



NOTES HQAI ROUND TABLE

28.10.2021

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Date: 28.10.2021

Time: 12:00 - 13:30 CEST

Venue: Online

Approval: minutes approved

1. Opening

The Chairs opened the meeting at 12:00 CEST.

Present:

- Denmark: Ministry of Foreign Affairs of Denmark (DANIDA)
- EU: Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG ECHO)
- Germany: Ministry of Foreign Affairs of Germany
- Luxembourg: Ministry of Foreign and European Affairs Luxembourg
- The Netherlands: Department for Stabilisation and Humanitarian Aid
- Switzerland: Swiss Agency for Development and Cooperation (SDC)
- Switzerland: Permanent Mission of Switzerland to the UN
- UK: Foreign, Commonwealth and Development Office (FCDO)

- Act Church of Sweden
- Chaîne du Bonheur, Switzerland
- CHS Alliance, Switzerland
- Disasters Emergency Committee (DEC), UK
- Funders Safeguarding Collaboration, USA
- HQAI, Switzerland
- START Network, UK

Would you dare? Three ways to simply align on Donors' Due Diligence.

SUMMARY OF HQAI's OCTOBER DONOR ROUND TABLE 2021

28 October 2021

1. About this Round Table

Every donor comes with their individual Due Diligence (DD) requirements. Each donor is different - they can be governmental or non-governmental, private, large or small. NGOs can be both fund recipients and donors when financing their local partners. Although the themes covered by due diligence requirements are similar for all donors, each comes with its own flavour.

The issue is widely recognised, but the alignment of due diligence processes progresses slowly. Yet, tools exist, some of which developed by HQAI on the basis of the Core Humanitarian Standard (CHS) on Quality and Accountability. Applying the HQAI audit tools:

- 1) creates significant savings in human and financial resources,
- 2) allows for a better understanding of the practical hurdles to harmonising DD requirements,
- 3) fosters alignment based on practical experience.

On invitation by

The Ministry of Foreign Affairs of Denmark (DANIDA), The German Federal Foreign Office (GFFO), The Directorate for Development Cooperation and Humanitarian Affairs of the Grand Duchy of Luxembourg, The Swiss Agency for Development and Cooperation (SDC), The UK Foreign, Commonwealth and Development Office (FCDO) and The Humanitarian Quality Assurance Initiative (HQAI),

this open dialogue across governmental and other donor representatives, strategic partners and HQAI was set to identify the levers we can mobilise to better deliver on some of the Grand Bargain commitments, i.e. work streams 2 "support and funding tools for local and national responders," 4 "reduce duplication" and 9 "harmonise and simplify reporting requirements".

Applying Chatham House rules, the following summary does not attribute content to people but focuses on the essence of the contributions.

The 2021 October Round Table was co-chaired by Anne de Riedmatten (Head of Section, Permanent Mission of Switzerland to the UN and other International Organisations, Humanitarian Affairs Section) and Kate Halff (HQAI President of the Board of Directors).

2. Objective

The objective of the 2021 October Round Table was to share and discuss how HQAI audits based on the CHS can offer pragmatic solutions to respond to several due diligence requirements in one opera-

tion, identify the benefits and challenges of such an approach and foster its recognition amongst donors.

The exchanges were split into three main threads:

- Feeding into several sets of requirement with one CHS audit.
- Avoiding duplication
- The extent to which HQAI CHS audits help fulfil the localisation agenda

3. Thread 1 - Filling two needs with one deed: One audit feeding into two separate sets of requirements

The Act Church of Sweden (CoS) [case study](#), in which CoS obtained the ECHO Framework Partnership agreement (FPA) through a joint ECHO *ex-ante* and CHS recertification audit, illustrated that:

- a CHS audit produces about 80% of the data that is necessary to answer the questions of the ECHO *ex-ante* audit;
- significant resources are saved that can be used for aid work:
 - human resources, as CoS staff has to attend only one audit team;
 - financial resources, as the cost for the bridge (the process of adding the 20% missing data to the CHS audit and producing the ECHO audit report) was only about 10% of the quote from traditional auditing firms¹;
- still a significant amount of staff involvement was necessary to go through both processes in one time

The case study was the opportunity to recall that the 80% coverage of ECHO's requirements is made possible thanks to the fact that the audit process produces more data than the indicators of the standard itself require.

While it is possible to significantly reduce administrative and financial burden through the bridge approach, it is not harmonisation of due diligence requirements between donors *per se*. Furthermore, the accumulation of information produced by these mechanisms, particularly if they can be applied with several donors, will however positively contribute to the dialogue on harmonisation, demonstrating that it is feasible and how it can be achieved. HQAI thus invited other donors to join in this process and develop other bridges.

The successful conclusion of the bridge between an CHS and a ECHO *ex-ante* audit has confirmed HQAI as a reliable and strong partner in the harmonisation discussion. Since then several donors have solicited advice from HQAI in the matter.

