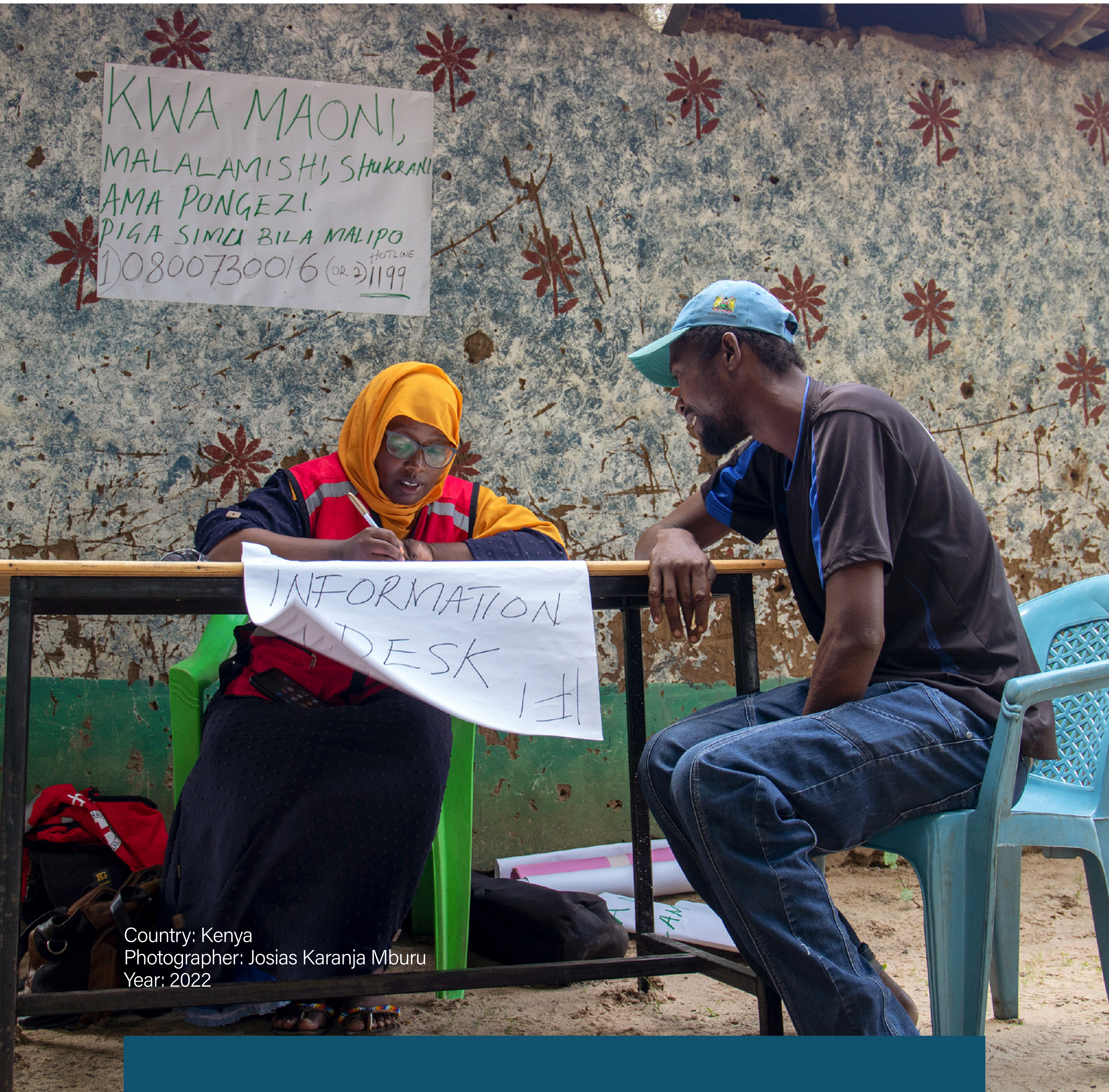
RISK SHARING FRAMEWORK

ENHANCING THE IMPACT OF HUMANITARIAN ACTION THROUGH IMPROVED RISK SHARING

Developed by the Risk Sharing Platform



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FOREWORD

The Risk Sharing Platform was established in 2021 and is co-led by the Netherlands Ministry of Foreign Affairs, the ICRC and InterAction. Through this Platform, signatories to the Grand Bargain from national and international NGOs, Red Cross/Crescent movement entities, UN agencies and government donors, seek to improve the way organisations share risk, with the ultimate goal of better supporting affected people.

The idea for a Risk Sharing Framework first arose during a Global-level Expert Meeting on risk sharing in early 2021. Discussions continued until a commitment was made by the Risk Sharing Platform members in late 2022 to draft a document. The substantive work to create the Framework was undertaken by members between January and May 2023. The co-leads developed initial texts for the Framework, which were discussed during monthly Platform meetings and member caucuses and circulated to members for comment in five rounds of drafting to finalise this document.

The result is a Risk Sharing Framework which provides a basis for interested humanitarian actors to further pursue risk sharing as a means to enable more effective delivery of support to affected people. It is not a directive tool, but rather a principled approach that can be adapted and used by actors as they see fit.

The co-leads would like to thank the following government donors, UN agencies and Red Cross/Crescent movement entities, and national and international NGO platform members who engaged in the process to develop the Risk Sharing Framework, namely: ECHO, German Federal Foreign Office, Global Affairs Canada, Norad, Norwegian Ministry of Foreign Affairs, Sida, UK FCDO, USAID, US Department of State, UN OCHA, UNHCR, UNICEF, UN WFP, UN WHO, IFRC, Dutch Red Cross, Catholic Relief Services, Concern Worldwide, GISF, HIAS, Mercy Corps, NEAR, NRC, Oxfam, ZOA, Dutch Relief Alliance, GREDO, and Humanitarian Aid International, as well as non-platform members Action Against Disasters Somalia (AADSOM), Afar Pastoralist Development Association , Arche NOVA, Caritas, CBM, CHA Berlin, Diakonie Katastrophenhilfe, DRK, FRDP Pakistan, GIZ, IDEA, IRC Deutschland, Johanniter-Unfall-Hilfe e.V., Kindernothilfe, Lifeline Organization (SOLO), MEDEOR, Mukti Foundation Bangladesh, Panorama Alam Lestari Foundation, Puntland Minority and Women Development Organization (PMWDO) Somalia, RCDSPK, Transcultural Psychosocial Organization, VENRO, Welthungerhilfe and World Vision Germany.

The Risk Sharing Framework was developed by Platform members, facilitated by the Platform co- leads the ICRC, InterAction and the Netherlands Ministry of Foreign Affairs. The Framework document was drafted by consultants Ed Hughes and Anna Stein, with the financial support of the Netherlands Ministry of Foreign Affairs and the ICRC. The content of the Risk Sharing Framework does not necessarily represent the official position of the co-leads or those organisations involved in the development of the Framework.

ICRC

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Ministry of Foreign Affairs of the Netherlands

CONTENTS

INTRODUCTION

In 2016, Grand Bargain signatories committed to improving the effectiveness and efficiency of humanitarian action, acknowledging that all humanitarian actors share a common goal to support affected people. There is though increasing recognition that provision of assistance is frequently challenged by risks that complicate and frustrate effective delivery. 'Humanitarian actors'[1] seek to manage these risks through strong risk management designed to enable quality and timely humanitarian delivery, performance and outcomes for affected people.[2] However to-date, risk mitigation efforts have been largely undertaken by individual signatories focusing on their own risk exposure.[3]

Where humanitarian actors take a unilateral approach to risk management, it poses a challenge for shared humanitarian goals. Humanitarian action is complex. Humanitarian actors work in interdependent 'delivery chains of assistance'[4] to achieve their shared goal. Taking a unilateral approach may allow one actor to address the risks they face, but it may have the result of transferring risk to or generating new risk for other actors in the delivery chain. If those actors cannot manage the risks they are presented with, this may have an impact on their ability to deliver on the goal that all actors in the delivery chain share. This raises the question of whether such an approach to risk management will have the intended result of enabling humanitarian delivery.

Humanitarian actors share a common goal, aspire to collective action and celebrate collective success. A more collective approach to risk management, with a greater emphasis on risk sharing, can enhance the impact of humanitarian action.

Humanitarian actors have traditionally borrowed risk management approaches from the commercial sector. As a result, humanitarian actors 'treat' risks to minimise their impact, commonly relying on different risk treatment options such as avoidance, transfer, control/reduction, acceptance and sharing of risk. However these approaches do not reflect the collective nature of humanitarian action, thus an expanded definition of risk sharing is required that goes beyond a simple 'pre-agreed division of risk.'

