**Equitable Partnerships: towards a fairer sharing of compliance-related risks**

**Outcome paper by the co-organisers Charter4Change, the Red Cross EU office and VOICE.**

**This outcome paper summarises the key insights and proposals put forward during the discussion. It does not necessarily reflect the speakers’ opinions.**

Equitable partnerships are fundamental in the delivery of efficient, effective and dignified support to crisis-affected communities. Unlike traditional models of risk management, equitable partnerships emphasise strong communication to reach proportionate distributions of responsibility for various risks, such as security, legal, compliance, and reputational risks, among others.

Yet, current practices by donors often prioritise avoiding fiduciary and reputational risks, which ultimately transfer risks onto their partners. In addition, local actors and NGOs highlight a bias in funding and risk management modalities. Heavier reporting and assessment processes demonstrate a lack of trust in local partners. Concerns have also been raised by international organisations signalling that increasing compliance requirements and risk aversion can hinder incentives for equitable partnerships as they place heavy liability on those organisations and are thereby resource intensive.

However, by distributing risks more evenly, equitable partnerships promote greater impact and contribute to more effective resource allocation. Risk sharing between institutional donors, international organisations and local actors involves a collaborative approach to risk management. Achieving this requires all actors in the delivery chain to engage in trusted dialogue and mutual understanding.

In this context, Charter4Change, the Red Cross EU Office and VOICE co-organised during DG ECHO’s Partners’ Segment 2024, the session ‘Equitable Partnerships: towards a fairer sharing of compliance-related risks’. Bringing together representatives from local and national NGOs, INGOs, the IFRC Network and DG ECHO, this session aimed to contribute to the necessary above-mentioned collective discussion, focusing on compliance-related risks in the context of DG ECHO-funded programmes.

I. **Fostering common understanding: what are the impacts of the lack of risk sharing in partnership, and what are the main barriers to change?**

The session started with the presentation of the results of a survey, run by the co-organisers ahead of the event, to identify the main challenges related to compliance-related risk sharing. The survey received 63 answers, providing insights into the views of local and national NGOs, INGOs, and Red Cross societies.

Respondents shared various examples of restrictions and challenges due to compliance-related risk aversion, which can be summarized into the following categories:

- Difficulties in accessing funding
- Operational delays, compromising project quality and effectiveness
- Administrative burden, e.g. duplication of assessments and heavy administrative demands
- HR management-related issues, e.g. job poaching
- Cost of compliance, which can overstretch budgets
- Deterrence from engaging in partnerships, due to e.g. fear of bureaucratic hurdles and liability risk, leading to sub-contracting approaches.

At the same time, respondents highlighted that proportionate compliance in itself can positively contribute to fostering trust, a culture of transparency, good communication and accountability.
After the presentation of these results, DG ECHO acknowledged the need to strike the right balance for compliance and checks, and to reduce the cost of compliance while remaining under the framework of EU law and institutional rules. DG ECHO underlined their dual accountability towards both affected communities and EU taxpayers.

II. **Sharing Good Practices: change is possible.**

Dr. De Joseph Kakisingi, the President of CONAFOHD, a network of over 480 local and national actors in the Democratic Republic of Congo, emphasized the importance of identifying and addressing contextual risks collectively through peer-reviewed joint risk analysis. De-Joseph advocated for capacity strengthening among local partners to enhance their ability to manage risks effectively. Furthermore, he explained how survivor and community-led crisis response approaches can enhance risk management. These approaches, where flexible funds are allocated to community groups, involve community consultation, transparent fund transfer mechanisms, and locally chosen complaints management systems. The communities are involved in identifying risks and ideas for mitigating them. Lastly, De-Joseph emphasized the pivotal role that national networks like CONAFOHD play in facilitating dialogue among international and local actors, as well as supporting effective participation in coordination mechanisms. He noted that involvement in well-established national coordination networks has proved to help gain donor trust.

Iryna Boicheva, Head of Strategic Partnerships and International Relations at the Ukrainian Red Cross (URCS), explained how a conducive partnership environment has allowed the URCS to establish, over time, its own financing management mechanisms in line with international donor regulations. They shared that central to being able to steadily build up the necessary compliance structures and systems was the flexible partnership approach they enjoyed with the international counterpart. This created time and space to invest in risk management and develop a robust and lasting set-up. This allows the URCS to manage the great number and diversity of donors and partners since the onset of the recent crises in Ukraine. However, Iryna highlighted the challenges that the very different donor rules and procedures present, leading to different requirements from each partner the URCS works with. This makes it ultimately very cumbersome for local organisations, who are often placed last in the funding chain. Iryna concluded with the request for harmonisation of donor regulations to ease this burden and reduce duplications in reporting requirements.

