergency responses.

Initially, the Phase 1 pilot will be implemented in Turkiye, North West Syria and Ukraine. The pilot countries might be expanded in due course subject to funding and interest. A small number (3-5) of CCD and DEC agencies are invited to participate in the project and pilot in one or more countries. The member agencies can choose the country (or countries) in which to pilot the tools.

A selection of local partners will also be involved in the process to ensure that the tools and processes developed are informed by their recommendations and inputs. Save the Children UK is leading the project on behalf of CCD. External consultants have been recruited to deliver the project. A CCD project team will support the consultants in the delivery of the project.

In Phase 1, the project will achieve the outcome through 3 outputs which will be implemented over approximately 9 months:

Output 1: Harmonisation of Due Diligence Process: CCD and DEC agencies adopt a harmonised due diligence process to reduce the administrative burden on downstream partners, to promote a streamlined process and to set the foundation for passporting and certification process in phase 2.

Output 2: Harmonisation of Capacity Assessment Process: CCD and DEC agencies adopt a harmonised capacity

assessment process to reduce the burden on downstream partners, promote a streamlined process and set the foundation for passporting of capacity assessments.

Output 3: Learning, Dissemination, and Advocacy: CCD and DEC agencies use learning from pilot to scale streamlined and harmonised approaches to reduce burdens on local agencies in other contexts and responses, and to influence the wider NGO community.

Definitions

Due Diligence is defined as the vetting process by an agency on a potential partner to seek assurance that it is safe to partner with them and transfer funds to them. This process usually consists of an assessment of the organisation’s financial management and operational capacity, ability to manage a wide range of risks such as financial, reputational, safeguarding, fraud mitigation etc., their legal capacity to enter a contract, reference checks of the Board and senior management, etc. Additionally, due diligence is not a static, one-off process. NGOs carry out due diligence on their implementing and downstream partners periodically (approximately once in 3 years), as it is likely that the health of the partner organisation can change over time.

Due Diligence Harmonisation means the agencies agree to utilise a harmonised process and approach for due diligence. This could be a step towards due diligence passporting or exist independently. It could be used in limited contexts such as consortia or more widely. On its own, it would still benefit local and national NGOs by streamlining

the due diligence procedures they need to follow, but the time and workload savings would be much less than with passporting. For INGOs, the time savings are less, but they retain direct oversight, which may help build confidence as a step towards full passporting.

Due Diligence Passporting is when agencies agree to accept one another’s due diligence assessments in lieu of carrying out their own, either with or without spot checks. While this is not proposed in the current project it is a long-term ambition and we are seeking to move closer towards this goal.

Cash Capacity Assessment is a process of assessing the capacity of a potential partner to operationalise CVA. The focus on financial capacity and data management is higher due to the different risks associated with cash transfers. The assessments will also be guided by the national context e.g., compliance with Know Your Customer (KYC) rules is based on local regulations.

Rather than informing the decision of whether to partner at all, they are often carried out to determine the nature of the partnership and how any CVA programmes will be delivered. The capacity assessment also serves as a process to identify gaps or opportunities for capacity sharing based on which a training plan is developed. Most CCD members use a similar assessment process and deliver similar training programs to their downstream partners. This means that local partners must undergo the same assessment process and training as each INGO partner.

Harmonising this process and the assessment tool, and ensuring that they

adhere to best practices on responsible partnering could:

- Save time and reduce the administrative burden on local partners particularly when the response is scaling up;
- Increase CVA interventions where appropriate;
- Increase the choice of partnerships for both INGOs and LNGOs;
- Improve coordination among CCD members on training and reduce costs of developing and administering training at the agency level;
- Lead to better quality and equitable partner relationships;
- Lead to better quality training and capacity strengthening efforts based on what the partner needs rather than it being a tick box exercise.

Consultancies

Save the Children UK, on behalf of CCD, has contracted two consultants to deliver the project.

BDO, leading on the due diligence harmonisation workstream, is one of the leading providers of external consultancy, evaluation, and audit services to the United Nations, Directorates-General (DG) within the European Commission (EC), GAVI and Global Fund and other funding platforms. BDO's International Institutions and Donor Group (IID) specialises in serving the international donor community by providing donor advisory and assurance services across the globe, including evaluations, value-for-money consultancy, organisational assessments, technical assistance, financial and systems audits, certifications, internal control assessments and training.

Anne-Lise Dewulf, a senior humanitarian worker and trained evaluator with 12 years' experience in the humanitarian sector, will deliver the cash capacity assessment harmonisation workstream. In addition to working with various CCD agencies, Anne-Lise has been a regular researcher and consultant for research institutes (ODI, ALNAP) on a number of externally published research papers.

Scope of Work & Deliverables

BDO will deliver Outputs 1 and 3, while Anne-lise Dewulf will deliver Outputs 2 and 3 of the project.

A CCD project team will support the consultants with project management, i.e. activity planning, coordination, convening of meetings, co-facilitation of meetings where required, coordination with the participating agencies for submission of inputs and documents required by the consultant, and identification of agencies for piloting of the harmonised process.

Although due diligence passporting is out of scope for this consultancy as is using harmonised cash capacity assessments to inform coordinated or harmonised cash capacity strengthening, both consultants are required to approach this project as foundational for the passporting and cash capacity strengthening so they will consider the implications for phase 2 for all the deliverables under this assignment.

Finally, while each output will be treated as a separate pilot with a different set of participating agencies, both consultants will consider how their respective output interacts with the other outputs in their methodology and approaches.