Risk sharing should be understood as a reasonable sharing of the burden of preventative measures and reasonable sharing of responsibility for materialising risks.

1 The term 'humanitarian actor' is defined in the Glossary
2 *Responding Amid Uncertainty and Managing Risk in Humanitarian Settings*, Interaction & CDA, June 2022 https://www.interaction.org/wp-content/uploads/2022/06/Global-Report.pdf
3 As noted in the executive summary of *The Grand Bargain in 2021: An independent review, June 2022* https://interagencystandingcommittee.org/system/files/2021- 06/Grand%20Bargain%20Annual%20Independent%20Report%202021%20-%20Executive%20Summary.pdf
4 The term 'delivery chain of assistance' is defined in the Glossary

Increasing the use of risk sharing requires a new approach that goes beyond unilateral risk management, in part because humanitarian actors' perceptions of risk differ markedly, depending on the function they perform. 'Back donors,'[5] consistently highlight concern over fiduciary and reputational risks while 'direct implementers' often focus more on security and operational risks, with 'intermediary donors' often pulled between the two. Effective risk sharing requires all actors to agree on a holistic picture of the risks in their delivery chain, in order for them to collectively identify new risk sharing opportunities to address risks, as well as a way to ensure that agreed risk sharing measures are implemented. This is the challenge that the Risk Sharing Framework seeks to address.

The Risk Sharing Framework creates an opportunity to better serve affected people, by improving management of risk within delivery chains through a principled approach to sharing the burden of preventative measures and responsibility for materialising risks.

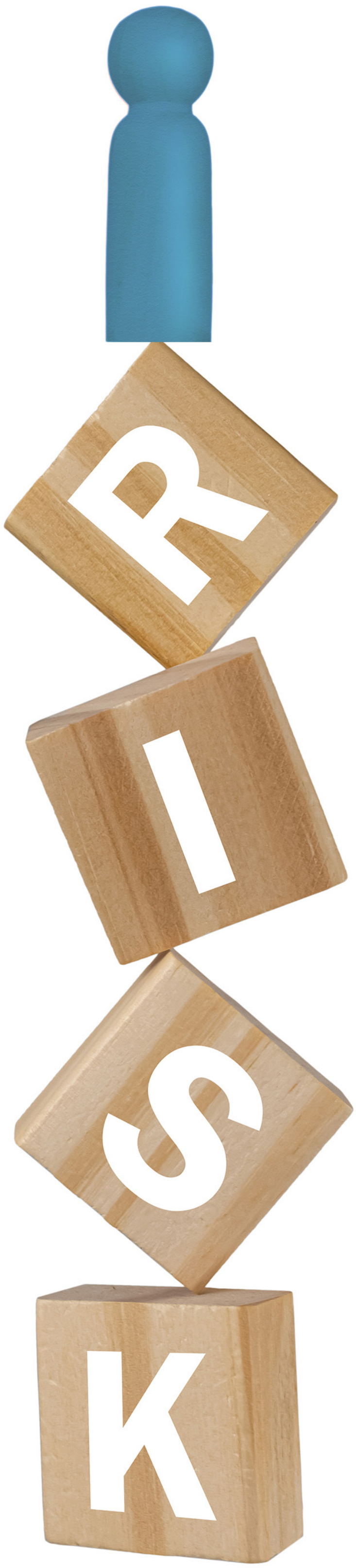
The potential combinations of humanitarian actors and functions in a delivery chain are numerous and so, therefore, are the potential applications of the Risk Sharing Framework. The Framework could be used in complex scenarios, for example by a back donor working with all its partners to identify risks and plan and resource mitigation efforts; or by back donors, intermediary donors and direct implementers working collectively at an area or country level. In more simple scenarios it could be used by a single donor and implementing partner. The Framework approach to risk sharing requires organisations to collaborate, committing to strive for both collective and individual benefits. Some solutions will inevitably be easier to work through than others. Other solutions that may require sustained, often collective engagement action over a longer time period, offer the possibility of greater systemic impact. Together, actors can achieve more.

Humanitarian actors are encouraged to apply the Risk Sharing Framework pragmatically at the most strategic level manageable, to pursue risk sharing solutions that include quick wins and actions to help address more challenging strategic risk sharing obstacles.

The Framework approach is based on principles that guide dialogue and agreement on action. A collaborative approach to dialogue and negotiation is a precondition for success and the ability for actors to talk confidently and confidentially about risk without fear of the consequences of doing so is crucial. All actors should recognise they are seeking mutually agreeable outcomes. The range of scenarios within which the Framework may be applied are numerous, thus the Framework provides a number of other principles which serve as building blocks for the design of guideline questions to implement the Framework approach.

5 The terms 'back donor,' 'intermediary donor' and 'direct implementer' are defined in the Glossary

Together, the Risk Sharing Framework principles highlight the importance of confidential and non-punitive processes of dialogue for risk sharing, while providing the basis on which the Framework's guideline questions can be adjusted collaboratively by actors to best suit the context in which the Framework approach is applied.

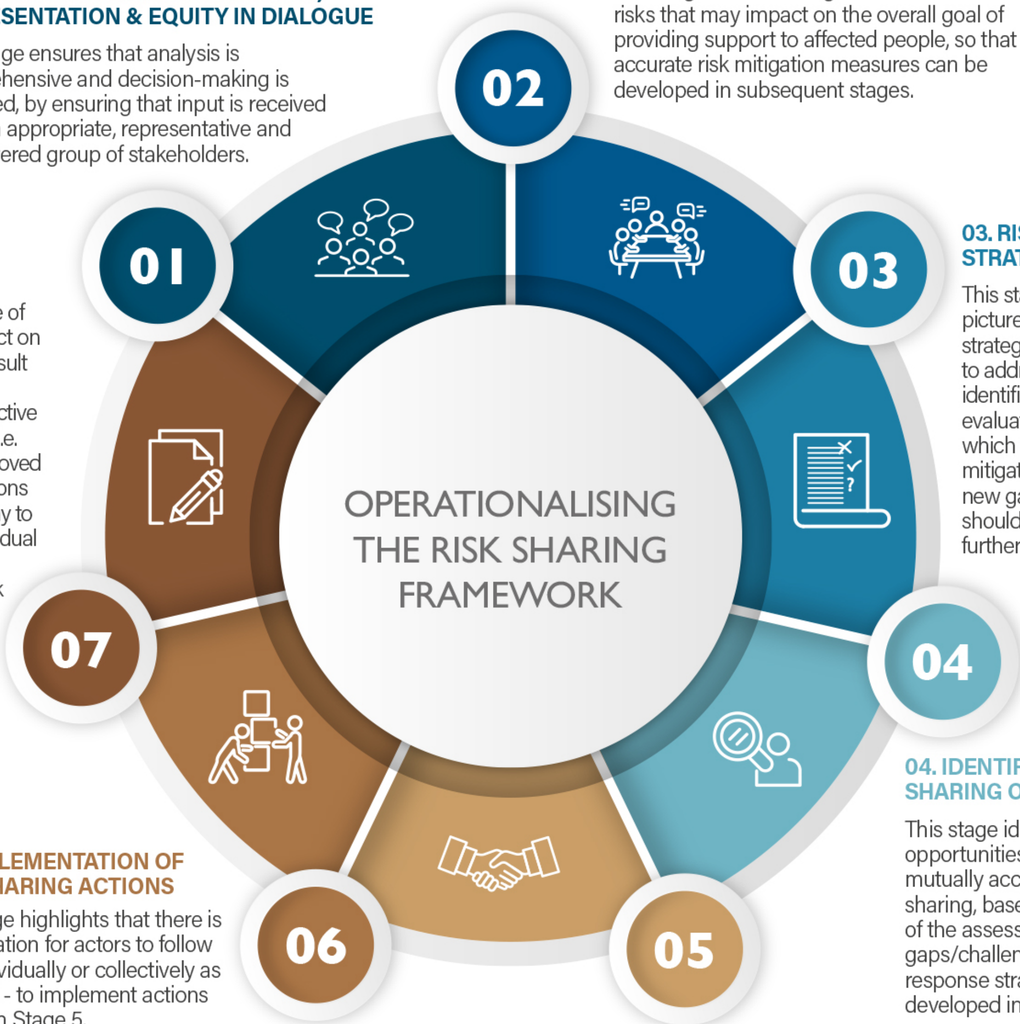


Collective action on risk sharing must start within individual organisations, it cannot be siloed as solely a technical risk management issue. Senior staff (e.g. senior management, programme, policy staff, etc.) are often best placed to look holistically at risks to overall humanitarian goals. Specialist functional staff (e.g. finance, risk, legal & compliance, supply chain, etc.) are likely to be required to help identify the innovative and best practice risk sharing solutions to address these risks. Senior management buy-in correlates closely with the success of risk sharing endeavours and their engagement may be crucial to eventual agreements between actors on risk sharing.

