



A GLOBAL NGO NETWORK
FOR PRINCIPLED AND EFFECTIVE
HUMANITARIAN ACTION

Partner Capacity Assessments of Humanitarian NGOs

- Fit for purpose?

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EXECUTIVE SUMMARY

This study, which was commissioned by the IASC Humanitarian Financing Task Team, is a mapping of a variety of partner capacity assessments (PCA) tools and methodologies currently applied by different funders, including multilaterals, bilaterals and INGOs¹ in order to vet the suitability of prospective NGOs to receive and manage humanitarian funds in different contexts. The study is intended to contribute to policy discussions amongst funders and NGOs alike, leading to the establishment of recognized minimum good practices for partner capacity assessments applicable in different humanitarian contexts. Such good practices would be those which are able to strike a pragmatic balance between the need for due diligence, risk management and accountability and the transformative capacities of NGOs to make a long-term difference—especially national NGOs—in their own country settings.

Donors use PCAs to establish a comparable objective measure to assess a potential partner's capacity and reliability to manage funding for agreed programme interventions. The PCAs are also meant to put in place reasonable accountability assurances, which will guide subsequent resource transfers and operational modalities. NGOs recognize the need for donors to meet internal and external accountability requirements and to have assurances that funds are used efficiently and effectively in order to achieve defined humanitarian objectives. However, the existing diversity of assessments, the level of detail sought, the time requirements involved on the part of NGOs and the administrative burden on the funders themselves often take up already scarce resources. The level of detail required in the assessments may exclude otherwise important implementing partners that do not have extensive management and control systems in place. Moreover, criteria used by different donors regularly overlap and may not be equally relevant to every partner or context in question. Are partner capacity assessments, in fact, asking the right or most essential questions concerning the actual capacity of a NGO to perform within a given humanitarian setting?

PCAs mapped by this study appear to have become more demanding over the last few years, with a substantial number of questions being asked of NGOs, leading to lengthy processes that require substantial investment of time and resources by all parties². In addition, PCAs are often preceded by lengthy due-diligence requirements, which add further to the assessment requirements of NGOs. While there may be a range of rational reasons why these processes have evolved in this way, including an increased focus on accountability by most funders and back donors, the result is increasingly high administrative hurdles for NGOs. This is particularly the case for NNGOs that often have an interest in and access to key communities, and localized capacities for effective humanitarian action.

For many NGOs, the PCA processes appear non-transparent and difficult to prepare for, including the fact that NGOs may not know exactly how the information may be used by the specific funder, or indeed, whether sensitive information is shared with other funders. The consultant of this study also found it a challenge to find PCAs on donor websites and noted a lack of easily available guidelines to facilitate preparation for application processes. This lack potentially limits the effectiveness of the relevant PCA processes as a mutual tool for capacity assessment and partnership dialogue.

Though PCAs and, by extension, related due diligence procedures become a proxy for quality management, no clear correlation was found between in-depth partner assessments and increased quality of performance of vetted NGOs. In addition, no obvious link was found between the amounts of donor funding involved and the degree of scrutiny of the individual NGO in question, suggesting that assessment procedures in use are not always proportionate to the actual amounts of funding involved.

¹ The term INGO in this study may imply the INGO being a donor for an NNGO or an implementer in its own right. The term NNGO in this study means national NGOs in a given setting. The generic term NGO is used to cover either type of NGO, whether INGO or NNGO. The term funder is reserved for the entity making a decision about funding allocations to a NGO recipient and may imply a back donor or an agency responsible to disperse funding on behalf of a donor.

² This is particularly the case for the various pooled funds mapped by this study (e.g. the CBPF in Pakistan).

Most of today's PCAs and due diligence exercises seems to be based on the funder's intent to limit risk and establish full accountability for resources spent. Several respondents in this study found that financial accountability measures drive PCA and due diligence exercises with less focus on actual programmatic performance of the NGO in question. In addition, while many donors claim a willingness to invest in risky settings - provided that the risks are well managed - custodians of donor funds, including UN agencies and INGOs seem to assume that they must administer funding more rigidly due to accountability demands of back donors. The study has found examples of good practices where funders get together to discuss risk management issues in specific country settings. This has helped to encourage a dialogue on what risk and its management entails and how to coordinate risk measures better amongst funders.

The study found limited support for increased harmonization of PCA procedures if this translated to a common set of standards across the board. Most respondents feared that harmonization might further add to the rigidity of existing procedures rather than provide efficiencies, and that agency specific interests and mandates could result in yet longer lists of requirements. Moreover, the substantial variation in humanitarian country contexts would rarely benefit from a standard approach, which could ultimately further limit effective assessments of partners. There was, however, a clear interest in looking to simplify existing assessment procedures and agreement that many PCA tools currently in use should better take into consideration the unique characteristics of NGOs to avoid one-size-fits-all assessments. For instance, NNGOs, in particular, work on a smaller scale though they are often assessed in the same way as an INGO working at scale.

The study suggests that the predominant emphasis on financial and accounting systems, and management and audit capacity, while critical, runs the risk of effectively removing the focus from other, equally essential areas of assessment such as prospects for long term partnerships for transformational change beyond transactional service provision. Ultimately, this emphasis may reduce the role of NGOs to that of sub-contractors, or view them as risks to be managed or simply as transactional partnerships. Proponents of an alternative approach to partnerships³ argue that real world organizations in most cases operate in unpredictable and often messy environments, dominated by complexity and rapid change. In such an environment, focus must be on how to stimulate local organizations in ways that lead to transformational change, instead of treating them as small management entities implementing well-structured plans on behalf of external investors. This view also prescribes that putting in place numerous checks and balances will rarely lead to better results, beyond documenting how funds were allocated operationally and how they were reported back on.

The study has come across several examples of good innovative practices which are described in the main report. These offer alternative approaches to how partners are assessed by funders, how risks management is integrated into the assessments, and how to seek harmonised partner assessment criteria. The good practices include an example of a newly established European pooled fund, which has consciously minimized its partner assessment criteria to cut back processing time and increased speed of delivery. Finally, a collective INGO initiative still in its start-up phase intends to hand over funds and their management entirely to a national NGO consortium, based on a set of assessment criteria to be defined by NNGOs themselves.

A set of recommendations coming out of this study is proposed which are particularly directed towards the IASC Humanitarian Financing Task Team so as to help set the future agendas for upcoming NGO, UN agency and bilateral donor policy consultations in order to make PCA assessments more fit for purpose.

³ Root Change: New Directions in Local Capacity Development: Embracing a Systems Perspective, Nov 2013

Recommendation 1

PCAs and due diligence procedures should better reflect the principle of proportionality, particularly for NNGOs in smaller scale operations.

Recommendation 2

PCA and due diligence procedures should be made more accessible by fund providers and agencies, including through the development of simple graphical illustrations, process overviews and FAQs on their website.

Recommendation 3

To enhance understanding between funders and “fundees”, funders should make dedicated efforts to establish regular communication and dialogue with potential partners at country level about what is being assessed, why and how the information will be used.

Recommendation 4

In order to make possible collective fast tracking of humanitarian civil society funding INGOs and NNGOs must proactively coordinate needs assessments of national civil society organizations. This could be done by developing and implementing a shared set of recognized PCA criteria to be used as a baseline for potential donors.

Recommendation 5

UN agencies and INGOs at country level should routinely engage in dialogue and coordination efforts around applied risk management frameworks, led by the Humanitarian Country Team, in order to arrive at shared terminology and collective approaches to risk management, reducing unnecessary duplication and overlap.

This study has attempted to map a complex area of assessment procedures in use by a variety of funders for different purposes and targeting different types of organizations operating in numerous country contexts. It therefore inherently runs the risk of simply scratching the surface of complicated broader questions concerning how NGOs are being assessed and funded globally and under different policy frameworks.

The topic of PCAs will require more in-depth tracer studies of individual agency practices to allow for broader comparisons across agencies. Such studies should be presented to help inform future coordination and policy discussions and include innovative examples of how to collectively organize and manage partner assessments guided by a minimum set of "good enough" requirements, making them "fit for purpose."

The HFTT, which commissioned this study, should look for suitable avenues for raising these issues before the appropriate audiences, be that donors, funders and NGO representatives who can and will influence the future direction of partner assessments. That could include dialogue around future Principles of Partnership, the Good Humanitarian Donorship Initiative, the OCHA NGO Dialogue Platform, the Pooled Fund Working Group and the Future Humanitarian Financing initiative.

ABBREVIATIONS

CAFOD	Catholic Agency For Overseas Development
CBPF	Country Based Pooled Funds
CFSI	Community and Family Services International
DFID	Department for International Development
EU	European Union
GHDI	Good Humanitarian Donor Initiative
HACT	Harmonized Approach to Cash Transfer
HFTT	Humanitarian Financing Task Team
IASC	Inter-Agency Standing Committee
ICVA	International Council of Voluntary Agencies
IP	Implementing Partner
IRC	International Rescue Committee
KPMG	International Consultancy
OCHA	Office for the Coordination of Humanitarian Affairs
OFDA	Office of U.S. Foreign Disaster Assistance
NGO	Non-Governmental Organization
INGO	International Non-Governmental Organization
NNGO	National Non-Governmental Organization
PCA	Partner Capacity Assessment
PWC	International Consultancy
UK	United Kingdom
UNDESA	UN Department of Social and Economic Affairs
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNFPA	United Nations Fund for Population and Development
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Agency for International Development

1. INTRODUCTION

This study maps a variety of partner capacity assessments (PCA) tools and methodologies currently applied by multilaterals, bilaterals and INGOs in order to vet the suitability of prospective NGOs to receive and manage humanitarian funds in different contexts. The study offers different perspectives on the way donors approach PCAs and partnerships, and what drives them to do so, and it investigates the prospects of a future harmonization of donor approaches to partner assessments. Finally, an alternative view on capacity assessments and partnerships is offered, which represents a significant departure from the current assessment discourse, with fundamental implications for the design and application of future partner capacity assessments. See Annex 4 for the ToR for this study.

NGOs, particularly national ones, function in a variety of humanitarian contexts, and they differ widely in terms of focus, size of operation, level of professionalization, the stakeholder interests they represent, and their targeting of a variety of groups. Given their diversity and their ability to contribute to transformative change in their own countries, how does one assess, in a reasonable, transparent, and responsible manner, their capacity to manage financial and material resources made available by donors? Who is best placed to carry out such assessments, and which information is most essential to gather in order to establish an adequate understanding of the NGO in question, and what their support needs actually are? How much control can and should donors exercise over NGOs that often operate in highly unpredictable environments?

NGOs recognize the need for donors to meet internal and external accountability requirements and to have assurances that funds are used efficiently and effectively in order to achieve defined humanitarian objectives. However, the existing diversity of assessments, the level of detail sought, and the time requirements involved on the part of NGOs (and presumably the donor as well) often take up already scarce resources, and may exclude otherwise important implementing partners that do not have extensive management and control systems in place. Moreover, criteria used by different donors regularly overlap and may not be equally relevant to the individual partner or context in question. Are partner capacity assessments, in fact, asking the right or most essential questions concerning the actual capacity of a NGO to perform within a given humanitarian setting?