Questions were raised regarding the additional costs, in particular for small NGOs and whether this could represent a barrier. HQAI acknowledged the issue, indicating that an important part of its work tried to address audit accessibility, among others through the possibility to obtain subsidies covering

¹ HQAI estimates that several million Euros could have been saved if all its European certified partners had gone the same route.

up to 90% of the audit costs ([see more here](#)) and the group approach that can help achieve economies of scale and de facto participates to the localisation of auditing services ([see more here](#)).

One donor called upon the possibility to get more due diligence related data in HQAI's audit public summaries, which would facilitate the work of donors and get them better acquainted with HQAI's work.

4. Thread 2 - Reducing duplication: total or partial substitution of other due diligence processes

Streamlined due diligence processes can benefit donors and NGOs along the Grand Bargain commitment to harmonise and simplify administrative and reporting requirements.

Germany's humanitarian division has implemented a simplified process for organisations that are verified against the CHS or registered as ECHO partners. The due diligence process is based on a quality profile composed of 111 questions that organisations need to answer. For those that are CHS verified, this questionnaire is diminished to 67 questions. ECHO partners as well complete a shortened quality profile. Germany is committed to further reduction of duplication.

The donor's community is faced with an apparently impossible challenge to solve. On the one hand they need to refine their risk prevention mechanisms, meaning that more and more information is needed from organisations. On the other hand this can create barriers for local NGOs. As such, it can represent a loss for donors because local organisations have solid strengths on the ground.

At an other end of the spectrum, the Grand Duché du Luxembourg is a donor with limited manpower to undertake complex due diligence processes. Grants are attributed principally based on the track record of humanitarian partners from Luxembourg, which is adapted to the size of the country. However, the absence of formally defined processes has the disadvantage of limiting the capacity to fund international or local partners. To palliate this situation the Grand Duché relies on the assessments made by other European donors and particularly ECHO. Luxembourg has also decided to make CHS independent verification or certification mandatory for their partners in the future.

While not unanimously shared by all participants, the general understanding that came out of the discussion was that HQAI has tools that can effectively help in the reduction of administrative requirements related to due diligence. This can be done now, without agreement on the harmonisation of due diligence requirements between donors. However, to become really significant, these tools should be actively used by an increasing number of donors. The diverse experience that would be gained through these processes would facilitate reaching a point where one set of questions added to a "normal" CHS audit could provide the data necessary to respond to the due diligence requirements of a majority of donors.

The discussion was also an opportunity for HQAI to state again that it has no intention to be a monopoly of CHS independent quality assurance and extended due diligence processes. The current situation is the result of a demand that is too low to allow even HQAI alone to be financed by the revenue of audits. In other words there is currently no business case for more than one organisation delivering CHS audits. This will change once HQAI and its partner the CHS Alliance will have succeeded to make CHS verification the norm and not the exception as it is now.

5. Thread 3 - Contributing to localisation: Direct funding for national NGO's

While strongly committed to localisation, the direct financing of national organisations would create an administrative burden that is outside the capacity of most donors to manage. DANIDA and FCDO presented a joint project with HQAI to pilot the use of CHS certification to allow direct funding to national NGOs and assess the potential CHS certification presents to resolve this conundrum.

The project will map the due diligence requirements of both donors against the CHS and one against the other, with the hope to identify a common bridge with a CHS audit. Clearly rooted in the localisation agenda, this project will also bring important information regarding the possibility to create a "universal bridge".

Currently the privileged solution to fund national NGOs seems to be through national pool funds. In this respect, HQAI mentioned to the audience the on-going audit of a Danish pool fund, a process aimed at identifying the mechanisms such an organisation can have to transmit the CHS commitments through its grants and adapt the audit process to these funding tools. This experience will be adapted to national pool funds from 2022 on. At the suggestion that HQAI could act as a primary administrator and fund manager for both the granting and monitoring processes, HQAI unequivocally replied this could not happen, in particular because this would create a conflict of interest with its primary function, which is auditing.

6. Conclusion

If one winning argument was to be presented in favour of the approach presented by HQAI was to be put on the table, what would it be? Answering this question is almost impossible because several interconnected elements come into play.

There is now a growing evidence that the application of the CHS improves the quality and accountability of aid to vulnerable people and at-risk communities. As such any tool that promotes the use of the CHS is beneficial. There is also a growing evidence that independent quality assurance against the CHS, in particular certification, speeds up the implementation of the CHS. Robust independent quality assurance has a cost. If it does not bring significant savings to those who use the tool, it will not fly and thus its potential to fast track quality and accountability to the people will be lost.

So maybe **the** argument is that the bridge between the CHS audit and due diligence requirements saves financial and human resources. Not because of the savings *per se*, but because it incentivises and fast tracks the application of the CHS and releases these resources for more, better and more accountable aid.

HQAI thanks all the participant for their participation, openness and transparency. We also thank our donors who co-hosted this event for their ongoing strategic and financial support.

The Chairs closed the meeting at **13:30**