More collective risk sharing is in all humanitarian organisations' interests, it is therefore a responsibility for individuals within those organisations to help achieve it.

FIGURE 1

SEEKING BETTER RISK SHARING OUTCOMES: OPERATIONALISING THE RISK SHARING FRAMEWORK



01. DELIVERY CHAIN STAKEHOLDERS, REPRESENTATION & EQUITY IN DIALOGUE

This stage ensures that analysis is comprehensive and decision-making is balanced, by ensuring that input is received from an appropriate, representative and empowered group of stakeholders.

02. HOLISTIC RISK IDENTIFICATION

This stage creates an agreed baseline of the key risks that may impact on the overall goal of providing support to affected people, so that accurate risk mitigation measures can be developed in subsequent stages.

03. RISK RESPONSE STRATEGY ASSESSMENT

This stage creates a shared picture of the response strategies already in place to address key risks identified in Stage 2, and to evaluate the extent to which they satisfactorily mitigate key risks, or create new gaps or issues that should be addressed by further risk sharing.

04. IDENTIFICATION OF RISK SHARING OPPORTUNITIES

This stage identifies opportunities for increased mutually acceptable risk sharing, based on a review of the assessment of gaps/challenges in risk response strategies developed in Stage 3.

05. ACTION PLANNING FOR RISK SHARING

This stage is to collaboratively agree which potential risk sharing solutions identified in Stage 4 should be collectively pursued by the actors in the delivery chain as part of individual follow up to secure sustainable solutions to the challenge of delivering assistance.

06. IMPLEMENTATION OF RISK SHARING ACTIONS

This stage highlights that there is an obligation for actors to follow up - individually or collectively as required - to implement actions agreed in Stage 5.

07. LEARNING & ADAPTING

The overall purpose of this stage is to reflect on whether the end result of the process has supported the objective of the Framework (i.e. contributed to improved support to populations of concern) as a way to seek ongoing individual and collective improvement in risk sharing outcomes.

WHAT IS THE PROBLEM, WHAT IS THE SOLUTION?

Improving the quality and efficacy of humanitarian action is a constant preoccupation for all humanitarian actors. The importance of this task was recognised in the 2016 Grand Bargain, when signatories agreed to act strategically and systematically to improve the conditions under which aid is delivered and, in so doing, get more and better aid into the hands of those who need it, not least through a focus on localisation. However humanitarian actors' approaches to risk and risk management within their operating environments have been identified as a potential obstacle to achieving this goal. Unilateral risk management approaches may appear to manage individual humanitarian actors' risk exposure. However these approaches can also result in the transfer of risks to, or generation of new risks for, other humanitarian actors in the delivery chain. If those actors are unable to respond to or unwilling to accept those new risks, the delivery chain may break down, with an inevitable impact upon the provision of support. In this scenario, all actors in the delivery chain fail to achieve their shared goal to better support affected people.[10]

PROBLEM SOLVING BY RISK SHARING

If actors want to achieve their shared goal, risk in the delivery chain needs to be identified and addressed holistically. One strategy to achieve this is improved risk sharing, defined as:

> *'A reasonable sharing of the burden of preventative measures and reasonable sharing of responsibility for materialising risks'*

Improved risk sharing offers the opportunity for humanitarian actors, each with different appetites for different risks, to collaborate in delivery chains, sharing risk in such a way that more risk can be managed within the delivery chain as a whole. This leads to greater opportunity for actors to achieve their shared goals and is better overall risk management as a result.

BARRIERS TO EFFECTIVE RISK SHARING

Risk sharing necessarily requires humanitarian actors to consider risk management outcomes more collectively and less unilaterally. The process may raise internal questions around confidentiality and information sharing which some actors may find challenging. While humanitarian actors usually share an overall goal, their objectives may differ, as may their appetite for and sensitivity to different types of risk. Risk sharing is also a new and poorly understood concept. Consequently, capacity to understand and facilitate risk sharing processes is not well-tested. These issues present challenges that must be addressed when attempting to improve risk sharing.

6 Paraphrased from *Risk Sharing in Practice*, Netherlands MFA & the ICRC, June 2022.

PURPOSE, GOAL & OBJECTIVES OF THE RISK SHARING FRAMEWORK

The purpose of this Risk Sharing Framework is to provide a principled approach through which humanitarian actors working in a delivery chain of assistance can collectively define and agree on the risks that exist, and how best to respond to them.

The goal of the Risk Sharing Framework is to better serve affected people, by improving management of risk within delivery chains through a principled approach to sharing the burden of preventative measures and responsibility for materialising risks.

Specifically, the objectives of the Framework within this overall goal are i) enabling the holistic identification and understanding of risk and risk sharing in the delivery chain, ii) identifying risk sharing opportunities that can be exploited to maximise the collective potential reach of partnering organisations, and iii) ensuring that actors operationalise these opportunities.

UNDERLYING PRINCIPLES FOR IMPROVING RISK SHARING

The concept of delivery chains of assistance indicates that risk sharing may, and ideally should, be pursued in a wide range of scenarios by a broad range of humanitarian actors. With this in mind, it is necessary to i) articulate certain principles to guide engagement between actors using the Risk Sharing Framework and ii) include principles that outline the Framework's conceptual basis, allowing for the adjustment of the guiding questions by Framework users, should their context require it.

The principles are outlined below, each followed by examples of how they might be operationalised in different scenarios by different actors:[7]

7 It should be noted that, given the different groupings of actors and their varied functions in different delivery chain scenarios, these examples will not all be relevant to every reader. They are illustrative, intended to help readers interpret the principles underlying the Framework.

1. HUMANITARIAN ACTORS USE A COLLABORATIVE APPROACH TO PURSUE MUTUALLY ACCEPTABLE RISK SHARING SOLUTIONS THAT BEST FACILITATE DELIVERY OF ASSISTANCE.

Operationalising the principle:

- Actors accept that risk sharing is a collaborative process which requires a collaborative way of working. The way of working is the means to an end, not the end result itself.
- Actors use dialogue, actively sharing their findings with partners, with the aim of avoiding unilateral and asymmetric risk management approaches and actively seeking collective approaches that see residual risk shared not equally, but more equitably across the whole delivery chain, proportionately to the actors' risk management capacities.
- Actors are alert to emerging opportunities to collaborate on risk sharing solutions that facilitate delivery of assistance. Actors understand that collaboration among different groupings may be required to realise different opportunities.
- Actors recognise that each actor in the delivery chain has an individual risk appetite. Some actors have higher appetites for some risk types than others. Actors understand that collaboration does not entail a commitment to equally share risks, rather an aspiration to equitably share risks, avoiding leaving some actors unduly exposed.

2. HUMANITARIAN ACTORS STRIVE FOR A CONFIDENTIAL AND NON-PUNITIVE PROCESS OF DIALOGUE TO ENABLE COLLABORATION.

Operationalising the principle:

- Actors acknowledge that while the sharing of relevant risk descriptions is necessary for dialogue on risk sharing, the sharing of such information is sensitive, and information may therefore be sanitised/anonymised and provided at the discretion of the actors involved.
- Actors recognise that discussions around risk can be sensitive. Actors must mutually agree on a satisfactory level of confidentiality for discussion in their setting.
- Actors understand they should not be requested or compelled to share incident-specific data as part of a dialogue on risk sharing. No personal data should ever be shared by any actor within the Framework process.
- Actors agree that while documentation of processes is necessary for mutual accountability, learning and adapting, the information captured may be sensitive. Information should not be attributed to or be identifiable to individuals or organisations, functional attribution (i.e. back donor/intermediary donor/direct implementer) is sufficient. Actors should confirm in advance the parameters for sharing such information with a wider audience.
- Actors recognise that participation in dialogue on risk sharing, and information shared in such dialogues, does not change the terms of any contracts they may have previously entered into. All actors continue to be bound by their contractual obligations, including to prevent and report proscribed practices, and remain liable for any breaches of those obligations.
- Actors commit to receiving information on risks in a non-punitive environment. Sharing information on potential or actual risks carries the possibility of adverse consequences, as other

7 It should be noted that, given the different groupings of actors and their varied functions in different delivery chain scenarios, these examples will not all be relevant to every reader. They are illustrative, intended to help readers interpret the principles underlying the Framework.

actors in the delivery chain may move pre-emptively to protect themselves from newly identified risks that they consider unacceptable (e.g. one actor highlights the risk of aid diversion, leading another to withdraw the offer of funding). To mitigate the likelihood of these consequences, there should be a commitment to non-punitive information sharing. This is particularly relevant to organisations working in donor functions, due to the power imbalance existing between them and other actors.