Output 1 Deliverables:

1. Desk review & modelling of due diligence and cash capacity assessment harmonisation and passporting options.

a) Compare partnership policies, due diligence processes and tools of participating agencies drawing out commonalities and differences.

b) Produce a report with different models of harmonisation and passporting for consideration by the participating agencies; the report should include recommendations on a suitable approach to harmonisation and passporting based on best practices around responsible partnering.

Recommendations must also consider how the approach might apply to other CCD agencies that are not participating in this project. For the exercise, the consultant should also review the harmonisation and passporting approaches used by other agencies such as Start Network, Humentum etc.

c) Develop harmonised tools, processes and guidance in coordination with participating agencies and local partners.

d) Provide an approach to piloting harmonisation of DD process in Turkiye, Syria and Ukraine responses.

2. Brokering, change management and co-ordination: Hold a series of meetings (key informant interviews, group discussions, focus groups, workshops etc.) with the appropriate staff of participating agencies and local and national partners to:

a) Raise awareness of the project, scope,

pros and cons, set vision and unpack fears and trust issues among involved staff at all levels, and at key interagency fora.

b) Identify the concerns around harmonisation and passporting, and areas where trust needs to be built.

c) Find common ground in terms of what members can accept or addressing any red lines.

d) Identify what evidence is required for members to agree to a harmonised approach and process, and broker a harmonisation process with the self-selected agencies.

e) Identify the issues faced by local and national NGO partners in pilot countries and areas which can be addressed through harmonisation and passporting of DD processes.

3. Advice on and oversee the piloting of the agreed due diligence harmonisation process in chosen pilot countries.

4. Produce a learning report, and presentation materials and present at learning events, and other meetings with key stakeholders highlighting key risks and opportunities, and a way forward.

Output 2 Deliverables:

1. Desk review & recommendations for capacity assessment harmonisation and passporting options.

a) Compare capacity assessment tools and processes of all participating agencies and other industry standard tools like CaLP's OCAT, drawing out commonalities and differences. This might also

include consideration of steps involved in the partner vetting and onboarding process and the stage at which capacity assessments occur within the partner onboarding process.

b) Produce a report with recommendations on a tool that would meet the requirements of all participating agencies and considers implications for a partner. Develop a capacity assessment tool that has the buy-in from all participating agencies, and that builds on what is already available in the sector.

c) Make recommendations on a suitable approach to harmonisation and passporting including best practices around responsible partnering.

d) Recommendations must also consider how the approach might apply to other CCD agencies that are not participating in this project.

e) Provide a piloting approach and oversee the implementation of the pilot. Based on learning from the pilot, incorporate any changes in the tools and guidance documentation.

2. Brokering, change management and coordination: Hold meetings (key informant interviews, group discussions, focus groups, workshops etc.) with the appropriate staff of participating agencies to:

a) Raise awareness of the project, scope, pros and cons, set vision and unpack fears and trust issues.

b) Understand the concerns around harmonisation and passporting, and identify areas where trust needs to be built.

c) Find common ground in terms of what members can accept and red lines.

d) Identify what evidence is required for members to adopt a harmonised approach and tools.

e) Broker a harmonisation process that has buy-in from the self-selected agencies.

3. Advice on and oversee the piloting of the agreed capacity assessment process in pilot countries.

4. Produce a learning report, and presentation materials and present at learning events, and other meetings with key stakeholders highlighting key risks and opportunities, and a way forward.

Engagement

To deliver the project, each consultant will engage with the staff of self-selected CCD and DEC agencies (approximately 3-5 agencies).

During all project stages, the consultant must provide opportunities to local and national NGOs in Turkiye, Syria and Ukraine (at least 3 local and national NGOs) to input into the process and seek feedback on harmonised tools and approaches developed through this project. The consultant will also undertake broader engagement for the dissemination of learning and influencing.

- The participating agency staff will be from diverse disciplines like finance, risk, legal, compliance, and partnerships, senior decision makers from HQ and Country Office levels, as well as partner agency staff;

- As a part of the dissemination of the learning and influencing activities, the consultant is also expected to engage with CCD's Technical Advisory Group, and other senior stakeholders from CCD agencies to influence the uptake of the learning and recommendations across the sector;
- There are various initiatives across the sector which are aligned with the objectives of this project. The consultant is also expected to engage with those initiatives in delivering this assignment. The CCD project team will support the consultant in identifying other initiatives.

Duration of Consultancy

This project is funded until February 2025. However in order to allow sufficient time for piloting, it has a proposed end date of 31 December 2024. However, bottlenecks and slippages, or opportunities to deliver it sooner than the projected timeline, will be identified through effective project management. This will be discussed and agreed upon during periodic oversight meetings between the consultant and CCD/SCUK locals.

Project Delivery

Participation in the pilot project is open to CCD member agencies. For enquiries related to the expression of interest in participation in the project and for other project management matters, please reach out to:

Laura Gordon
SCUK Humanitarian Transformation
Lead, Project Design Lead:
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Management Oversight

An oversight group led by CCD co-lead and SCUK's Head of Humanitarian Transformation will provide the management oversight on this project. The oversight group, including the consultants, will meet regularly to provide quality control, to ensure that the implementation is in line with the project, to discuss and resolve any issues or concerns that may arise during the project, and course corrections where appropriate.

For wider enquiries and partnerships or to raise any concerns, please contact;

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