

DUE DILIGENCE PASSPORTING

A SPECTRUM OF DONOR PRACTICES

Institutional funders, partner organisations and networks increasingly recognise and build upon existing assessments conducted by trusted parties, a process known as “passporting”. Instead of starting from zero, they leverage verified data to build trust and unlock funding faster. Such re-use of assessment information is a well-established practice; for example, the work of internal auditors is frequently used. The passporting practices, however, vary considerably in their scope, applicability, criteria and level of recognition. Let’s dive in.

Definition: Passporting happens where an organisation agrees to accept a due diligence or capacity assessment (in whole or in part) carried out on an existing or potential partner by another organisation or certification body in lieu of carrying out their own.

THE SPECTRUM OF RECOGNITION

Passporting is not always a binary “yes” or “no.” It operates on a spectrum of trust and verification, allowing funders to tailor their approach based on risk appetite and specific needs:

 NO PASSPORTING The traditional model. Each funder conducts individual, full-scope assessments. High burden, high duplication. Common	 INFORMAL RE-USE OF INFORMATION Assessors use information from trusted reports as assurance on a case-by-case basis. This is often triggered by the assessed organisation, which proactively submits relevant reports. Common	 PARTIAL RECOGNITION Funders formally accept specific components of an external audit (e.g., Finance, Safeguarding, or Governance) while verifying others internally. Growing	 FULL PASSPORTING Funders formally accept an external, trusted assessment without further review, granting immediate eligibility. Also includes funders who require identified external assessments in lieu of having their own due diligence. Growing
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PASSPORTING PRACTICES DIFFER ACROSS MULTIPLE DIMENSIONS

Closely tied to discussions about the Due Diligence reform, the passporting landscape continues to evolve with practices varying across multiple dimensions. The following non-exhaustive list illustrates various approaches regarding the Who, What, When and How of passporting.

1. SCOPE

Some funders focus on financial health, others passport a comprehensive set of pillars including governance, safeguarding, legal requirements, internal controls, and programme quality.

Examples:

- * UN agencies accept shared Harmonized Approach to Cash Transfers (HACT) assessments to reduce duplicate partner checks.
- * The Ministry of Foreign Affairs Luxembourg accepts ECHO ex-ante assessments or CHS audits entirely in lieu of their own due diligence.

2. APPLICABILITY

Organisations with recognised audits or certifications may be able to skip some or all of an assessment process. Organisations without them usually need to complete the full assessment.

Examples:

- * The Sahel Regional Fund uses CHS audits to cover 75% of its due diligence, thereby reducing the assessment time. It does not deprioritise applications from partners who do not hold a CHS audit.
- * The Disasters Emergency Committee requests third-party audits against the CHS from all partners, relying on the independent assurance instead of conducting their own due diligence.

3. PROOF OF CONCEPT

Approaches range from detailed mapping of assessment requirements to simple acceptance of existing assessments. Funders also consider how the evidence was gathered (self-review or independently) and may specify how it should be reported.

Examples:

- * DG ECHO promotes the use of existing assessments, including HQAI CHS audits, provided the auditors are confident in the quality of the findings. The specified format is ECHO’s ex-ante reporting format.
- * UN OCHA and HQAI conducted a thorough mapping exercise which identified similar levels of assurance offered by OCHA’s Pooled Fund capacity assessment and HQAI’s independent CHS audits.

4. DECISION PROCESS

Approaches range from automatic recognition to manual review and case-by-case acceptance.

Example:

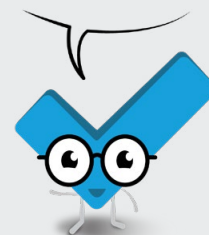
- * FCDO accepts HQAI CHS certification as a passport. CHS-certified organisations benefit from reduced due diligence assessments, given the 75% overlap between CHS audits and FCDO’s requirements. The process involves a manual review, except on FCDO’s Safeguarding pillar which is considered fully covered.

PASSPORTING HQAI CHS AUDITS

Passporting is practiced using different assessments from various third parties; HQAI CHS audits are one of them. The following examples illustrate the degree to which funders passport HQAI CHS audit data.



Scan this code to access detailed information:



IT IS ALSO YOUR BUSINESS CASE

Adopting a passporting approach is a strategic imperative for cost-/time-effectiveness and impact. Every new passporting decision by funders – based on CHS audits or other trusted assessments – leads to incremental efficiencies for multiple partners.

- Drastic Cost Reduction for funders and their partners
- Accelerated Vetting by cutting duplication
- Resource Reallocation to where it matters most
- An ecosystem of trust for enhanced collaboration

*For FCDO's Due Diligence the **HQAI audits provide greater assurance and economies of scale**. They include deeper insights into quality and beneficiary accountability, site visits and stakeholder interviews and their detailed rating system enhances evidence quality and consistency.*

Linda SLOAN, (then) Senior Due Diligence Advisor, FCDO, UK

*"Following our CHS certification, CORDAID agreed to implement a passporting mechanism in our favour. They **recognised our CHS certification** as sufficient evidence of the robustness and quality of our institutional systems, **thereby waiving the need for a new, comprehensive due diligence process.**"*

Yves OUOBA, Executive Director of TinTua, Burkina Faso

*We observed how the joint and systematic approach **saved time, reduced staff burden and duplication**, and was well-coordinated between FCDO and HQAI. CHS audits, if used by donors as a "passporting" for the certified organisations, can serve as a powerful mechanism to streamline the various due diligence processes.*

Alessia LOCARINI, Global Lead Programme Quality, Global Programme Section, Norwegian Refugee Council NRC

LET'S ASK ONLY ONCE

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