3. HUMANITARIAN ACTORS IDENTIFY, FOCUS ON AND SEEK MITIGATION FOR 'KEY RISKS'[8], DEFINED AS THOSE WHICH SIGNIFICANTLY INHIBIT THEIR ABILITY, AND THAT OF OTHER ACTORS IN A DELIVERY CHAIN, TO ACHIEVE THEIR SHARED GOAL OF ASSISTING AFFECTED PEOPLE.

Operationalising the principle:
- Actors engaging in dialogue on risk sharing focus on the identification and analysis of systemic or severe risks, described as 'key risks,' which have profound consequences for the delivery chain as a whole.
- Actors prioritise risk sharing efforts on those key risks which cannot be effectively managed by individual organisations.

4. HUMANITARIAN ACTORS COLLECTIVELY CONSIDER THE TOTALITY OF KEY RISKS IN THE DELIVERY CHAIN, NOT JUST THE RISKS TO THEIR OWN ORGANISATION.[9]

Operationalising the principle:
- Actors commit to engaging in appropriate forms of collective analysis and discussion, leveraging existing analyses or coordinating structures where appropriate, to collate and agree on a holistic picture of key risks in their delivery chain.
- Actors ensure that the key risks identified by those in the least equitable positions will be adequately considered and reflected, meaning local responders will be heard, with their capacity built to enable them to engage directly, should it be required.

5. HUMANITARIAN ACTORS CONSIDER AND DEFINE THEIR RISK APPETITES AND EVALUATE HOW THEIR COMPLIANCE AND CONTROLS-BASED FRAMEWORKS, WHICH SHOULD SUPPORT THEIR RISK APPETITE, AFFECT THEIR ABILITY TO ACHIEVE HUMANITARIAN OBJECTIVES,[10] INCLUDING WHETHER THEY CREATE OBSTACLES TO DOING SO.[11]

Operationalising the principle:
- Actors acknowledge that while their organisations' internal risk appetite statements may remain confidential, to engage in risk sharing discussions they must be able to articulate their

8 The term 'Key Risk' is defined in the Glossary.
9 Recommendation from *Risk Sharing in Practice*, Netherlands MFA & the ICRC, June 2022.
10 Recommendation from *Risk Sharing in Practice*, Netherlands MFA & the ICRC, June 2022.
11 One of the eight Risk Management Traps identified in InterAction's *Risk III: From Evidence to Action.*

respective positions on risk, including their appetite for different risks.
- Actors working in different functions (e.g. governments as back donors, UN agencies and INGOs as intermediary donors, etc.) explicitly consider, when assessing their own risk response strategies, whether their norms, requirements and partnership approaches transfer or generate new risks either directly or indirectly (e.g. as pass-through conditions) for their downstream partners.
- Actors promote and facilitate open dialogue with other actors in their delivery chains regarding the impact of each other's norms, rules and partnership guidelines on their ability to deliver assistance effectively.

6. HUMANITARIAN ACTORS CONTINUOUSLY CONSIDER RISKS GENERATED BY INACTION.

Operationalising the principle:
- Actors understand that inaction often has consequences. For example, an organisation choosing, either actively or passively by virtue of inaction, not to engage with an activity/project/context due to concerns about one or more specific risks associated with that intervention may avoid those specific risks – but may leave themselves open to a potentially greater risk of not achieving their overall goal of supporting the affected people. Considering the consequences of inaction allows actors to evaluate whether the balance between these risks is appropriate and whether a different risk response approach is required.
- Actors recognise that inaction arising from inertia should be avoided. For example, at country level organisations failing to work collectively to address risks that threaten their ability to support affected people represents a collective failure to act, but also an individual failure on the part of organisations to advocate for and/or take the lead on actions which are in their own interest. This example underlines the importance of collective collaboration on risk identification and response.
- Actors acknowledge that inaction on risk often involves a choice. It is recognised that all actors face external constraints which may, in the immediate term, limit their ability to share risks in some ways (for example, a donor being bound by legislation on fiduciary risk that prevents write offs of losses to fraud, etc.). However they may choose to still engage with the risk within these constraints, examining other ways to share risk that may be possible in the short term, while strategically engaging to correct upstream obstacles in the medium to long-term (for example all actors involved agreeing to push for changes to legislation). While such upstream changes may seem impossible to achieve, it is important that all options to achieve substantive improvement in risk sharing are considered, and the costs and risks of action on these obstacles weighed against the costs and risks of inaction.

7. HUMANITARIAN ACTORS DEPLOY BEST PRACTICE AND/OR INNOVATIVE PREVENTIVE MEASURES THAT REDUCE LIKELIHOOD OF RISKS OCCURRING, AND REACTIVE MEASURES TO ADDRESS IMPACT OF RESIDUAL RISKS THAT MAY STILL MATERIALISE.[12]

Operationalising the principle:

- Actors ensure they place adequate emphasis on deploying measures to manage the impact of risks that may materialise, as well as deploying mitigation measures to prevent or reduce the likelihood of those risks occurring in the first place.
- Actors ensure, in respect of measures to manage the impact of risks that may materialise, that to the greatest extent possible, agreements and measures for sharing (or not sharing) these risks are agreed formally and in advance.
- Actors understand and consider how mitigation and management of risk requires not just financial investment, but other actions.[13]
- Actors seek to identify, capture and utilise best practice examples of risk sharing in their responses where applicable.

8. HUMANITARIAN ACTORS CLARIFY, CODIFY, AND RESOURCE RISK SHARING MEASURES TO THE GREATEST EXTENT POSSIBLE WITHIN CONTRACTS, BUDGETS, EXTERNAL RISK SHARING POLICIES AND INTERNAL GUIDELINES.[14]

Operationalising the principle:

- Actors recognise that risk sharing is most often successful where actors have been able to rely on upfront contractual division of risk, with clear policy and internal guidance to help the staff involved reach the correct decisions.[15] Where a positive risk sharing solution becomes established informal practice between two or more actors, actors will seek where possible to formalise this into their policies, to allow the practice to be scaled for greater impact.
- Actors acknowledge there will be instances where constructive ambiguity and discretionary decision making may be required to achieve risk sharing, but recognise the success rate, equity and scalability of such approaches makes this their approach of last resort, not their approach of first resort for risk sharing.

12 Paraphrased recommendation from *Risk Sharing in Practice*, Netherlands MFA & the ICRC, June 2022.

13 For example in response to Security Risks, security risk management agreements between direct responders and intermediary donors on the ground may cover issues such as shared evacuation procedures, mutual support arrangements, etc. that are not primarily issues of financial support, but operational policy agreement.

14 Recommendation from *Risk Sharing in Practice*, Netherlands MFA & the ICRC, June 2022.

15 Finding from *Risk Sharing in Practice*, Netherlands MFA & the ICRC, June 2022.

USING THE RISK SHARING FRAMEWORK

The Risk Sharing Framework is intended to i) enable the holistic identification of risk in the delivery chain and ii) identify risk sharing opportunities that can be exploited to maximise the collective potential reach of partnering organisations and iii) ensure that actors operationalise these opportunities. This section details who is likely to be involved in using the Framework, how they will use the Framework and in which scenarios.

WHO SHOULD USE THE RISK SHARING FRAMEWORK?