It is the hope that this study may contribute to future policy discussions amongst donors and NGOs alike, leading to the establishment of recognized minimum good practices for partner capacity assessments applicable in different humanitarian contexts. Such good practices would be those which are able to strike a pragmatic balance between the need for due diligence, risk management and accountability of back donors, and the transformative capacities of NGOs to make a long-term difference in their own countries.

The study was funded by the German Foreign Office, Task Force, Humanitarian Assistance and Humanitarian Demining, and commissioned by the IASC Humanitarian Financing Task Team (HFTT) under the co-chairmanship of ICVA and OCHA. A Technical Steering Group with representation of ICVA, OCHA, UNICEF, UNFPA, German Foreign Office and Handicap International assisted in scoping and supervising the study.

The consultant would like to thank all the various contributors to this study for sharing essential documents and for making themselves available for interviews. Observations made in this report cannot be attributed to the official views of the IASC Humanitarian Financing Task Team members individually or as a group. Any factual errors in this report are the sole responsibility of the consultant.

1.1 Methodology and limitations

The term PCA covers a wide variety of approaches, tools and steps that are often unique to the individual agency in question. Moreover, when applied in a specific country or sector context, the term takes yet other variations. The same range of definitions applies to what a donor understands by the term *partner*: a partner might be short or long term, the recipient of a one-off grant or part of an agency framework agreement, or a potential partner undergoing pre-qualification for programme funding. Underscoring the diversity of terminology surrounding partners or partnerships, a recent review of the management of implementing partners in United Nations system organizations concluded that:

There is no clear definition for partnerships in general or implementing partners in particular. United Nations system organizations use various terms and definitions depending on their business models and type of intervention. In addition to engaging IPs to deliver programmes, organizations enter into other, non-IP partnerships that do not involve transfer of funds. Organizations also establish arrangements with third parties, such as common services agreements or commercial service contracts, which may be perceived as partnerships.⁴

Consequently, PCA tools may contain substantially different types of information requirements, depending on the purpose and mandate of the specific donor and how the term *partner* is interpreted. The selected PCAs for this study represent multilateral, bilateral and INGO donors who in different capacities are responsible to assess and decide on funding allocations to NGOs in different humanitarian contexts. This study excludes PCAs designed as self-assessments and those intended primarily for the long-term organizational growth of a partner over time, which fall outside the scope of the study.

As mentioned, PCAs are applied by donors for a variety of grants of different sizes and coverage in different countries and contexts, including country based pooled funds, agency specific funds and other umbrella funds and grant facilities. A mapping will always be a simplification of a more complex reality, providing an overview of PCAs in use by various donors at given points in time. The diversity of the PCAs mapped in this study represents a methodological challenge, since they are, by nature, being applied for different purposes and under different circumstances. A comparison may, therefore, simply account for the fact that they were defined for different purposes and under different circumstances. However, a general comparison may potentially suggest a set of collective good practices across PCAs, which could be replicated elsewhere.

Following the mapping of PCAs, the study identifies cross-cutting issues and challenges for further discussion, including the potential of increased harmonization of PCAs and some examples of how approaches to risk management may influence the design of PCAs. Finally, the study offers an alternative perspective to partner assessments, questioning whether the predominant PCAs are seeking and capturing the right aspects of the capacity of partners to perform and contribute to transformative change in given humanitarian settings.

⁴ UN Joint Inspection Unit: Review of the management of implementing partners in United Nations system organizations, 2013

2. PARTNER CAPACITY ASSESSMENT MAPPING

2.1 Mapping categories and findings

The mapping covers multilateral, bilateral and INGO funding mechanisms primarily targeting NNGOs. It also involves funding arrangements where INGOs may act as donors or intermediaries for other donors before funding reaches the NNGOs in question, or even INGOs who may qualify to apply for funding from other INGOs. In annex 1 a more detailed screening of the mapped funds of individual agencies is provided in order to point out specific features and design components and their interrelationships.

The table below explains the categories used for the mapping. A mapping of individual donors follows on the next page.

Categories	Explanation of categories
Type of funding framework	Name or type of the funding framework, whether pooled, agency specific, partner agreement, global or country specific funding.
Funding range	The average amounts involved per applicant. This may differ according to whether funding is allocated annually, per grant or sometimes even without any cap.
INGOs/NNGOs	In most cases INGOs and NNGOs are both able to apply, though they may be assessed differently in practice and at different points, whether at HQ or country level. Sometimes the fund in question may also target other organizations such as UN agencies, government agencies or private service providers, which tend to result in more generic PCAs.
Pre-assessment steps	This includes the steps that may be taken by a donor before an actual organizational PCA is conducted. This could include registration, due diligence procedures or development of risk management frameworks or a combination.
Partner capacity assessment areas	This is a summary of the key assessment areas in use for that particular fund or donor. Whether the PCA is conducted partly or fully depends on the country context and outcomes of pre-assessments leading to risk ratings of partners.
Use of proxy indicators	This describes whether and to which extent agencies may make use of available sources of information from other donors or public sources to triangulate data or in case data is hard to come by.
Who conducts assessment?	Distinguishes whether this is done by the agency itself or through a third party. Typically, agency conducted assessments require in-country capacity and familiarization with the context, including for physical verification visits. In other cases, only third party may be possible, or desired for impartiality reasons or due to the security situation.
Processing time	Average processing time covers the period from initiating contact between an NGO and a potential donor until an actual funding decision is made. It does generally not include the time period involved between approving and actually releasing funding, which may take considerably longer.
Organizational development support	Financial resources made available to applicants may often be purely for agreed contractual programme implementation for a specific call. However, some donors may also be willing to provide funding for general organizational capacity development support of the applicant outside the programmed funding. Or funding is provided as a combination between the two.

This mapping is followed by an analysis and a discussion of some of the more significant variations around the use of PCAs, including how the way a donor views a partnership may substantially influence the design and application of PCA tools in practice. The analysis also offers reflections by individual resource persons interviewed for this study on the overall usefulness of the PCAs, and how transparently they are being applied from the point of view of the applicants.

Partner Capacity Assessment Matrix

Agency	OCHA	UNICEF (HACT member)	UNFPA (HACT member)	UNCHR
Type of funding framework	Country-Based Pooled Funds (CBPF)	Programme Cooperation Agreement (PCA) Small scale funding agreements	Implementing Partner Agreement (IPA)	Project Partnership Agreement (PPA)
Funding range	\$200,000 - \$750,000	Programme Cooperation Agreement > \$50,000 annually Small scale funding agreement < \$50,000	No cap	No cap
INGOs/NNGOs	INGOs/NNGOs	INGOs/NNGOs	INGOs/NNGOs	INGOs/NNGOs
Pre-assessment steps	<ul style="list-style-type: none"> • Risk mgt framework • Registration & declarations 	<ul style="list-style-type: none"> • Core values assessment • Partner declaration • Self-identification Profile 	<ul style="list-style-type: none"> • Partner selection • Partner registration 	<ul style="list-style-type: none"> • Partner declaration signed • Partner registration
• Partner capacity assessment areas	<ul style="list-style-type: none"> • Fully fledged PCA for high risk; • Organizational information; • Technical capacity; • Funding information; • Coordination & partnerships; • Financing management; • Human resources; • Logistics; • Monitoring & evaluation 	<ul style="list-style-type: none"> • Partners are assessed for their ability to deliver programme results in the country context as part of partner selection. • Micro assessments are required for partners receiving more than \$100K per year, looking at: • Implementing partner information; • Funds flow management capacity; • Organizational structure and planning; • Accounting policies and procedures; • Internal audit procedures; • Financial audit procedures; • Reporting and monitoring capacity; • Information systems; • Procurement policies and procedures • Until the micro assessment is completed the partner is assumed to be high risk. 	<ul style="list-style-type: none"> • Partners are assessed for their ability to deliver programme results in the country context as part of partner selection. • For all IPs receiving more than 100k per programme cycle micro assessments are required, refer example of UNICEF. • Under UNFPA's Fast Track Procedures, PCA can be postponed. 	<ul style="list-style-type: none"> • At discretion of CO may include: • Sector expertise and experience; • Project management; • Local experience, presence and community relations; • Own contribution of resources; • Security considerations; • Cost effectiveness; • Experience working with UNHCR

• Agency	• OCHA	• UNICEF (HACT member)	• UNFPA (HACT member)	• UNCHR
• Use of proxy indicators	<ul style="list-style-type: none"> • Yes, at discretion, e.g. • Past CBPF performance; • Assessments by other donors; • Existing other partnership agreements; • Demonstrated country experience; • Access to priority locations; • Recommendations from clusters 	<ul style="list-style-type: none"> • Yes, at discretion, with prior approval by HQ 	<ul style="list-style-type: none"> • Only where a micro assessment is not mandatory because of low materiality 	<ul style="list-style-type: none"> • Yes, at discretion, e.g. • Past performance in country; • Other donor assessments; • Other partnership agreements; • Sector track record; Access to communities; • Cluster information
Who conducts assessment?	<ul style="list-style-type: none"> • Mostly third party, except proxies done by staff 	<ul style="list-style-type: none"> • Core value assessment and assessment of partner ability to deliver programmatic results by UNICEF staff. Micro assessments always by third party 	<ul style="list-style-type: none"> • Mostly third party, except proxies done by staff 	<ul style="list-style-type: none"> • CO staff
Processing time	15-60 days	No standard	No standard	40-50 days
Organizational development support	No	For NGOs, yes, which is seen as part of partnership. INGOs are expected to cover own capacity development needs.	IP assessment is used to identify risk and capacity levels and gaps. UNFPA can work with partners to develop specific capacity development actions depending on feasibility and resources.	Is considered as integral part of PPA

Agency	START Network	Concern/OFDA	IRC	CARE
Type of funding framework	Rapid Response Fund	Pakistan Rapid Fund	Emergency funds	NNGO pilot funding Syria
Funding range	Up to £300,000 per member agency	\$5,000 - \$300,000	No cap	\$20,000-70,000
INGOs/NNGOs	INGOs/NNGOs	INGOs/NNGOs	INGOs/NNGOs	NNGOs
Pre-assessment steps	DFID's RRF risk criteria are prequalification: <ul style="list-style-type: none"> • General eligibility; • Geographic reach and technical expertise; • Technical and logistical capability; • Administrative and financial management; • Results and value for money; • Accountability and beneficiary participation. 	<ul style="list-style-type: none"> • Organization must be legally registered by Gov. of Pakistan • At least two years of previous experience in humanitarian work • Have completed a recognized external audit. 	<ul style="list-style-type: none"> • Partner snapshot tool; • Management practices; • Budget and work plan comparative review; • Financial resources; • Account management; • Controls over cash; • Procurement; • Inventory management; • Human resources; 	<ul style="list-style-type: none"> • Organization must be legally registered • Organization must operate in priority areas • Must subscribe to CI values
Partner capacity assessment areas	Once funding approved, members apply own capacity assessment procedures in the relevant country setting	<ul style="list-style-type: none"> • Organizational details • Finance staff capacity; • Track record; • Needs assessment; Coping mechanisms; • Beneficiary selection criteria; • Activities and implementation arrangements; • Coordination; • Risk management, Security and Safety; • M&E plan; • Participant protection policy; complaint response mechanism. 	<ul style="list-style-type: none"> • Depends on the specific emergency and more focused on contextual needs 	<ul style="list-style-type: none"> • Governance setup • Management capacity • Programme performance and capacity • Accounting Systems • Internal Controls • Inherent risks <p>Following successful pilots, partner may qualify for bigger funds requiring more expansive PCAs</p>
Use of proxy indicators	At member discretion	Yes, may coordinate with humanitarian cluster and regional government authority on case-by-case basis for verification	Yes, at discretion of local field office	Yes, coordinate with UN, INGOs for triangulation
Who conducts assessment?	Members of START network themselves in relevant country setting.	Own staff	Own staff	Own staff
Processing time	Within 7 days	15 days	Varies	1-3 months
Organizational development support	At discretion of individual members	Yes, though main focus is on provision of funding to organizations already able to respond rapidly during an unfolding emergency	Indirectly, though agencies are expected to be operating at a certain capacity when contracted	Yes, most pre-selected partners receive training in relevant areas identified during assessment

Level of detail

A clear trend observed amongst donors is the move from project level or traditional delivery point assessments to broader organizational assessments of partners. Donors nowadays insist on systemic insights into the general operations of implementing partners beyond pure logistical service delivery capacity on-site. The two top runners are the HACT micro-assessment, which contains a total of 130 questions, and OCHA, which asks 59⁵ questions in its fully-fledged assessment. Amongst the funds assessed in this study, pooled funds and joint assessment frameworks are more substantial than single agency administered funds. INGOs tend to ask fewer questions, many of which are more open-ended with on-site follow up.