Romain Sztark, Head of Multi-Country Grants Operations at the Danish Refugee Council (DRC), presented the DG ECHO-funded project “LOCAL: Lowering Compliance burdens for Local and national associations”, led by the DRC, in partnership with HQAI, ICVA and SPONG. The project aims to develop due diligence passporting processes and to enhance local and national actors’ capacity in dealing with those accountability processes through training sessions. Notably, Romain highlighted the need for joint approaches and collaboration with the broader INGO and donor community for due diligence passporting to deliver a critical reduction of the compliance burden.

III. **Finding a way forward: scaling up good practices.**

Friday Alhassan, Senior Humanitarian Advisor at Caritas Nigeria (CCFN), shared insights about the partnership modalities within the consortium with Caritas Germany and CAFOD in Northeast Nigeria. Within the consortium, CCFN is treated as an equal partner in the design of the activities and implementation modalities, which ensures adequate analysis of risks faced by their staff and programmes. This is reinforced by a participatory budgetary process wherein all staff, including at CCFN, are deeply involved in all aspects of budgeting. Joint and frequent activity planning between local and international partners promotes open communication and accountability regarding all aspects of programme delivery and risk management. The European INGOs that hold the contract with DG ECHO have consistently invited the national NGO partner, CCFN, into regular dialogue with DG ECHO. Reflecting on this experience, Friday emphasised the importance of donors like DG ECHO to make this kind of mutual accountability and direct dialogue a systematic part of their approach to humanitarian action and partnerships with national and local partners.
Instead of relying on the goodwill of individual INGOs, donors need to establish direct lines of discussion with local partners on the quality of their partnerships. Establishing consistent monitoring and assessing the quality of partnerships from the local partners’ perspectives would be key to ensuring these kinds of good practices happen consistently, rather than as exceptions.

Saskia Harmsen, Partnership and Local Humanitarian Leadership Lead at Oxfam, emphasized the complementary approach INGOs should adopt as intermediaries, building on existing local capacities, and leaving space for local and national actors’ leadership. She highlighted the central role of long-term partnerships based on quality funding and participatory approaches in setting up the right environment for risk sharing to happen. She emphasized that adequately resourcing the intermediary role of INGOs is crucial for advancing towards locally led humanitarian responses. For instance, dedicated in-country partnership teams, if well-resourced, can enable and support the success of the partnerships with local actors, serving as the cornerstone for high-quality and efficient collaborations and reducing the compliance burden on local actors.

Lastly, DG ECHO explained that its Guidance Note on the promotion of Equitable Partnerships was a first step in finding the right way forward. It includes important elements to support the better sharing of compliance-related risks, such as the request for certified partners to share overheads with their local and national partners, as well as the need to support common approaches to due diligence. However, DG ECHO pointed out that the transformation the localisation agenda intends to bring requires work and adaptation. As such, the Guidance will be monitored and will evolve as necessary. Notably, DG ECHO agreed on the need to pick up on the good practices and intends to support partners in that exercise.

**KEY RECOMMENDATIONS**

*from Charter4Change, Red Cross EU and VOICE, stemming from the Partners’ Segment discussions:*

1. We encourage DG ECHO to support the creation of regular, structured spaces for dialogue for local and national partners to directly exchange with DG ECHO on partnership quality, at both Brussels and regional/country levels.
2. DG ECHO and international partners must support local and national actors’ access to training, including DG ECHO’s training.
3. DG ECHO should engage with its international partners to further reflect on their role as intermediaries, to better understand their needs and support them in this new role, including financially.
4. International partners must collectively engage in a ‘community of practice’ to discuss what equitable partnerships look like in practice and how to better share compliance risks.
5. Overly stringent compliance requirements are increasingly shifting away resources from programs. DG ECHO, in collaboration with partners, should alarm other EU institutions that if the EU wants to remain a key humanitarian supporter worldwide, it needs to demonstrate flexibility and strike the right balance of compliance and checks, ensuring transparency and sound financial management while avoiding unnecessary and burdensome controls.
6. We advocate for enhanced recognition and support of the real expenses incurred for compliance by both DG ECHO-certified and local partners as vital for the efficient implementation and sustainability of our collective efforts. We believe that allocating additional funds to support staffing and strengthening capacity of local partners would significantly enhance aid effectiveness.
7. We strongly encourage DG ECHO to promote the harmonisation of donor regulations. Simplification through harmonisation of donors’ rules (i.e. DG ECHO and EU Member States) would support the effort towards reducing reporting requirements duplication at the implementing level, bring substantial efficiency gains, and ease the burden on organisations, allowing implementing partners to focus on key strong compliance mechanisms.