The Framework contributes to achieving the programme goal of providing better support to affected people. Achieving overall goals requires a cross-organisational effort and risk sharing requires the same approach. Those involved in using the Framework will vary depending on the organisation involved and the way in which they use it. The following table, while not being prescriptive due to differences between actors organisational structures, illustrates who might commonly be involved:

STAFF ENGAGEMENT IN FRAMEWORK

RISK SHARING FRAMEWORK STAGE	FUNCTIONAL STAFF INVOLVED
STAGE 01 **Delivery chain stakeholders, representation & equity in dialogue**	Senior programme staff (understand the organisation's goal and risk obstacles in the relevant contextual scenario. Understand the other stakeholders in the delivery chain)
STAGE 02 **Holistic risk Identification**	Senior programme staff (understand the organisation's goal and risk obstacles in the relevant contextual scenario. Understand the other stakeholders in the delivery chain)
STAGE 03 **Risk response strategy assessment**	Programme staff and functional staff (understand different response strategies to identified key risks, e.g. security, supply chain, finance, risk & compliance, etc.)
STAGE 04 **Identification of risk sharing opportunities**	Programme staff and functional staff (understand different response strategies to identified key risks, e.g. security, supply chain, finance, risk & compliance, etc.)
STAGE 05 **Action planning for risk sharing**	Senior Programme staff, other functional staff, Senior Management (where prioritisation of response strategies takes place, senior management buy-in and decision may be needed to strike a deal)
STAGE 06 **Implementation of risk sharing actions**	Per organisational processes
STAGE 07 **Learning and adapting**	Per organisational decision

HOW TO USE THE FRAMEWORK

The seven stages of the Framework are suggested to be followed together by the actors involved, reflecting on Principles 1 and 2 in particular to guide their approach to the process. The evaluative questions in each stage are deliberately broad; actors should use Principles 2-8 of the Framework to adjust the guideline questions in each stage to better fit their context as required.

DIFFERENT APPLICATION SCENARIOS FOR THE FRAMEWORK

In line with the idea that the Grand Bargain seeks strategic change, and considering the commitment to solutions that enable localisation, risk sharing engagement should be conducted at the manageable level at which it may result in the broadest possible impact. This could point to scenarios where individual back donors work at a global level with some or all their partners to identify and seek to address key risks, but it could equally be as simple as a single donor working with a single partner on specific risks identified within their bilateral relationship. The result is a range of settings in which the Framework might conceivably be applied.

ACTOR REPRESENTATION IN DIFFERENT APPLICATION SETTINGS

In many application settings it may be unrealistic for the individual perspectives of every actor in a delivery chain to be captured. However, depending on the scenario, this may not be automatically necessary. There will always be unique risks that have to be considered on a case-by-case basis, but where there are larger numbers of actors in a delivery chain, the focus is more likely to be on system-level risks than on those faced by individual organisations. By default, this would point towards an identification of risks commonly faced by different types of organisations (i.e. those faced by back donors, intermediary donors or direct implementers). In these instances, representative organisations among the three functions may provide indicative key risks common to the actors working in those three functions.[16] This would require attention as to the selection of the representative organisations. There are precedents indicating how this could be achieved,[17] though questions remain around how to maintain equity among such a group. The issue of equity in dialogue is a consideration for implementation of the Framework process, in line with Principle 4.

16 It should be noted that there exists an obvious pyramid, within which there are fewest back donors, more organisations working primarily in intermediary donor functions and the largest proportion working in direct implementation functions. This will necessarily suggest fewer organisations direct involvement from the latter category.

17 For example, arrangements exist in Humanitarian Country Teams to ensure INGO and NNGO representation, the Dutch Relief Alliance has a revolving Chair agency to speak on behalf of its members to the Netherlands MFA, etc.

GUIDELINE QUESTIONS

FOR APPLYING THE RISK SHARING FRAMEWORK

STAGE 01 DELIVERY CHAIN STAKEHOLDERS, REPRESENTATION & EQUITY IN DIALOGUE

The overall purpose of this stage is to ensure that the analysis that underpins decision making is accurate, and decision making is balanced, due to relying on the feedback of an appropriate, representative & empowered group of stakeholders (operationalising Principles 1 and 4).

Depending on the scenario in which the Framework is being applied, there will be different actors involved. Depending on the number of actors identified, it may not be realistic to engage all stakeholders directly. In this situation, ensuring representation in involvement, and equity in dialogue, is key. Regardless of scenario, it is recommended that for transparency, this stage should be conducted collectively with as many actors from the delivery chain as is reasonably possible.

1. Which organisations will be involved in the delivery chain in which the Framework is suggested to be applied and in which functions (back donor/intermediary donor/direct implementer)? *Purpose: To understand the mix and scale of stakeholders in the proposed application of the Framework.*

2. Is there, by virtue of the scenario in which the Framework is being applied, a natural convener for the Framework dialogue who could facilitate it? *Purpose: To leverage existing structures and representations to facilitate dialogue (e.g. a back donor, an Alliance Chair, Consortium Lead, HCT, etc.).*

3. If there is no existing structure that points towards an organisation who could convene and facilitate the dialogue, which organisations are best placed to do so? *Purpose: Where no existing structure can be leveraged, agree or designate an organisation to perform the role.*

4. Is it feasible for all actors in the delivery chain to engage individually in the Risk Sharing Framework dialogue? *Instruction: If yes, proceed to next Stage. If no, proceed to Question 5.*

5. If it is not realistic for all actors to be engaged in dialogue individually, how might adequate representation of the three functions (back donor/intermediary donor/direct implementer) be achieved? *Purpose: Confirm a method to select organisations whose functional experience is broadly representative of the significant risks to shared goals likely present in the delivery chain.*

6. If all actors in the delivery chain are not involved directly, how do decisions on representation ensure a) equity between functions and b) equity between organisation types, especially local responders? *Purpose: Ensure that risks that may be specific to a function being performed (e.g. back donor, intermediary donor, and direct implementer), or may be specific to the nature of an organisation (i.e. a western donor vs a UN agency vs a NNGO vs an INGO) are given necessary space in discussion and equitable consideration in reaching shared conclusions.*

Documentation of stage: articulate delivery chain scenario in writing (e.g. donor-grantee relationship, strategic donor-partners relationship, etc.); who the actors in the delivery chain are; whether an existing structure is being leveraged to convene and who the convener is; whether all actors are involved directly (and if not, then who and on what basis).

STAGE 02 HOLISTIC RISK IDENTIFICATION

The overall purpose of this stage is to create an agreed and documented baseline of the key risks that may impact on the overall goal of providing support to affected people, such that accurate risk mitigation measures can be developed in subsequent stages (operationalising Principles 1, 2, 3, 4, 5 and 6).

This will require all actors in the delivery chain to consider all the relevant risks in the delivery chain, not only those which pertain directly to their own organisation. To do this efficiently, actors may choose to undertake individual preparation prior to discussing with others to create a holistic picture of risk. It may also be possible to leverage existing sources of information, such as past risk analyses, or leverage upcoming risk analyses being conducted as part of existing processes within HCTs, NGO Forums, or Country Based Pooled Funds, to collect this information and avoid duplication of effort.

1. Which key risks will have a significant negative material impact on one or more actors' ability to deliver assistance to affected people? *Purpose: This question seeks to confirm which key risks result in actors changing their behaviour/decisions in such a way that the quantity, quality, timeliness, or appropriateness of the assistance they are trying to deliver is materially impacted, or such that the assistance is unable to be delivered at all. Not all risks will have an impact on delivery of assistance. Some risks will be controlled effectively or accepted by the actor in question.*

2. Consider the different elements[18] that combine to create each key risk. Which element involved is the biggest threat to the delivery of assistance? *Purpose: To analyse the different elements in each risk description and make sure that the most critical element is identified and isolated for consideration and treatment. Putting aside technical risk language, it should be clear that the element of a risk description that people focus on is not always the one primarily responsible for negatively impacting the delivery of assistance to affected people.*

3. Have you shared, collated and discussed this risk identification with the other relevant actors in your delivery chain? *Purpose: To ensure the risks identified have been collated and discussed between the relevant actors to ensure that the nature of the risks is consistently understood and their significance agreed upon. If steps 1-2 above have been undertaken independently by each actor in the delivery chain, they must now be combined collaboratively. This is a prerequisite for further discussion on the validity and relevance of risk response strategies and possibilities for risk sharing in the following sections.*

> Documentation of stage: number and group the key risk descriptions identified according to the category of the most critical element of the risk in question (e.g. Operational, Safety, Security, Legal/Compliance, Reputational, Ethical, Fiduciary, or Informational risk).

18 In technical risk terminology, 'elements' might be described as the threats and vulnerabilities that can make up risks. This document however favours non-technical language where possible (in a group setting, everyone can add detail, and fewer people are needed to frame the final analysis in technical language if needed).