Application of PCA in overall assessment process

As mentioned in the introduction, PCAs may be applied at different stages in the entire assessment process. They may also be supported by assessment prior to the PCA itself, as well as through follow-up assessments subsequently. OCHA's CBPF are administering PCAs as a pre-qualification step for potential NGOs before issuing calls for proposals. That means that following a generic organizational PCA, another round of project proposal assessment takes place subsequently, based on technical or programmatic criteria, which may be equally substantial. In the case of OCHA, whereas the PCA process is under the sole responsibility of OCHA as manager of the CBPF mechanism, the project review process is a collective effort supported by multi-stakeholder technical and strategic review committees where NGOs are also represented. Other agencies, such as UNICEF, UNFPA and UNHCR issue calls for proposals without a substantial pre-qualification process, beyond registration and legal verification. Instead, the specific assessment criteria of the partner are defined for the individual call in question and are integrated into one overall assessment.

Another variation is found with Concern Worldwide in Pakistan. Here they invest significant staff efforts in identifying and building relations with potential local NNGOs in risk-prone areas for disaster preparedness without a promise of funding. This, according to them, helps them in situations when disaster strikes as they have already vetted several local partners whom they have found suitable, and to whom they may subsequently distribute funds or materials. They also opt to conduct more regular visits to supported NNGOs during implementation, thus reducing the need for major organizational assessments and due diligence of partners in advance. Whereas this is possible to do for agencies with sufficient capacity on the ground, it may be beyond the reach of funds or donors without personnel in place to follow up through physical visits.

Scoring or narrative assessments

The majority of PCAs are formulated as structured questionnaires with broad categories of assessment areas. Assigned scores are typically on a scale from 1-5, resulting in a final average score. As for risk assessments, a low score does not in itself lead to disqualification, but may inform operational modalities of the individual partners. Scoring systems may be supplemented by statements describing a certain developmental stage of a local partner, from emerging stage to mature partner stage. Other PCAs are of a more narrative nature, where the applicant fills in general information relevant to a specific call as a self-assessment, which is subsequently assessed by the donor in question. The narrative form is often seen as the basis for a more detailed partner conversation about setting future common goals and not an end in itself. Self-assessments by partners would in most cases require follow-up verification visits by the donor or representatives to be considered effective.

Application of risk ratings

PCAs administered are often supported by a risk rating system for potential organizations in a specific country context as in the case of OCHA, or a global risk framework as in the case of HACT. The risk rating frameworks will inform subsequent risk rating calculations of potential partners. A high risk rating of a partner does not lead to disqualification, but would inform

⁵ According to OCHA, the 59 questions are not compulsory, but guiding country based fund managers. Moreover, the current system of OCHA was introduced in Feb 2015, and OCHA is therefore expecting a number of adjustments in the coming period as lessons and good practices are harvested with its new CBPF system.

operational modalities and compliance requirements. Risk frameworks were particularly used by OCHA for CBPF and by other UN agencies under the HACT agreement.⁶

Use of proxies

In particularly challenging environments, agencies make regular use of proxies in the form of assessments carried out by other donor agencies or using government information, if at all available, to support their own analysis. Though this was not seen by respondents as a substitute for assuming agency accountability, proxies may be used to inform risk management frameworks and to triangulate data. OCHA respondents informed that they regularly turn to other assessments to inform their assessment process, as did UNICEF and UNFPA. UNICEF and UNFPA country offices occasionally allow other assessments in place of micro assessments, subject to HQ approval.

In the case of INGOs interviewed, they might also share information, though not as a standard feature. Accessing proxies from assessments done by other parties was not a structural feature of PCA processes by agencies, but more a "useful to know" source of information to be accessed at the discretion of individual country offices. Especially in high-risk environments, using proxies was by many seen as a necessity due to lack of mobility or capacity on the ground, and less as a way of wilful harmonization.

Third party service providers

Another clear trend is the use of professional third party service agencies for assessing NNGOs. Third party service providers may be seen as the best option either because of the security situation and/or due to lack of agency personnel in the specific country. It is also used in order to ensure objectivity of the individual assessment by the funding agency in question. For the micro assessment under HACT and the CBPF of OCHA, third-party assessments is the norm. OCHA, for instance, is using KPMG in Somalia and Afghanistan for NNGO applicants, whereas DFID contracted KPMG to carry out a pre-grant due diligence procedures for all applicants of the DFID funded Global Poverty Action Fund.⁷ INGOs generally make use of their own staff for all assessments.

Desk study or physical verification

The PCAs mapped were administered with varying degrees of verification measures in place. Some donors requested partners to share substantial amounts of information in advance which would subsequently be analyzed and inform a follow-up physical verification. Other assessments were executed as desk studies, complemented by other proxies, especially in high risks contexts with limited access to agency personnel. A good number of INGOs, including CARE and Concern would go to the partners and conduct a collective assessment with intended learning elements incorporated as a way to inform capacity development support as well. For INGOs, the choice of execution of the individual PCA and the amount of physical verification for follow-up would also be informed by the maturity of the partner in question.

Assessment at HQ or country level

PCAs carried out by UN agencies are generally applied at country level, for NNGOs and INGOs alike. Some INGOs with already well-known international networks and global setups find this procedure unnecessarily bureaucratic and often lengthy. They consider HQ assessments more appropriate, as they operate under the same brand globally and thus, presumably, are able to administer the same quality management at their field locations. UN fund administrators, however, point to the fact that they want to treat all applicants equally and that the capacity and management teams of INGOs is far from uniform between countries, which necessitates country-level PCAs for verification.

⁶ See also discussion on risk appetite and risk management later in this study

⁷ See for instance: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214019/Pre-grant-due-diligence-guidance.pdf

Degree of flexibility

The CBPF PCA of OCHA and the micro assessment of HACT appear more rigorous compared to those of INGOs. However, in the case of OCHA, for instance, the study found that fund managers are often applying PCA procedures quite flexibly, as defined by the individual country context. For HACT, the micro assessment is compulsory for all partners above \$ 100,000. Whereas a global set of guidelines would be a common starting point for most agencies, country offices are occasionally allowed considerable discretion in their interpretation and application of the guidelines. For example, according to interviewees, OCHA's fully-fledged list of PCA areas would only be considered a starting point, not a *fait accompli*. For UNICEF, country offices may replace the micro assessment with another comparable assessment, provided approval from HQ. INGOs providing funding to NNGOs would assign more flexibility to country offices to administer PCAs according to the relevant context. An exception to this general trend for INGOs would be when back donors demanded full compliance at all operational levels, including in individual country contexts, as was the case for USAID funds.

Processing time

The processing time for partner assessments from start to finish varies considerably and will depend on the type of funding involved, the duration of a supported intervention, the amount of resources involved, and the capacity to process applications in country. Shortest processing time was found for the Pakistan Rapid Fund and the Rapid Response Fund of the START network. Typical processing time for other funds or grant systems was between 1 and 3 months. For decentralized agencies, the processing time would be entirely dependent on the individual country office. The majority of agencies did not systematically monitor processing time from start to actual release of funds, though many indicated an intention to do so via various web-based dashboard systems. OCHA and some other agencies are currently in the process of setting up web-based data management systems which in the future would be better able to track individual and aggregate applications and processing time as important performance indicators.

Organisational capacity development support

Whether capacity development is part of the funding package for the NNGO in question is another feature that distinguishes various funds. For smaller NNGOs with rudimentary organizational infrastructure, they often find it hard to qualify for funding and to comply with reporting requirements. UNICEF and UNFPA do provide small-scale capacity building support to NNGOs considered not yet fully capable to qualify as long-term partners. Most INGOs providing grants to NNGOs generally recognize the need for and fund organizational capacity development support, not just for compliance reasons, but also to help the NNGO access other funds and mature as organizations. Other funds such as OCHA's CBPF do not provide any organizational capacity development support to applicants, which is outside their current mandate.⁸

2.2. Key observations and issues of contention

Common features of mapped PCAs

Overall, the PCAs mapped have a lot in common and could, in principle, be adapted across the board through wider sharing of good practices among agencies. The following broad categories dominate the mapped PCAs:

- Legal registration and governance
- Organizational information and structure
- Financial management capacity
- Procurement policies and procedures
- Logistics systems and quality control

⁸ OCHA has informed that it plans to shortly embark on developing a training framework for CBPFs stakeholders, which also envisages specific trainings for NNGOS and developing as well some ToT capacity to disseminate further training to local actors.

- Accounting and auditing capacity
- Qualified and reliable human resources
- Technical capacity in relevant sectors
- Access to priority locations and community relations
- Track records from similar work
- Coordination with other funders and network partners
- Monitoring and evaluation capacity

The major variations among the PCAs reviewed depend on the level of detail under each category, the country context, to which extent the PCA is preceded by other due diligence exercises, the assigned risk level which often determines the extent to which the full PCA is administered, and individual agency mandates. As far as asking the right question is concerned, aligning partner capacity assessment procedures should, in theory, not be an insurmountable challenge.

This is true if one considers only the content of the questions. But as one respondent suggested: "It is not just about the tools, but also everything happening around them, including politics, protecting turf and ignorance." This begs the question of whether a harmonized set of partner assessment criteria would in itself solve the problem of duplication, increasing administrative procedures, and time invested in compliance exercises on the part of funding agencies and NGOs alike. Because the design of a PCA tool depends on "everything happening around," it is, among other things, heavily influenced by how the funder looks at the term partnership and how the partner is perceived.

Transactional or transformational partnerships?

For many respondents, a core issue was the types of partnership sought by funders, the power dynamics involved, and how this influences the type of PCA administered. Some respondents felt that the predominant design and execution of many current PCAs, by default, limits the prospects of stimulating transformative partnerships. Instead, the PCAs suggest that local partners are primarily assessed according to whether they fit in or comply with a set of contractual requirements defined by the funder in question, with limited dialogue possible about what a partnership could look like.

The issue of whether or not to provide capacity building support to local NGOs would, according to some interviewees, ironically increase risk, not only for the funder in question, but also for the applicant who may initially qualify for funding but later seriously struggle to administer the grant or funds subsequently. According to one interviewed NGO, one UN agency which did not provide financial management capacity support of NNGOs sometimes did, in fact, end up hiring other service providers to assist in the proper management and reporting of their distributed funds so as to bring down the number of non-compliance cases during external agency audits.

Assessment level of detail

The issue of how much data is needed in order to make a proper partner assessment was regularly brought up by funders and applicants alike. One funder observed that the organizational capacity assessments of partners continue to expand in quantitative terms, without necessarily leading to better qualitative assessments. Despite the widespread use of detailed PCAs within the humanitarian sector, suggesting sophistication and thoroughness, there is, in fact, little well-researched evidence that more thorough assessments lead to stronger partnerships or more impact for that matter.⁹ One UN agency respondent offered the explanation that lengthy assessment tools are being the result of several agencies coming together under the banner of harmonization, trying to agree on one common tool. Rather than being guided by the best minimal common denominators, the tool ends up as a sum of compromises and individual agency "finger prints."

⁹ Supporting this stance and for a detailed critique of traditional capacity approaches, see, for instance, Root Change: New Directions in Local Capacity Development: Embracing a Systems Perspective, Nov 2013

Moreover, the HACT micro-assessment, for instance, is currently applied for government institutions, as well as for NGOs without distinguishing them according to their specific characteristics. In reality, many NNGOs may operate at much smaller scale than government institutions with less sophisticated systems and procedures in place, though they may be very important actors and have outreach to crucial communities and areas. Similar concerns were expressed by interviewed INGO representatives in the case of OCHA's due diligence and fully-fledged PCA procedures for applicants. The micro-assessments of HACT and the fully-fledged partner capacity assessments of OCHA appear quite complex, without it being clear whether and how the quantity of assessment areas, in fact, lead to better assessments of the partners and their ability to perform.

Recommendation 1

PCAs and due diligence procedures should better reflect the principle of proportionality, particularly for NNGOs in smaller scale operations.

It is understood that UNICEF and UNFPA are currently considering a revision of the micro assessment tool to make this distinction for NGOs. OCHA has also shown an interest in the development of a lighter PCA format, focusing on a set of minimum requirements, which would apply to NGO applicants in most humanitarian environments. In other words, the timing for a revision and simplification of NGO PCAs may be quite ideal for creating a constructive dialogue between fund administrators and NGOs.

Time, accessibility, transparency and communication.

All NGOs interviewed felt that most PCAs take up a substantial amount of time to prepare for and execute. It often requires having several key staff available for days for interviews and field visits, which is particularly hard for smaller NNGOs with limited additional capacity to spare and consequently, whose work may come to a stand still. The complaint is not that they are being assessed but rather that assessment happens several times through different funders and sometimes with quite different results.¹⁰ In some countries much of the basic information may already be available with the government or other funders, and could, in theory, be accessed by new funders in advance of a visit.

The processing time indicated in the PCA mapping above was in most cases based on an optimistic scenario, according to the interviewees. Several applicants observed that the increased attention to due diligence, PCAs, and follow-up verification by funders continue to prolong the entire application process for NGOs, sometimes to the extent that NGOs consciously avoid certain funders, as they see the transaction costs as being too high, compared to the amounts involved.

OCHA is in the process of rolling out a web-based application management system in an effort to increase efficiency and effectiveness of application processes. Such systems should enable agencies to report of processing times as well and allow applicants to monitor where in the process their applications are. Whereas setting up web-based management systems is likely to take time to mature and become fully functional, funders could already now make concerted efforts to proactively inform about and report on processing times of applications to show the way.

A positive example of good practice was found in Pakistan where OFDA and Concern Worldwide have jointly set up a pooled emergency fund for NGOs which works very efficiently.¹¹

¹⁰ An exception to duplication amongst agencies on the financial management side is the micro assessment under HACT which is shared between UNICEF, UNDP and UNFPA

¹¹ <https://www.concern.net/where-we-work/asia/pakistan/rapid-fund>

Where transparency is concerned, it has been a significant challenge for the consultant to access PCAs in use by different funders as part of this study.¹² Web access often require considerable effort before the proper assessment tools are located, if at all, and often necessitates access to resource persons as insiders to get the up to date information. Also, resource persons often appeared rather protective and cautious about sharing their assessments publically. When they did share materials, it would often be with several caveats such as, having to check with headquarters first, a request to the consultant to not share the information publically, or even that the tool was copyright protected. Notable exceptions to this pattern were Concern as INGO, and UN agencies under HACT and OCHA, which were generally more transparent than other interviewed organizations.

Pakistan RAPID Fund: A light touch with fast delivery

The Pakistan RAPID Fund is an innovative funding mechanism established under a cooperative agreement between Concern Worldwide and (USAID/OFDA), which helps other organizations in Pakistan to respond quickly to areas affected by disasters within a funding range of \$5,000 - \$300,000. The rationale for the umbrella grant is to channel funding quickly to short-term interventions that address gaps and meet the demonstrated needs of affected people that have been overlooked by other relief and recovery efforts. Preference is given to projects that are designed by local and international organizations with a strong presence in the proposed target areas.

The guidelines stress that given the need to deliver relief quickly, prolonged assessments are not recommended. Due diligence pre-assessments requirements are kept light, and instead Concern provides regular monitoring visits to partners, also to spot operational issues early on. Due to an efficient assessment system, Concern is on average able to process applications and get clearance from the USAID/OFDA office in Pakistan, before the approved application is sent to Washington for release of funding with only 15 days.

This situation limits the collective learning potential from good practice by all actors involved. For NNGOs with limited resources and experiences with capacity assessments, the lack of transparency and accessibility can only be seen as a limiting factor for understanding and preparing effectively to comply with requirements and thus to access funding.¹³ PCAs are rarely available in local languages, limiting the ability for the small NNGOs to engage effectively with funders.

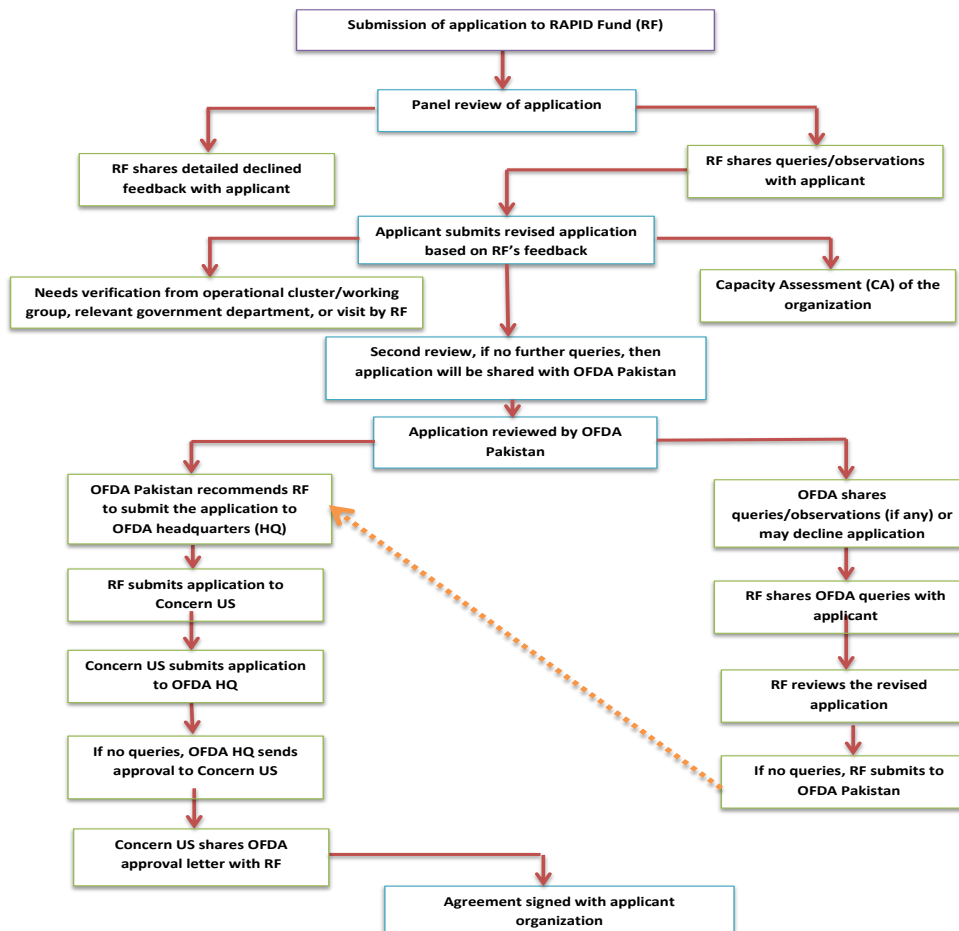
Recommendation 2

PCA and due diligence procedures should be made more accessible by fund providers and agencies, including through the development of simple graphical illustrations, process overviews and FAQs on their website.

Reverting to the good practice example from the Pakistan RAPID Fund once more, the fund has invested considerable efforts in making the entire application process as transparent as possible for applicants, using graphics and flow charts and FAQs. It makes the fund appear customer and service oriented, actively encouraging applicants to prepare as well in advance as possible. See illustration below.

¹² A similar finding was made by another recent study: ICVA: A comparison review of UN project partnership agreements for NGO implementation of humanitarian projects, Feb 2015

¹³ For a discussion on other limiting factors for NNGOs seeking funding from donors, see CAFOD: Southern NGOs' access to humanitarian funding: Policy brief, Apr 2013

RAPID Fund Grants Decision-Making Flow Chart (revised April 7, 2014)


On average, the above process takes approximately two weeks from the receipt of the application until final approval, depending on the nature of the proposed project (emergency or early recovery).

Though comparable illustrations may be found among application materials from other funders, they are often kept inside lengthy manuals, making them less readily accessible. One agency feared that making things too accessible publicly could lead to an undesired professionalization of applicants who may become better at successfully applying for funds without actually having in place proper capacity to implement. This argument, however, does not stand when physical verification visits would take place. It would also not seem ethically inappropriate to wilfully make an application process less transparent as a way of creating an intentional filtering mechanism.

As for communication, NNGOs, in particular, felt that the communication about the actual usage of PCAs could be vastly improved by funders routinely sharing reports from PCAs carried out with the assessed partner, including proper communication about what the assessment actually means. In Somalia, for instance, some assessed NNGOs felt that less positive assessments had reduced their "market value" in the eyes of other funders and thus could do quite some damage. Much of this appears to come down to the lack of effective communication before, during and after PCAs have been applied, which was also acknowledged by several respondents.