STAGE 03 RISK RESPONSE STRATEGY ASSESSMENT

The overall purpose of this stage is to create a shared picture of the response strategies already in place to address key risks identified in Stage 2, and to evaluate whether they satisfactorily mitigate key risks in the delivery chain, or create new gaps/issues that should be addressed by further risk sharing (operationalising Principles 1, 2, 3, 5 and 6). This will require actors to collectively consider each of the key risks identified in Stage 2 in turn, to ask the following questions:

1. What risk response strategies – including the decision (proactive or passive) not to act – are currently used by different actors in the delivery chain to address the critical elements of the key risk identified in Stage 2? *Purpose: Identify how each risk identified is treated by the identifying actor (e.g. avoided/transferred/reduced/accepted or shared.) This includes recording any risks that have been transferred or avoided by one actor to the detriment of another, arising from that actor's decision not to take action. It is important to consider the impact of passive failure to act as well as proactive decisions which result in inaction.*

2. Which risk response strategies to address the key element of risk might be described as positive risk sharing solutions between actors in the delivery chain? *Purpose: Identify which risk sharing solutions are already in place, in case they can be improved, scaled up or replicated within the delivery chain, or contribute to best practice for use elsewhere.*

3. Have any of the risk response strategies used by one actor in the delivery chain resulted in one or more of the other actors changing their behaviours, policies and/or practices in such a way that materially impacts the quantity, quality, timeliness, or appropriateness of the assistance they are trying to deliver? If so, which ones? *Purpose: Identify if all strategies of all partners are helpful (or at least not harmful) in managing risk in the delivery chain, or whether there are particular risk response strategies (e.g. avoid/transfer/reduce/accept/share) that have the effect generating new risk or of transferring existing risk elsewhere in the delivery chain in a manner that is unplanned/inequitable in that it leaves another actor unable to manage the risk. Such a strategy may be a target for risk sharing improvements.*

4. Which response strategies are preventative, in place to address the risk by preventing or reducing the likelihood of the key risk occurring and which response strategies are reactive, in place to address the risk by seeking to limit or reduce the consequences of the key risk should it materialise? *Purpose: Identify where this is a deficit in response strategies in either preventative or reactive measures, which could be a target for improved risk sharing.*

5. Which key risks in the delivery chain are currently not adequately treated as a result? *Purpose: Highlight what the target risks should be for work to identify additional risk sharing solutions.*

Documentation of stage: group positive examples of risk sharing solutions by risk category; group problematic risk response strategies by risk category; highlight which risk categories are seeing gaps in preventative risk response strategies; highlight which risk categories are seeing gaps in response strategies that address residual risk consequences.

STAGE 04 IDENTIFICATION OF RISK SHARING OPPORTUNITIES

The overall purpose of this stage is to identify opportunities for increased, mutually acceptable, risk sharing, based on the assessment of gaps/challenges in risk response strategies developed in Stage 3 (operationalising Principles 1, 2, 3, 4, 5, 6 and 7).

This process requires an understanding of the risk appetites of the different actors in relation to the risk response challenges/deficits which have been identified, identifying whether there is previous best practice from existing delivery chains that can be leveraged or whether innovative solutions are required, as well as the challenges different actors may face in implementing such measures. It is important that, in completing this step, actors consider all potential solutions which fall within their risk appetites, even those which may be unpalatable. Actors should also consider response strategies which may not have an immediate impact on a specific risk in question, but which may be part of a strategic response that could bear fruit over time.

1. Are there best practice or innovative risk response strategies that could replace current response strategies identified as having a negative impact on the ability of other actors in the delivery chain to deliver assistance? *Purpose: Identify possible risk sharing solutions to compliance-based challenges while recognising individual actor risk appetites.*

2. What best practice or innovative 'preventative'[19] risk response strategies could be applied to each risk that is not adequately treated, to better share the risk between actors to improve delivery of assistance? *Purpose: Identify possible risk sharing solutions for prevention while recognising individual actor risk appetites.*

3. What best practice or innovative 'reactive'[20] risk response strategies could be applied to each risk that is not adequately treated, to better share the risk between actors to improve delivery of assistance? *Purpose: Identify possible risk sharing solutions for addressing impact of materialising risks while recognising individual actor risk appetites.*

Documentation of stage: through the three steps various possible risk sharing solutions will have been identified, intended as preventative strategies to address key risks and as strategies to reduce the impact of key risks that may materialise. These should be grouped according to the category of the key risk element that they are addressing, for consideration in the following sections.

19 i.e. Measures concerned with reducing or preventing the likelihood of a risk materialising.

20 i.e. Measures concerned with reducing the impact of a risk event, should the risk materialise.

STAGE 05 ACTION PLANNING FOR RISK SHARING

The overall purpose of this stage is to collaboratively agree which potential risk sharing solutions identified in Stage 4 should be collectively pursued by the actors in the delivery chain as part of individual follow up to secure sustainable solutions to the challenge of delivering assistance (operationalising Principles 1, 2, 3, 4 5, 6, 7 and 8).

It must be recognised that while all the potential risk sharing solutions identified in Stage 4 may be within actors' risk appetites, it does not mean that all are automatically feasible for each actor. Risk sharing however is inherently a process of dialogue, collaboration and compromise that entails consideration of all risk in the delivery chain and hence all potential risk management – including risk sharing solutions. Therefore this Stage envisages give-and-take by all involved, reflecting on the desire to share overall risk in a way that acknowledges different actors' capacity to take on risk, as well as their appetite for risk.

1. Reflecting on the various risk response strategies outlined for each key risk, which would present a realistic aspiration for each actor to engage on? (And seek necessary change internally to make part of their own risk management approach?) *Purpose: Agree through discussion which risk sharing solutions will be worked on with view to adoption by the relevant delivery chain actors.*

2. Is the approach to managing risk agreed between the actors above using risk response measures in such a way that they enable humanitarian action, not hinder it? *Purpose: Check back that selected approaches are not an overreaction to past incidents leading to risk-averse, compliance-focused ways of working, which can limit where organisations work and reduce the quality and timeliness of their programs. This does not automatically lead to a change of approach, but may provide grounds for actors to reflect on their internal positions.*

3. Is the proposed risk management approach for this delivery chain managing the risk, or is it managing the actors? *Purpose: Ensuring that the architecture around risk management is enabling risk sharing, not hindering it. Institutions need clear and concise policies and guidance that empower staff to make decisions at the appropriate level, without leaving an over-reliance on discretionary decision making.*

4. Reflecting on the principles of the Risk Sharing Framework and the answers to the questions above, are actors in the delivery chain happy to move forward as planned - is it a 'good deal' for risk sharing? *Purpose: Provide a sense check on whether the negotiated targets present a reasonable starting point for achieving the risk sharing sought.*

Documentation of stage: risk sharing solutions targeted are explicitly highlighted, with key actions for actors' individual follow up assigned.

STAGE 06 IMPLEMENTATION OF RISK SHARING ACTIONS

The overall purpose of this stage is to highlight that there is a requirement for actors to independently (or in some cases perhaps collaboratively) take the actions agreed in Stage 5.

It must be recognised that not all these actions may be taken immediately. Some actions may be 'quick wins' that are more quickly achievable. Others may be more strategic and difficult to conclude, requiring sustained action or incremental steps towards a more significant action. Both are valid and if agreed upon, can be pursued simultaneously, albeit on different timelines.

There are no questions in Stage 6. It is included to reference that there is a period of implementation that must take place before follow-up is applicable.

Documentation of stage: add timelines and arrangements for feeding back to the action plan in Stage 5.

STAGE 07 LEARNING AND ADAPTING

The overall purpose of this stage is to reflect on whether the end result of the process has supported the objective of the Framework (i.e. contributed to improved support to affected people).

Previous risk management and risk sharing research has identified several potential pitfalls that organisations can fall into, which may prevent them from achieving their intended risk management goals. These are re-framed here as a guide that actors using the Framework can use to reflect on whether their process is working in the intended way:

1. How good has coordination and collaboration between partners in your delivery chain been? *Purpose: Check the level of collaboration in your process. Reflect on answers from Stage 1 on equity, representation and dialogue. Competition between humanitarian organisations weakens incentives to share information related to risk, which increases risk exposure for all actors.*

2. Did the risk sharing action plan that has been implemented have broad support/ acceptance among the actors in the delivery chain involved? *Purpose: Confirm whether the process led to a conclusion that actors felt was equitable and proportionate to the risk capacities and risk appetites of those actors involved.*

3. Have the risk sharing response strategies targeted for implementation in the action plan been successfully implemented by the actors involved? *Purpose: Identify whether commitments made within action plans were able to be converted into risk sharing outcomes and why.*

4. How is your organisation learning from your operational experience and sharing with others? *Purpose: Ensuring that actors in a delivery chain using the Framework have a process in place to understand their successes and failures, scale what works and capture examples of innovation in risk sharing to share with others inside and outside their delivery chains for the benefit of the wider sector (e.g. policies among back donors, intermediary donors, etc.)*

Documentation of stage: consolidate follow up and progress on agreed actions from Stages 5 and 6, document which were achieved and which were missed. Highlight in particular successful innovation in risk sharing. Share as appropriate with other stakeholders.