A PCA exercise should ideally be supported by a dedicated effort by the funder to ensure that the PCA process in all its steps is properly communicated and may form part of an ongoing dialogue

between funders and partners for trust building and transparency. In this way, the assessed partner may learn more about how it can address future capacity areas from the funder and start making its own action plans. It may also help them prepare for future assessments of other funders, making the PCA exercise more than a one-off assessment and instead part of a capacity development process.

Recommendation 3

To enhance understanding between funders and “fundees”, funders should make dedicated efforts to establish regular communication and dialogue with potential partners at country level about what is being assessed, why and how the information will be used.

Prospects of harmonising PCAs

Part of this assignment was to assess the feasibility of, and to produce actionable recommendations towards, the development of a harmonized, effective and efficient approach to partner capacity assessments in different humanitarian environments. Significantly, the "appetite" for harmonization of PCAs amongst resource persons representing various people interviewed was with few exceptions limited. This section touches upon the most quoted reasons behind this perspective as well as some potential ways forward.

The complexity of issues and the dynamic contexts wherein humanitarian work take place would, to most respondents, rarely be served well by a global harmonized approach. Rather, resource persons representing several funders, including UN agencies, bilaterals and INGOs even saw harmonization as a potential threat to the flexibility that often is required in order to be successful in a given context. The diversity of NNGOs in terms of maturity, focus, ways of working and service delivery was another often quoted reason why harmonization was not seen as an immediate value added. One resource person stated that bilateral donors of the GHD initiative are gradually moving away from the harmonization agenda and instead look towards increasing convergence since it has proven too cumbersome to harmonize and has had only limited progress.

Moving toward more harmonized approaches to PCAs at country level, however, was generally seen as worthwhile. Most respondents supported more coordination amongst funders to share good practices in complex settings such as Syria,¹⁴ which often forced coordination out of necessity. The question of who should lead such coordination did not find conclusive answers. Though cluster coordination was often the used coordination approach, respondents from INGOs often found it too heavy and sector based, driven by UN agencies.

An example of what could become good practice of wider coordination between civil society organizations and funders is the Partnership Initiative found in Turkey.

14 See also: ICVA: Review of NGOs' Experience with the Syria-Related Pooled Funds, Dec 2014

Bilateral Donor and NGO coordination

The OFDA funded Partnership Initiative (PI) in Turkey hosted by Relief International is a recent example of an attempted donor coordination initiative targeting the Syrian crisis. The initiative brings several types of national and international actors together, including multilaterals, bilaterals, INGOs, Turkish and Syrian NNGOs. The intention is to develop a coordinated partnership approach to programming and capacity building of local partners to avoid duplication and instead deliver tangible benefits to the local partners. That includes development of concept notes to solicit funding from funders, and coordination of common trainings that are fit for a Syrian context.

Under the initiative it was amongst other things decided to help develop a self-assessment Organizational Capacity Assessment (OCA) tool for Syrian NNGOs to help them identify their own capacity needs on the ground. The tool was compiled by a consultant on the basis of PCA tools in use by several agencies. It resulted in a staggering 400 indicators to start with, which were eventually boiled down to a handful of categories. The OCA initiative has been well received by the NNGOs as a useful starting point.

It is at this point not clear how these self-assessments will inform funder behaviour in Syria in terms of funding decisions. Thus, even if funders may find the assessment useful, they are at this point likely to apply their own agency specific partner requirements, in effect missing out on an opportunity to coordinate approaches under one initiative which involves actual resource distribution. One respondent was of the opinion that only when substantial amounts of money are being put on the table, will it be possible to make serious commitments to funding coordination.

These initial start-up challenges do not take away from the potential of the Partnership Initiative (PI) in Turkey to become a good practice of funding coordination with participation of NNGOs as well, particularly if PI could also become an arena for pooled funds based on shared PCAs which could enable NNGOs to access resources without having to go through funding procedures of individual agencies.

Some resource persons, including from INGOs themselves, saw it as somewhat ironic that the coordination initiatives often came about through bilateral or multilateral donor action¹⁵. Said one INGO interviewee: "we only really coordinate when the donors force us to." It was also felt that INGOs ought to take on a more proactive role in advocating for the setting up of national coordination platforms to improve civil society coordination work with national NGO networks. This may also provide INGOs and NNGOs with a more collective voice when dealing with bilateral and multilateral donors and when advocating for coordinated PCAs and collective funding approaches to capacitate NNGOs.

Recommendation 4

In order to make possible collective fast tracking of humanitarian civil society funding INGOs and NNGOs must proactively coordinate needs assessments of national civil society organizations. This could be done by developing and implementing a shared set of recognized PCA criteria to be used as a baseline for potential donors.

The prospect of harmonization within existing assessment frameworks was generally viewed as worthwhile, though stressing that *aspirational harmonization* would be a more desirable term, rather than *one-size-fits-all*. UNICEF, for instance, recently adopted the same legal agreements as

¹⁵ A recent study commissioned by ECHO also supported the necessity of pushing for aligning of INGOs so as to ensure collective approaches to capacity development of NNGOs, see ECHO: Evaluation of the potential effectiveness and efficiency gains of working directly with local NGOs in the humanitarian interventions of the Commission, Jan 2013.

UNFPA in an effort to further standardize procedures. Further, though all HACT members share the micro assessment concerning financial management capacity, audits and spot checks, they are fully in charge of their own programmatic assessments, according to their individual mandates. HACT members interviewed saw value in continuing to refine their collective approaches, integrating individual internal PCA practices within the central micro-assessment approach and adjusting their tools accordingly. s

However, jointly coordinated funds can also be set up with a clear intention of lowering barriers for applicants through lean assessment requirements. The Bêkou Trust Fund has as a defined objective to facilitate faster financing through a harmonized approach among donors with purposefully lower barriers of entry for applicants, see box below.¹⁶

Lowering barriers of entry to pooled funding

The Bêkou Trust Fund for Central African Republic (CAR) is the first EU trust fund of its kind, set up in 2014. The fund takes into account the fact that CAR remains a complex emergency with interlocking political, economic and humanitarian issues. The fund aims to promote the stabilisation and reconstruction of the CAR through well-coordinated donor initiatives. It will initially provide €64 million of pooled funding for projects on food security, health, urban renewal, women's rights, and support for refugees returning from Cameroon. The fund is innovative within the EU in that it moves beyond coordination between member states and instead puts in place a real joint organization of resources, expertise and implementation capacity.

The application requirements for NGOs have till now been reported as comparably light, so as to ensure more speedy processing, while providing donors with a welcome avenue to pool funding. The unique setup of the fund is intended to reduce the administrative costs of coordinating international partners and to ensure that aid is not fragmented and disorganized. The fund has created a broadly owned harmonized framework for the management of aid programmes, which should reduce the risk of early donor withdrawal of international financing, and instead mobilize a critical mass of pooled financing as a combination of individual donor means. The fund is governed by donors in association with the national authorities and is open to INGOs, NNGOs, private companies and public sector programmes. The provisions of the Bêkou Fund allow donors to act fast and release funding within two months as a maximum, which for EU standards must be considered extremely swift.

Though the fund is still in its early days, it would be particularly interesting to study how it progresses with a view to inspire other existing pooled fund arrangements and perhaps even define new standards for how to increase access to pooled funds.

PCA and risk management

The theme of risk appetite and risk management came up regularly when reviewing PCAs and when talking to resource persons, often associated with various due diligence assessments. In particular, defining the appropriate risk levels represented the challenge of striking a balance between embracing and averting risk. Further, the fiduciary side of risk management has in recent years been complemented by fear from donors that funds provided to local partners are being used to finance terrorism, adding additional due diligence and compliance requirements.

In many cases funders would preliminarily develop a risk framework suitable for the specific context, which would inform subsequent scoring of applicants when conducting PCAs. Based on the findings of this study, the issue of risk and the design and administration of PCAs can not be seen in isolation from one another: they are intrinsically linked. Particularly in challenging

¹⁶ For more detail: https://ec.europa.eu/europeaid/bekou-trust-fund-introduction_en

environments, a higher risk tolerance may be required in order to support NNGOs operating under extreme conditions, including financing under remote management arrangements, which by definition involves additional risk and less direct oversight by funding agencies.¹⁷ However, according to respondents, the increasing accountability requirements and due diligence regimes put in place to accommodate internal and external audits from individual back donors had led fund managers toward lower risk acceptance levels and more cautious approaches.

Indeed, recent major internal and joint audits have been quite critical on the accountability side of various funds¹⁸, which led to further increased due diligence and risk management efforts. The risk and audit regimes appear to have become more expansive especially in the last 4-5 years.¹⁹ The exact implications of an increased risk focus and how that is defined or managed is far from uniform, a phenomenon also confirmed by a recent study for the UN:

...neither donors nor UN agencies share a common, standard understanding of what risk means, including whether risk should be restricted to what leads to an adverse (negative) impact or if it should also include the opportunity side. The absence of explicit, shared definitions stands at the heart of many of the challenges that donors and UN agencies both face.²⁰

Different risk regimens applied by individual donors were, according to interviewed resource persons, seen as an obstacle to working consistently with risk in an informed, if not harmonised way by UN agencies and INGOs alike. For some UN agencies, individual donor restrictions and assessment regulations resulted in several audits per year reducing the risk appetite by these same agencies as well as field staff. Contrary to this view, some bilateral resource persons interviewed challenged the UN agencies to clearly define how they would propose to manage risk responsibly, balancing risk with reasonable accountability measures. Either way, the real losers of this debate on what constitutes reasonable accountability measures between donors and funders are likely to be the NGOs who need to comply with substantial risk procedures as part of PCA and due diligence assessments.

To deal with these prevalent different perceptions of risk and risk management would likely require proactive leadership from the UN family as well as GHD in order to arrive at a set of commonly agreed definitions and modalities for risk management and their application. This may help move towards future collective audit practices of donors to the extent that joint audits would become the norm, based on an agreed set of risk definitions and modalities recognized by the majority of donors.

Another way to adjust risk to the context in which it is applied is through the development of country specific risk management frameworks as practiced amongst others by CBPF of OCHA. These frameworks are used to inform how NGO applicants are subsequently assessed and scored through PCAs. Though risk management frameworks by nature may contain classified information, there appears to already exist some good practices, which could also be applied by other funders acting in high-risk environments. In Syria and Somalia, OCHA decided to tolerate considerably higher risk than otherwise, supported by more regular compliance requirements.

In Kenya where most humanitarian assistance for Somalia is administered, several good practices are under development. This includes setting up of a risk working group comprised of all UN agencies. This informal group meets monthly, discusses risk management and shares information about partners and risk management strategies for increased coordination with a long term

17 For a recent study on remote management, see Howe, Kimberly et al.: Breaking the Hourglass, Partnerships in Remote Management Settings - The Cases of Syria and Iraqi Kurdistan, Feb 2015

18 E.g. Joint Audit of the Governance Arrangements for the Harmonized Approach to Cash Transfers (HACT), UNDP Office of Audit and Investigations UNFPA Division for Oversight Services, Nov 2012

19 See, for instance, DFID/National Audit Office: The multilateral aid review, Sep 2012 and DFID: Multilateral Aid Review Update, Driving reform to achieve multilateral effectiveness, Dec 2013

20 Jacquand, Marc et al.: UN Development System Risk Management in Fragile States - A White Paper for the 2014 Utstein Group Spring Meeting, Center on International Cooperation, May 2014

ambition of harmonizing approaches better.²¹ Another coordination group is a multi partner risk working group, which includes an NGO consortium and funders, working towards harmonization of risk management approaches. Regular agenda items concern information sharing for clarification in order to seek a collective approach to risk assessment and management.

Dynamic partner risk rating system

OCHA has, during the last couple of years, developed quite innovative approaches to provision of humanitarian funds in high-risk environments such as in Afghanistan, Syria and Somalia. Providing funding in such volatile environments dominated by warring factions, potential allegiance to terror networks, and the fact that on the ground mobility is extremely limited makes physical partner verification anything but easy. In Somalia, OCHA's capacity assessment and risk management framework for its CHF funding was designed to acquire a portfolio of eligible implementing partners in high security environments; to shift from a control-based approach to a risk-based management approach; and to mitigate risk through third party and call center verification and monitoring.

A particularly innovative feature was the introduction of a dynamic partner risk rating system consisting of four elements: Results of initial partner capacity assessment; Analysis of the frequency and severity of audit management letter comments; Outcome of field and/or remote monitoring reports; External sources of information. With this system, risk ratings can be adjusted over time resulting in a composite rating, which informs funding decisions and risk mitigation measures. The ratings are finally inserted into a prioritization dashboard combining partner risk, activity risk and location risk.

Perhaps most significant has been the mind shift from a control-based to a risk-based management approach. This shift has not only challenged OCHA's previous way of operating, it also requires continuous dialogue and coordination among stakeholders to ensure a shared understanding. However, it has opened up a different way of applying risk management in a high-risk environment with equally high needs for assistance to local populations.

Based on the positive coordination experiences from Kenya and the prevalent individualized way of defining and managing risk by funding agencies and INGOs in several countries, it would appear that there is substantial scope for sharing of good practices. More sharing of good practices may also help demystify risk management among actors in a variety of country contexts and enable them to proactively manage risk as one amongst several other operational factors. Apart from increasing awareness of risk management practices among funders, this may also help applicants to better understand how funders and donors view risks and what applicants can do to help manage these jointly.

Recommendation 5

UN agencies and INGOs at country level should routinely engage in dialogue and coordination efforts around applied risk management frameworks, led by the Humanitarian Country Team, in order to arrive at shared terminology and collective approaches to risk management, reducing unnecessary duplication and overlap.

This study also came across risk frameworks developed by INGOs, which were applied when partnering with NNGOs, and which informed operational modalities, including decisions about fund disbursement and responsibilities for procurement. For example, Concern in Pakistan assigns risks

²¹ UNICEF Somalia is already using the results of the CHF assessments of OCHA in place of the micro assessments where they have shared partners.

to all their NNGOs in a central data base, which they share with other funders as a token of good practice. Concern, in turn, receives risk related information from ERF.

2.3 What type of partnerships do we want? Future perspectives

PCAs are, in principle, designed with the view to arrive at a set of objective measures of capacity. Yet, as the mapping has demonstrated, they vary greatly in their set-up, level of detail and usage, which may suggest that such objectivity, after all, may be just another variable. Several implementing partners interviewed for this study questioned the objectivity and usefulness of PCAs. They saw the majority of PCAs as a one-way street, providing the funder with information, with less attention being paid to the nature of the work of the individual partner, which may not fit PCA standard requirements. In fact, it was often felt that the PCAs dramatically reduce rather than increase the understanding of the true capacity of an NGO to play an important transformative role within a given humanitarian context.

As mentioned in the beginning of this study, defining what a partner, let alone a partnership is will strongly influence how a funder assesses the capacity of a partner to manage humanitarian funds. In other words, who decides what matters, including the final criteria? Most of the PCAs mapped seem to emphasize the transactional or contractual features of the partnership, stressing fiduciary aspects and accountability. Less prominently visible in the assessments categories are areas exploring the development potential for broader partnerships over the longer term. This relates to the preparedness of the funder to make partner investments beyond agreed service delivery in terms of organizational capacity development outside specific programme delivery.

Several interviewees stated that PCA questions asked are not necessarily the right ones. Instead NGOs would like to see more dialogue with funders around how to carry out transformative change together and how to invest in social capital rather than primarily assessing how the targeted partner can become a good contractor. This would, by implication, suggest a fundamentally different approach to PCAs. This includes who gets to decide which criteria to apply and who gets to make final decisions on resource allocations to NGOs. In a recent research report, it was proposed that the current model of capacity assessment and support is quickly becoming outdated and irrelevant:

The common model for developing capacity by international donors for the last two decades has focused on training an organization's staff and volunteers in techniques designed to strengthen internal managerial systems. This focus on optimizing management systems and practices – not the impact of their programs and services – has produced disappointing results (and is based on) a highly idealized, normative theory that well managed organizations with strong administrative systems are able to respond consistently to the everyday challenges they face.²²

Instead, the authors argue for embracing what they call capacity 2.0 for organizations, which accepts that there is no panacea for organizational longevity. Rather, real world organizations, in fact, operate in unpredictable and often messy environments dominated by complexity and rapid change. In such an environment, focus must be on how to stimulate local organizations in ways that may lead to transformational change, instead of treating them as small management entities implementing well-structured plans on behalf of external investors. This view also prescribes that putting in place numerous checks and balances will rarely lead to better results, beyond documenting how funds were allocated operationally and how they were accounted for.

The hesitance of funders to substantially invest in NNGO capacity development, beyond small management fees or overheads, according to respondents, was seen as a major obstacle for long-term partnership development. Said one respondent: "we should really start looking at investing in relationships rather than simply managing transactions or indeed seeing NNGOs as yet another

²² Root Change: New Directions in Local Capacity Development: Embracing a Systems Perspective, Nov 2013

risk to be managed." A similar statement concerning UN agencies was provided in a recent report on humanitarian funding to NNGOs:

A far more radical rethink of how agencies work individually and collectively with national civil society actors may be needed to bring transformative change to the ways in which the UN family supports investments in local capacity to scale up and respond to disasters, including how they collectively map and assess local capacity and how they work together to finance and support and monitor progress in the development of local response capacity.²³

This statement carries weight beyond UN agencies, which themselves may be conditioned by bilateral donor interests. It also extends to the current thinking and action of many INGOs who, by their own admission and despite the rhetoric, often find themselves struggling to coordinate and push for reform collectively.

An example of another way of supporting NNGOs is Financial Enablers, an initiative that confronts common practice and insists that local capacity needs must be defined locally or nationally in a given country setting with broader participation of the relevant actors.²⁴

Pooled funding managed by national actors

An example of another way of supporting NNGOs is the Financial Enablers initiative, which is a piloted pooled fund for NNGOs under the START network, funded by DFID. The idea behind the project is to stimulate a southern-driven collaborative capacity building approach by investing in national preparedness and response capacity. The project aims to implement what it calls a sustainable approach of shifting power towards national actors who are best positioned to identify locally appropriate and context specific capacity needs.

The pilot project, which is led by Oxfam, will be piloted in the Philippines in 2015, applying a light-touch due diligence stakeholder and partnership mapping exercise in order to stimulate humanitarian collaboration among national actors. A national consortium will shortly be set up and made responsible to define the application and selection process for fund disbursement dedicated to supporting humanitarian capacity development as defined by the consortium members themselves. The partner capacity assessment methodologies are to be designed by the participating agencies, not the funders.

The Enablers project hopes to demonstrate good practices on mobilisation of collective leadership by national institutions, including NGOs, authorities, academia and other stakeholders for multiplier effects of joint capacity development. Through the use of flexible grants and partnership brokering support this is expected to lead to real autonomy and opportunities for actors to develop their own solutions for humanitarian capacity development through consortia managed interventions.

Interestingly, the design phase of setting up and defining the pilot scope has taken a significant amount of time due to the difference in perspectives between DFID and START on how to manage risk and perform due diligence. For START it was important to retain a substantial amount of freedom for the national consortium to define various selection and operational modalities for funding allocation, the process of which was seen as a key learning aspect of Financial Enablers. DFID as a donor equally found it expedient to put in place what they considered a minimum set of financial controls and assurances through due diligence as a way to manage risk responsibly. It will be crucial in the coming months to monitor how the Financial Enablers initiative evolves. It could potentially become a break-through learning moment for how to set up and manage pooled

²³ Poole, Lydia: Funding at the sharp end - Investing in national NGO response capacity, CAFOD, Jul 2013

²⁴ http://www.start-network.org/wp-content/uploads/2015/02/Start-Network-DEPP-one-pager_Financial-Enablers.pdf

funds where national actors are fully in charge of defining partner capacity assessments of national applicants to ensure they are "fit for purpose."

2.4 Conclusions and way forward

A set of main conclusions can be drawn from this study, which has informed the recommendations in the main text:

The field of PCAs, including pre-assessments, due diligence and other compliance standards, is at this moment considerably varied and potentially overwhelming to many potential applicants. Though the need for assessing potential partners for their suitability and for accountability purposes by funders cannot be denied, there is plenty of room for simplification and more coordination among funders.

PCAs used by HACT partners and OCHA are predominantly generic in nature and cover a number of different types of partners, including government agencies. This makes the PCAs less fit for NNGOs in particular, which may have other characteristics and operate at smaller scales, with limited systems and structures in place compared to larger INGOs or government institutions.

Accessing relevant PCA information on the web is difficult for most applicants, making it hard to prepare well for assessments and to understand what information requirements are, and indeed how information is being used by the requesting funding agencies. That makes the whole PCA process less transparent for the applicant.

Perceptions of risk management vary significantly among funders and donors with both parties seemingly blaming the other for putting in place substantial risk compliance procedures. The losers in the end are the NGOs who must meet increasing demands for compliance mechanisms from funders and/or donors, while it increases transactions costs for all parties.

It appears unrealistic at this point to expect an increasing global harmonisation of PCAs. This is particularly due to specific and complex country contexts and the apprehension amongst funders and donors that harmonisation might lead to rigidity and even more required assessment areas. Instead increased coordination at country level around PCA areas is welcomed, as well as good practice based on well-researched case studies.

The design of PCAs cannot avoid being a reflection of how the funder views the role of a partner, whether seeing the partner primarily as a sub-contractor or as part of a long-term transformative partnership. This also relates to how closely the funder and the partner work together, and whether continuous capacity development support is seen as a goal in itself for transformative growth or simply as a one-off deliverable.

This study has attempted to map a complex area of assessment procedures in use by a variety of funders for different purposes and targeting different types of organisations operating in numerous country contexts. It therefore inherently runs the risk of simply scratching the surface of complicated broader questions concerning how NGOs are being assessed and funded globally and under different policy frameworks. Indeed, the study may be seen as the start of a longer research process, which would over time establish a selection of well-researched good practices, defining future shared quality measurements between funders and local partners in a variety of humanitarian settings.