GLOSSARY OF TERMS AND TERMINOLOGY

Different organisations use different terminology within their discourse on risk. Nuance is important, so a common understanding is necessary. The following two sections seek not to dictate terminology, but to achieve a shared understanding of common meanings. In the interests of consistency and trying to achieve commonality, these terms are drawn from previous research, including InterAction's Risk initiatives and the previous Risk Platform paper Risk Sharing in Practice and ISO's risk vocabulary.

GENERAL TERMS USED WITHIN THE FRAMEWORK[21]

Humanitarian Actors - The various organisations, including but not limited to government donors, international organisations such as the United Nations and International Red Cross/ Crescent movement, national and international non governmental organisations that perform different functions within the humanitarian sector and humanitarian responses.

Back Donor Function - The function of providing original funding for humanitarian assistance (for the purposes of this research, consisting of government donor bodies).

Intermediary Donor Function - The function through which an organisation which may receive funds from a back donor, then passes them on wholly or in part to another organisation(s), who may deliver the proposed assistance themselves either wholly or in part, or act themselves as an intermediary donor to other downstream partners (e.g. UN agencies, pooled funds, Red Cross Societies to Red Cross Societies, NGO consortia, etc.) Organisations mandates may see them perform multiple functions simultaneously.

Direct Implementer Function - Where organisations take responsibility for delivering a particular humanitarian intervention directly using their own staff and operational capacity, as opposed to via forms of partnership. Organisations mandates may see them perform multiple functions simultaneously.

Delivery Chain of Assistance - The combination of interdependent functions that are implemented collaboratively by different humanitarian actors with the expected result of delivering a particular type of assistance as part of a humanitarian response.

Key Risks - Particular risk sources and/or risk events that without adequate treatment may result in actors changing their behaviour/decisions in such a way that the quantity, quality, timeliness, or appropriateness of the assistance they are trying to deliver is materially impacted, or such that the assistance is unable to be delivered at all.

Risk Categories - To structure key risks in a coherent and consistent manner, this report uses the risk categorisation developed in InterAction's risk work, namely Safety, Security, Operational, Ethical, Reputational, Legal/Compliance, Fiduciary and Information/Data risk.

Risk Sharing - A reasonable sharing of the burden of preventative measures and reasonable sharing of responsibility for materialising risks.

21 These terms have been created in previous risk sharing research or built on specifically for the Framework unless otherwise stated.

Risk Sharing Solution - A risk response strategy that uses the risk sharing risk treatment option to address a risk that was otherwise posing an obstacle to achieving shared goals.

Risk Sharing Framework - Is a principle-based approach that enables collaborative and non-punitive dialogue between humanitarian actors working in delivery chains of assistance, that enables the holistic identification and understanding of risk and risk sharing in the delivery chain, identifies risk sharing opportunities that can be exploited to maximise collective potential reach of those partnering actors and encourages actors seek to operationalize those opportunities.

Application Scenarios - The various settings in which the Risk Sharing Framework may be applied, for example including but not limited to involving different types of organisations, organisations working in different functions and in different geographic or thematic areas.

TECHNICAL RISK TERMS USED WITHIN THE FRAMEWORK[22]

Risk - The effect of uncertainty on objectives. An effect is a positive or negative deviation from what is expected that can result in, address, or create opportunities or threats.

Risk Exposure - The extent to which an organisation is exposed to one or more risk events.

Risk Appetite - Amount and type of risk that an organisation is willing to pursue or retain.

Risk Management - Coordinated activities to direct and control an organisation with regard to risk.

Risk Treatment - A process to modify risk, which can involve various risk treatment options, including avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk; transferring the risk to other parties in order to minimise an individual organisation's risk exposure[23]; reducing risk by removing the risk source or changing the likelihood of an event or changing the consequences of an event; sharing the risk with another party or parties; and accepting risk in order to pursue an opportunity and/or simply as part of an informed decision.

Risk Controls - Measures that maintain and/or modify risks, including but not limited to any process, policy, device, practice, or other conditions and/or actions which maintain and/or modify those risks.

Risk Response Strategies - Decisions on risk treatment and associated controls put in place to treat one or more identified risks.[24]

Residual Risk - The risk remaining after risk treatment(s) has been implemented.

22 Definitions in this section are drawn from ISO 31073:2022(en) Risk Management Vocabulary unless otherwise footnoted.
23 Risk Transfer as a treatment option is not well described in ISO 31073:2022 but is a pertinent distinction from risk sharing that must be made with respect to risk management in humanitarian settings.
24 Composite definition not drawn specifically from ISO.

COMPOSITE EXAMPLES OF RISK SHARING SOLUTIONS

Once humanitarian actors start to look at their collaboration with other actors in their delivery chains through the prism of risk sharing, it becomes clear there are various risk sharing solutions that are already part of their risk response strategies. The following represent examples of risk sharing solutions that were developed between different actors. Not all the examples will be relevant to all actors and for all delivery chains – risk appetites differ, contexts vary. It is, however, intended that such examples should offer food for thought on what could be possible as part of a broader agreement on risk sharing.

RISK SHARING ON SECURITY RISKS

1. An INGO working as an intermediary donor was running a joint programme with a group of youth activists. The partnership presented specific security and ethical risks, due to the age and vulnerabilities of the activists and the activism in which they engaged. At the outset of the programme, the INGO brought together their programme team and the team of activists for an open dialogue, where the INGO sensitised the activists to the concepts of security and ethical risk, and duty of care, and the activists explained the risks they had identified in the work they were planning to undertake. A risk assessment was then concluded between the Programme and Partnership staff and Security staff together with the activists, to ensure that all risks were holistically identified and treated in an equitable way that did not inadvertently generate new risks for the activists. This approach enabled the introduction and cost sharing of preventative mitigation measures around security risks, which included the INGO training the activists on data security and risk management processes. It also, importantly, enabled the INGO to define reactive risk sharing measures for incidents that might materialise. The INGO was able to prepare crisis management measures that clearly articulated to the activists what help the INGO would be able to provide in the event of an incident, should such support be requested. Knowing how the INGO would respond provided a predictable basis upon which the activists could assess their appetite for risk. This approach to improving risk sharing between the actors was made easier by the INGO's policy guideline for self- assessing and meeting standards for risk sharing in emergency responses, which provided a policy framework for how risk should be shared when working in partnership.

RISK SHARING ON SAFETY RISKS

2. A common report among NNGOs working in the direct implementation function is that risk sharing measures commonly accepted as justifiable by back donors and intermediary donors for international organisations are not similarly accepted as legitimate line items for inclusion in budgets for NNGOs. Particular examples relate to costs for health cover and accident insurance, which are important tools by which those working in direct implementation seek to lessen the impact of safety risks on their staff, should these risks materialise as incidents. One prominent intermediary donor which funds many NNGOs globally identified this issue and agreed to alter their budgeting policy to ensure it explicitly saw these costs as applicable for all partners where relevant, regardless of organisation type. While there is still work to do to sensitise middle management within the intermediary donor organisation to ensure they are aware of the policy and pass that knowledge on to their NNGO partners, it nevertheless represents best practice that should be a minimum standard used by all donors. Back donors in some instances are facilitating this change, by directing intermediary donors they fund to implement such a policy position. This is a key example of better risk sharing intersecting with and facilitating the broader localisation agenda.

RISK SHARING ON OPERATIONAL RISKS

3. The costs associated with meeting strict compliance requirements pose a significant challenge for NNGOs working in the direct implementation function, as well as others elsewhere in the delivery chain. Establishing and maintaining expensive accounting software systems, as well as dedicated staff to fulfil functions such as Monitoring and Evaluation, Finance, Procurement, Safeguarding, etc. require significant upfront investment and ongoing cost recovery. Many NNGOs report a perceived failure on the part of intermediary donors to 'pass on' appropriate portions of funds to pay for these investments and costs within sub granting agreements. To combat this, one intermediary donor explained, in the context of a rapid onset natural disaster in a fragile context, how their NNGO partners were at risk of being overwhelmed by the complexity and range of compliance and reporting requirements from them and other donors, which were drawing resources (funds, staff time, etc.) away from the actual response. The intermediary donor explained that they had addressed this risk to delivery with their NNGO partners in several ways. On the one hand, the intermediary donor instituted global guidelines that stipulated clearly that indirect costs provided by their own back donors for projects with NNGO partners should be shared at least 50:50 with these downstream partners, to ensure they had the financial resources necessary to address investment needs related to compliance costs in the most flexible way possible. In addition to this proactive policy measure, a reactive policy measure was also put in place at the country level to the effect that all NNGO partners of the intermediary donor could report using the same simple narrative format. The intermediary donor then took responsibility for preparing the specific back donor report, in so doing sharing the risk that required information would be available to the different back donors as needed. This approach enabled a more goal-oriented approach that still adequately addressed the risks posed to the intermediary donor and their NNGO partners.