In other words, to do full justice to the area of PCAs will require more in-depth tracer studies of individual agency practices and case studies to allow for broader comparisons across agencies and country contexts. Such studies should be used to inform future coordination and policy discussions as innovative examples of how to collectively organise and manage partner

assessments, guided by a minimum set of "good enough" requirements, making them more "fit for purpose."

Equally important to ensure concrete action would be for HFTT, which commissioned this study, to look for suitable avenues for raising these issues before appropriate audiences, be that donors, funders and NGO representatives who can and will influence the future direction of partner capacity assessments. That could include dialogue around future Principles of Partnership, the Good Humanitarian Donorship Initiative, the NGO Dialogue Platform, the Pooled Fund Working Group and the Future Humanitarian Financing initiative.

Annex 1: Partner Capacity Assessments one pagers

Country Based Pooled Funds [\(CBPFs\)](#)

Agency

- OCHA

Purpose

- Is a multi-donor humanitarian un-earmarked financing instruments managed by OCHA at the country level under the leadership of the Humanitarian Coordinator allocated by the HC through an in-country consultative process. Allocations go to UN agencies, IOM, NNGOs, INGOs and Red Cross/Red Crescent organizations.

Targeting NNGOs, INGOs or both

- INGOs and NNGOs

Funding range

- Depends on specific call and country, but typically between \$200,000 and \$750,000.

Pre-assessment screening tools

- Risk management framework development by advisory board and HC
- Due diligence application form and declarations

Capacity assessment tools

Depending on risk assessment and country context, three varieties are administered:

1. Fully-fledged partner capacity assessment within 8 areas considered for new funds and high-risk environments: Organizational information; Technical capacity; Funding information; Coordination and partnerships; Financing management; Human resources; Logistics; Monitoring and evaluation.
2. Proxy indicators or internal assessment of partner capacity:
 - If circumstances require so, and a fully-fledged assessment with a visit is not deemed necessary, OCHA assesses the capacity of partners based on key documentation provided by the NGO on the basis of the pre-defined eight organizational areas
 - In contexts where reliable information about partners' capacity already exists, OCHA may use proxy indicators, e.g. past CBPF performance; assessments by other donors; existing partnership agreements with other UN agencies and/or bilateral donors; demonstrated country experience; access to priority locations; recommendations from clusters.
3. Capacity assessment in sudden onset emergencies:
 - Consists of minimum checks to safeguard the accountability, including registration and due diligence process. CBPFs may add to these mandatory minimum standards additional requirements given the specific country context.

Individual country teams have the flexibility to tailor assessment methodology and criteria according to the context. On basis of the assessments partners are categorized as high, medium or low risk. HC, in consultation with the AB, approves the capacity assessment methodology recommended by OCHA and decides what the threshold for eligibility should be, which can be interpreted as a measure of risk tolerance in different contexts.

Who conducts assessment?

- Fully-fledged partner capacity assessment by third party independent service providers. Proxy and internal assessments by OCHA staff.
- Sudden onset assessments depend on specific circumstances.

Processing time from initiation to decision

- Variable, typically between 15-60 days

Capacity development/OD support offered?

- Not part of the mandate of the fund

PCA/SSFA (Programme Cooperation Agreement/Small-Scale Funding Agreement)

Agency/group

- UNICEF

Purpose

- PCA is an umbrella framework agreement to achieve programme results as part of the implementation of the country programme between UNICEF and the CSO. The partner is considered uniquely positioned and has specific capacities or advantages to carry out its roles under the PCA.
- SSFA is used to strengthen the capacities of national CSO partners in the short to medium term with inbuilt flexibility simplified planning format and reporting requirements.

Targeting NNGOs, INGOs or both

- INGOs and NNGOs

Funding range

- PCA above \$50,000 annually
- SSFA up to \$50,000 annually

Pre-assessment screening tools

Core values assessment

CSO Identification Profile for potential partners as background (self-assessment) – at the discretion of country offices:

- General information and registration; CSO expertise and experience in the sector area; Local experience, presence and community relations; Management Ability, financial and staffing; Experience of working with UN/UNICEF

Capacity assessment tools and types of assessments

New UNICEF PCA procedures have been issued April 2015.

Assessment of ability achieve results:

- Indicators of partnership capacity may be applied if available to avoid duplication of efforts at the discretion of the country office, e.g. past performance; other donor assessments; demonstrated country experience; access to priority locations; cluster information

Assessment of financial management

- HACT: Micro assessment mandatory for partners expected to receive \$100K or above per year from UNICEF resources.
- SSFA: Up to \$50,000 a small scale funding agreement is applied and up to 3 months of supply (no max value on supply component) for humanitarian response

In addition, UNICEF may assess partner capacity within sector area with budgets below \$100,000 a year. A standard financial management checklist is used by UNICEF staff to undertake this discretionary assessment.

Who conducts assessment?

- Assessment of ability to achieve results is undertaken by UNICEF staff.
- Micro assessment is conducted by third party impartial service providers.

Processing time from initiation to decision

- No standard processing time

Capacity development/OD support offered?

- For NNGOs, yes, which is seen as part of partnership. However, INGOs are expected to cover own capacity development needs assuming they have most systems in place already.
- Online training course is available to all new and existing partners on HACT with another course under development on PCA/SSFA

Selection and assessment of IPs/Small Grants/Fast Track

Agency/group

- UNFPA

Purpose

- Implementing partnerships are intended to ensure that UNFPA has access to and collaborates with partners uniquely positioned and capacitated to complement and implement UNFPA programmes.
- Small grants are issued to community based not-for-profit or civil society organizations solely for capacity development purposes to undertake activities directly related to UNFPA's mandate
- Fast Track provides the opportunity for COs who are operating in particularly challenging humanitarian local contexts to apply existing policies and procedures more flexibly in order to make time-critical interventions.

Targeting NNGOs, INGOs or both

- INGOs and NNGOs,

Funding range

- There is no minimum or maximum funding range for implementing partners
- Grants max \$30,000 annually and \$100,000 for global and regional interventions

Pre-assessment screening tools

- Human resources; Physical resources; Systems used by the entity for tracking and reporting on its work and results; Financial health; Geographical coverage; Comparative advantage; Partnerships; Reference checking

Capacity assessment tools and types of assessments

- HACT: All standard capacity assessments of NNGOs and INGOs - Micro assessment.
- Estimated \$100,000 or more of funding in a programme cycle requires Micro assessment. (this figure is low to support the principle that most IPs should be assessed)
- If Fast track procedures are applied in humanitarian situations, the assessment can be postponed.
- For grants, a grant agreement is applied based on criteria such as innovativeness, sustainability, impact, feasibility, collaboration, and cost considerations, financial stewardship and reputation

Individual offices may apply several proxy indicators of partnership capacity at their discretion. However, these do not replace micro assessment where the threshold requires one.

Who conducts assessment?

- Micro assessment is conducted by third party impartial service providers.
- Other assessments are conducted by CO staff.

Processing time from initiation to decision

- This is decentralised to UNFPA COs and there is no standard processing time.

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Capacity development/OD support offered?

IP assessment is used to identify capacity levels and gaps. UNFPA can work with partners to identify specific capacity development actions depending on feasibility and resources.

Project Partnership Agreements (PPA)

Agency/group

- UNHCR

Purpose

- To ensure that UNHCR works with the best-fit partner(s) in a given operation for the implementation of projects, which provide quality protection and assistance to refugees and other persons of concern. The Framework for Implementing with Partners (policies, procedures and guidance government partnership at project level, PPA is a component) is currently undergoing a major revision process, also in terms of adjusting other business processes. The PPA was revised last year and came into full effect as of 1 January 2015. The new Framework is a conscious move away from generic partner capacity assessments with expansive checklists ascribing numeric risk ratings to applicants. Instead, each engagement of a partner in a given operation is assessed based on their submitted concept note and full proposal after negotiations for signing PPA. During implementation UNHCR field offices conduct monitoring with occasional spot checks and verification relevant to the implementation of the projects already signed under PPA.

Targeting NNGOs, INGOs or both

- NNGOs and INGOs, UN, and other partners that undertake funds with UNHCR funding (although type of PPA is specially tailored for the varied nature of NGOs, UN, IOM).

Funding range

- Depends entirely on the particular proposal or intervention at hand within. Decided at the field level.

Pre-assessment screening tools

- Partner declaration signed
- Registration in Partner Portal (renewed 20 April 2015).

Capacity assessment tools and types of assessments

- Above \$50,000 annually full PPA procedure applies.
- For below \$50,000 annually, PPA assessment administered at discretion of FOs.
- General assessment of Concept Notes for undertaking PPA criteria include: either all or those relevant to the nature of project and operating environment; Sector expertise and experience; Project management; Local experience, presence and community relations; Own contribution of resources; Security considerations; Cost effectiveness; Experience working with UNHCR. Additional criteria may be added as indicated in calls for EOIs to be assessed by Implementing Partnership Management Committee
- UNHCR Offices may tailor global Project under PPA templates to best suit their own operational needs and context within given parameters (but the general terms and provisions are fixed unless exceptional situation seek HQ approval).
- The Framework and its policy provides flexibility in case of prevailing local conditions such as urgent emergency situations and security restrictions.
- Regular use is made of proxies based on existing, relevant assessments conducted by other agencies.

Who conducts assessment?

- UNHCR own field staff based on submissions of the Concept Notes, may be complemented by spot checks for verification.

Processing time from initiation to decision

- 40-50 days for PPA on average, less for imminent emergency situations

Capacity development/OD support offered?

- UNHCR does not distinguish this from other types of support which are all considered related to capacity development.

Rapid Response Fund (Start Fund)

Agency/group

- Start (network of 19 UK INGOs), follow-up from CBHA. In the process of including 8 other non-UK INGOs under its umbrella.

Purpose

- To fill identified gaps in the emergency funding architecture following a step-change or escalation in humanitarian needs. Responds to small to medium scale emergencies that often receive little funding, either because they fall between existing financing mechanisms or because they do not attract sufficient media attention; early response to slow-onset crises to protect at-risk communities that may not otherwise receive attention or funding until many lives have already been lost, and; fast response to both rapid-onset crises and spikes in chronic humanitarian crises where agencies on the ground need to act quickly.

Targeting NNGOs, INGOs or both

- INGOs, who in turn may provide funding to NNGOs in specific countries

Funding range

- Max £300,000 per member agency per crisis

Pre-assessment screening tools

- All members are pre-qualified by having already passed DFID's own Rapid Response Fund risk criteria, which includes: general eligibility; geographic reach and technical expertise; Technical and logistical capability; Administrative and financial management; Results and value for money, and; Accountability and beneficiary participation. Non-UK applicants are assessed according to a tailor-made criteria which is currently under development
- In order to inform the decision about whether to release funding, START receives tailored briefing notes from ACAPS – providing a third-party analysis of the humanitarian situation and needs; and Development Initiatives – providing an analysis of the funding situation relevant to the crisis

Capacity assessment tools and types of assessments

- None specific to the Start network. Instead, once funding is released to members, they apply their own capacity assessment procedures at their own discretion following own agency procedures in the relevant country setting.

Who conducts assessment?

- Members of Start network themselves in relevant country setting, linked to local coordination structures (such as UN clusters).