4. An organisation working in the back donor function has standard global financial regulations for partners, dictating that funds transfers should be made via commercial banks. These regulations are intended to mitigate risk to the donor of financial loss in the transfer process and risk of their own non-compliance with various forms of sanctions. In one country of operation, a direct implementation partner initiated a risk dialogue with the back donor early in the programme. The partner explained that complying with the regulation was generating risks that they could not accept, meaning they would not be able to deliver on the programme's overall goal. The commercial banks in the country's capital were unwilling/unable to support onwards transfers to the areas of field operations and were passing information to the host government on the intended purpose and recipients of the funds, which was generating a security risk for the partner's staff. The back donor and partner agreed on the severity of these risks and jointly developed a mechanism for the donor to transfer funds to a commercial bank account accessible to the partner in their area of operations within the country, but via a third-party money transfer agent rather than a central bank transfer. The original risk of financial loss and sanctions non-compliance identified by the back donor were instead mitigated via a capacity assessment and vetting of the third party transfer agent used for the programme, while the new approach also removed the security risk to the partner that the original compliance requirement had generated for them, which they were not able to accept. This ensured the programme was implemented as both the back donor and direct implementing partner aimed for.

5. Another example of risk sharing on operational risk similarly originates around realistic access to funds. After the takeover of a country of operation by a non-state actor, the national economy experienced a crisis of confidence exacerbated by international sanctions. The result was a widespread shift to demands for physical currency for payment for goods, services and employment. However, banks were unable to support physical cash withdrawals against cash balances held in accounts. Unable to take on the financial risk of directly transporting physical 'new cash' into the country and initially struggling to find other sanctions-compliant routes to bring in cash, humanitarian action ground to a halt. In response to this risk of not achieving programmatic objectives, several intermediary donor organisations coordinated to fly physical cash into the country's capital on behalf of them and their downstream partners, whereupon it was physically deposited in a bank, on condition that they and their downstream partners could immediately withdraw the physical cash against their account balances, to support their operations. In this risk sharing example, the intermediary donor working to coordinate the movement of funds into the country ensured the insurance of the cash-in-transit as far as the capital's airport, and then intermediary donors shouldered the risk of the cash in-transit as far as the bank where it was deposited. Downstream partners then took responsibility for the risk of the cash in-transit from the bank to their respective locations of payment and disbursement. This example demonstrates a risk sharing solution where intermediary donors and direct implementers agreed to take on and share new financial risk as an opportunity, in order to address the operational risk of non-delivery that the lack of access to physical funds was posing to all of them together.

RISK SHARING ON FIDUCIARY RISKS

6. A group of philanthropic back donors identified during consultations with their downstream partners that their own compliance requirements, and the compliance requirements of other donors to their partners, were often having negative financial consequences for those partners, with an impact on the partners' ability to deliver on their objectives. To address this risk of non-delivery, the back donors set up and funded a separate Risk Pooled Fund, for which all of their grantees were eligible. In the event of key risks materialising, eligible grantees have the option to apply to the Pooled Fund board via simple two page application for immediate financial assistance to reduce the impact of the incident on their ability to deliver on their objectives. This is an example of an innovation in how to share residual risk consequences between different actors working in different functions, in a way not dissimilar to insurance schemes.

7. An intermediary donor organisation benefits from an historic endowment which largely covers the running costs of its Headquarters, freeing up more funds for other purposes. The intermediary donor pointed to a risk sharing example where one of their downstream partners had failed to provide receipts to verify a portion of a back donor-funded project. After investigation, the intermediary door determined that there was no fraud/corruption involved and it was a good-faith error. The back donor still required the funds to be repaid as an ineligible cost, but the intermediary donor elected to cover this cost, rather than pass it on to the downstream partner who was less able to absorb it, recognising that the compliance burden that had been passed through to the direct implementer was a significant risk transfer down the chain. While it is in some ways disappointing that the back donor was not able to write off the ineligible cost directly and it was only possible for the intermediary donor to do so due to the funds available to their organisation, it is an example of where actors working in different functions had different risk appetites for a type of risk, but also different capacities to accept the risk and manage its consequences, and were prepared to use those capacities to share risk more equitably.

RISK SHARING ON LEGAL/COMPLIANCE RISKS

8. In one country, NGOs working in direct implementation found themselves at risk of having to make new social security payments for staff, once a new labour code passed into law, with a strong possibility of retrospective application of the code. This presented a legal/compliance risk for the NGOs, in that it would not normally be possible to projectize such costs and pass them on to back donors or intermediary donors. In this instance, the NGO forum conducted the necessary research into the proposed law, which was escalated via the Humanitarian Country Team for discussion with UN agencies and the donor coordination group, with the result that it was generally accepted by donors that project budgets could include budget line amounts for the social security payments, which could be accrued at the end of the project for payment to the government once the system to do so was in place. This represents a reasonable sharing of the legal and compliance risk, in that it did not expose the partners to undue financial threats, while accruing the funds allowed donors to ensure funds to be paid to the government could be traced in future, or recovered in the unlikely event that the law was not later passed as anticipated.

RISK SHARING ON REPUTATIONAL RISKS

9. An intermediary donor has a zero-tolerance position towards fiduciary risk; however this position is intimately associated with attendant reputational risk towards the back donor. The intermediary donor's direct implementation partners were concerned about the potential financial penalties they may be liable for in an incident, but were as much concerned about the reputational risk to their own organisations should they be found to have committed fraud or corruption, due to unpredictability of how they could expect to be treated by the intermediary donor, including in situations where they had implemented all agreed risk controls and no negligence was involved. To address this, the intermediary donor revised its partner sanction procedures to ensure that temporary measures and information sharing with other agencies during investigations were applied on a predictable basis and that sanctions decisions where cases were substantiated were similarly predictable and would take into account the circumstances in which incidents occurred and provide set routes for rehabilitation of partner organisations. While this did not deal with the original fiduciary risk, it does represent a more predictable basis for sharing of the reputational risk involved, in that it also makes it harder for the intermediary donor to change its approach based purely on issues such as media pressure.

RISK SHARING ON ETHICAL RISKS

10. One intermediary donor noted that safeguarding and prevention of PSEA were a priority for their organisation, but recognised that where they worked with direct implementation partners, the length of time realistically required to conduct the full due diligence and vetting for those new partners and fully implement the associated improvement plans prior to starting work often presented a real risk to overall delivery in emergency contexts. With this in mind, the intermediary donor invested in developing global procedures that allow their managers to derogate to essential safeguarding measures for a limited time period when conducting emergency response, in the same way that they already had derogated procedures in place in other areas, such as procurement for application during emergencies. This provides the intermediary donor with the policy framework globally to manage these risks and share more of the associated risk of late delivery with both upstream back donors and downstream direct implementers, with this division of risk agreed on by the organisation's back donors when they accepted the organisation's operational guidelines for contractual purposes. This is a good example of risk sharing best practice that is being scaled globally.

RISK SHARING ON INFORMATION/DATA RISKS

11. A back donor recognised that GDPR data privacy concerns affected its intermediary and direct implementer partners in different ways, depending on their organisation type (e.g. government partners, UN partners, NGOs, etc.) international organisation partners in different ways. The back donor responded to this issue by approving a request for additional funding by an NGO partner to develop a legal assessment of, and internal policy and operational guideline to deal with, the most common GDPR-related risks faced by NGOs when providing emergency assistance. The assessment and draft policy were also made available to other NGO partners funded by the back donor for use or adaptation. These materials provided the baseline for the back donor to consider what preventative measures were required for these NGO partners when implementing the policy and therefore share the cost of those measures more equitably via project budget contributions. This serves as an example of an approach to dialogue between a donor and representative partners that created a precedent for better risk sharing on preventative measures around information risk.