Processing time from initiation to decision

- The processing time from initial alert raised, to the transfer of money to agencies on the ground is 72 hours (this is much faster than any other humanitarian pooled fund). Agencies then begin work within 7 days and projects are completed within 45 days.

Capacity development/OD support offered?

- Yes, indirectly, since the Start Fund seeks to grow local capacity and strengthen the relationships between international and local actors. Start offers a number capacity building activities to help NNGOs strengthen their performance under the so-called Start Build, which supports NNGOs within a number of capacity areas.

Pakistan RAPID Fund

Agency/group

- USAID/OFDA & CONCERN Worldwide

Purpose

- The RAPID Fund is a unique piloted funding mechanism established under a cooperative agreement between Concern Worldwide and USAID/OFDA. Recognizing that Pakistan is prone to disasters and crises, the rationale for this type of umbrella grant is to channel funding quickly in order to meet the urgent needs of people affected by disasters in Pakistan. RAPID Fund seeks to support organizations with practical solutions to the needs of disaster-affected people that can be delivered quickly and effectively to save lives and alleviate suffering. RAPID looks to fund interventions that address gaps and meet the demonstrated needs of affected people that have been overlooked by other relief and recovery efforts.

Targeting NNGOs, INGOs or both

- Primarily NNGOs, also INGOs on case-by-case basis

Funding range

- \$5,000 - \$300,000 for a maximum of 3 months

Pre-assessment screening tools

- Organisation must be registered and legally permitted by the Government of Pakistan to work in the country; have at least two years of previous experience in humanitarian work, and; have completed a recognized external audit.

Capacity assessment tools

Following a call for proposals and occasionally unsolicited proposals, in an online assessment, which looks at:

- Organisational details and info on last external audit and finance staff; Track record; Proposal summary; Needs assessment; Proposed coping mechanisms; Coordination; beneficiary selection criteria; Activities and implementation arrangements; Risk management, Security and Safety; M&E plan; Participant protection policy and complaint response mechanism.
- If potential, a second physical assessments using adapted capacity assessment tool to verify online submission as due diligence and to ensure proper accountability on the ground.
- May also coordinate with humanitarian cluster and regional government authority on case-by-case basis for verification.

Who conducts assessment?

- Concern's own staff

Processing time from initiation to decision

- 15 days on average from receiving full proposal to final decision by OFDA to approve/reject funding.

Capacity development/OD support offered?

- Yes, to some extent, though main focus is on provision of funding to organisations already able to respond rapidly to an emergency

Annex 2: List of people met

Name	Designation	Organisation
Bannister, Nerys	Syrian Regional Response Director Partnership	IRC
Boutant, Clemence	Institutional Funding Adviser	Handicap International
Chaves-González, Juan	Humanitarian Affairs Officer (FCS)	OCHA
DiBenedetto, Martina	Associate Humanitarian Affairs Officer (FCS)	OCHA
Faizal, Ahmad	President	Mercy Malaysia
Fay, Aine	President & Chief Operating Officer	Concern
Hofmann, Bjorn	Senior Regional and Humanitarian Policy Advisor	Germany
Glinka, Robin	Humanitarian Affairs Officer	OCHA
Hernandez, Vlad	Director for Philippine Programme	CFSI
Hockaday, David	Transition Manager	START
Jacoby, Laura	Independent Consultant	
Jones, Rachel-Mai	Head of Grants and Compliance	IRC
Kasai, Reza	Regional Rep Middle East and North Africa	ICVA
Kihara, Samuel	Humanitarian Affairs Officer	OCHA
Khurdok, Mona	Policy Specialist	UNFPA
Malik, Amir	Director Rapid Fund	Concern
Malik, Aisha Nadeem	Grants Specialist	Concern
Middleton, Shane	Country Representative, Turkey/Syria Mission	Global Communities
Ndiaye, Mamadou	Director	OFADEC
Petropoulos, George	Desk Officer Country Based Pooled Funds	OCHA
Pandit, Tanuja	Chief Operating Officer	START
Poole, Lydia	Independent Consultant	
Quenawi, Hamdi	Partnerships Coordinator, Turkey	CARE
Rahim, Nurhaida	Coordinator	Partnership Initiative Turkey
Schmalenbach, Christina	Coordinator Financial Enablers	Oxfam
Sherif-Nor, Fatima	Head of Service, PMS	UNHCR
Street, Anne	Head of Humanitarian Policy	CAFOD (Caritas England & Wales)
Suley, Andrea	Chief, Implementation Modalities	Unicef
Tabah, Oshua	Counsellor, Humanitarian Affairs	Permanent Mission of Canada, Geneva
Taghavi, Vafa	Humanitarian Funding Adviser (UN Lead)	Oxfam

Annex 3: Literature consulted

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Annex 4: Terms of Reference

Consultancy to Review Approaches to Partner Capacity Assessments Terms of Reference

Summary

The International Council of Voluntary Agencies (ICVA) is a global network of around 80 humanitarian NGOs. It serves as a member of the Inter-Agency Standing Committee's (IASC) bodies (the Principals group, the Emergency Directors Group, and the Working Group), and is the co-chair (along with OCHA) of the IASC's Task Team on Humanitarian Financing (IASC HFTT)²⁵.

On behalf of this Task Team, ICVA is seeking a consultant to:

1. Systematically map existing methodologies used by bilateral and multilateral humanitarian donors, UN agencies, international NGOs (further referred to as donors) and others to assess the capacity of prospective NGO implementing partners and vet their suitability to receive funding to implement humanitarian activities; and
2. Produce actionable recommendations towards the development of a harmonized, effective and efficient approach to partner capacity assessments that is based on best practices and fit for purpose (i.e. applicable in different humanitarian scenarios such as protracted crises, sudden onset emergencies, and complex emergencies).

A harmonized approach to capacity assessments should aim to strike a balance between gaining reasonable and sufficient assurances on multiple dimensions of partners' capacity (i.e. financial, organizational, programmatic), ensuring accountability towards stakeholders, while enhancing partnerships and increasing the ability of the humanitarian system to deliver assistance in an effective, timely and principled manner.

Background and problem identified:

Donors rely on a diverse range of capacity assessment methodologies to determine the funding eligibility and capacity of implementing partners to deliver humanitarian assistance in compliance with donors' rules and regulations.

These criteria and methodologies are designed to meet the internal and external control requirements that the grant-making organizations are subject to, and to ensure funds are used efficiently and effectively to achieve their objectives. The criteria used can influence partner selection, disbursement schedules, monitoring strategies, reporting requirements and auditing plans.

NGOs point out that the diversity of assessments and methodologies take up already scarce resources, especially when similar and overlapping criteria are used by different donors. At the same time, NGOs are questioning whether the applied tools are asking the right questions: capacity assessments are not contested per se but their relevance for providing accountability should be subject to reviews in regards to their effectiveness and efficiency. Consequently there are increasing demands for harmonization and streamlining of capacity assessment, vetting criteria and methodologies in the humanitarian system.

Aim of the study:

Before initiating a possible process leading towards such a harmonization, more clarity is needed on the approaches currently used and their impact on NGOs.

This study will carry out a preliminary mapping analysis to understand what methodologies are currently

²⁵ HFTT TOR <http://www.humanitarianinfo.org/iasc/downloaddoc.aspx?docID=6729&type=pdf>

used, what is their impact on NGOs being assessed, whether time and resources invested are justified by the assurances provided, and what are the most constructive and cost-effective practices.

This study will focus on the following organizations and their approaches:

- UNDP, UNFPA, and UNICEF, utilizing the Harmonized Approach to Cash Transfers to Implementing Partners (HACT). The [2014 UNDG HACT Framework](#) includes a “micro-assessment” component for NGO implementing partners. The HACT micro-assessment focuses strongly on the aspect of financial management capacity, assessed by a third party service provider through at least one site visit, interviews of partner personnel, and desk review of key documentation. Assurance activities for “non-assessed” partners are determined using information like previous reviews/ audits and capacity assessments performed by other agencies.
- OCHA’s Policy Instruction and Operational Handbook for Country-Based Pooled Funds (December 2014) outlines three options to assess partner capacity: 1) a fully-fledged capacity assessment that engages a third party contractor to assess their financial and programmatic capacity through site visits, stakeholder interviews and desk review of documents to visit the NGO’s country office and interview stakeholders; 2) the use of proxies such as past performance, experience with other donors, and cluster recommendation among others, as indicators of an organization’s capacity; and 3) the use of a due diligence process in exceptional circumstances characterized by sudden onset emergencies or deteriorations.
- UNHCR’s [June 2013 selection and retention procedures](#) include a concept note template with a section for applying NGOs to describe their capacity and strengths to deliver the project’s desired outcome as well as past experience and areas for improvement for which they may require support. Partners with three consecutive qualified audit opinions for UNHCR-funded projects are not considered for additional funding.
- ECHO requires NGOs who want to qualify as partners eligible to receive funding under a Framework Partnership Agreement (FPA) to fill out a questionnaire based on which the organization’s capacity in the areas of financial management, administration, technical and logistical, adherence to the humanitarian principles, local partnership and experience in operational contexts, and readiness to take part in coordination activities.
- In addition to the examples above, other donors (such as USAID, DFID, Sida) as well as international NGOs (e.g ACT Alliance members, Caritas members, START, IRC) that work in partnership with national and local partner NGOs, have developed their own criteria and methodologies to assess the capacity of, and vet their NGO partners and shall be considered for input

Methodology

The consultant -- preferably someone with an NGO background, direct experience with capacity assessments, and excellent writing/communications skills -- will:

Gather and review existing documentation

- Review official documentation spelling out capacity assessment approaches of bilateral donors and multilateral humanitarian, UN agencies, and international NGOs
- Review previous studies on capacity assessments and partner risk management;

Semi-structured interviews with key informants

- Work with ICVA’s Senior Policy Officer and IASC HFTT Steering Group to identify key informants, particularly NGO representatives with experience in participating in capacity assessments, and donor representatives (at the global and field level) who have overseen such processes.

Produce a final report, including:

- Executive Summary;
- Introduction and brief analysis of the context;
- Description of the methodology used;

- Mapping of existing capacity assessment methodologies (criteria and methodologies used to assess them)
- Comparative analysis of good practices;
- Case studies;
- Practical recommendations, indicating best practices and potential scenarios for a harmonized, system-wide approach to capacity assessments;
- Sources, bibliography, list of interviewees.

Deliver a briefing

- To the IASC Humanitarian Financing Task Team (IASC HFTT) on findings.

Costs

There is CHF 12,000 available for this consultancy (inclusive of taxes). Interviews and briefings should be arranged through Skype or telephone.

Management and Reporting

- The work of the consultant will be supervised by ICVA's Senior Policy Officer – Forced Displacement and Humanitarian Financing.
- H/she will report regularly to a Steering Group composed of selected members of the IASC Humanitarian Financing Task Team (IASC HFTT).
- The consultant will submit a draft report one week from the date of the completion of the consultancy.
- ICVA will conduct a final editorial review of the report and the consultant will then complete the final report.
- The work will take place between 2 March and 30 April 2015, with a draft report for review, and final report to be submitted by 30 April 2015.



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