

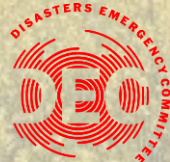
The background of the slide is a photograph of a vast, flat landscape under a clear blue sky with scattered white clouds. In the foreground, a person wearing a red t-shirt and a white cap stands with their back to the camera, looking out over a field of yellow flowers. In the distance, there are several farm buildings, including a barn and two large silos.

# Due Diligence Harmonisation in Ukraine

## Local Organisation Focused Learning Report

August 2025

**act:onaid**



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## Acronyms and Key Definitions

DDTF	Due Diligence Taskforce
DEC	Disaster Emergency Committee
FGD	Focus Group Discussion
INGO	International Non-Governmental Organisations
LNHO	Local Non- Governmental Organisations
NGOP	The Humanitarian NGO Platform in Ukraine
NNGO	National Non-Governmental Organisations

### Definitions for Due Diligence Initiatives

#### Harmonisation

Developing a unified approach to assessing due diligence, by using one assessment tool that is accepted by all donors.

#### Passporting

Recognising and accepting due diligence assessments conducted by other organisations.

#### Certification

Recognised certifications that organizations have received to demonstrate compliance in certain areas or with specific standards, for example, the Core Humanitarian Standard.

#### Capacity Development

Investing in the development of partners' capabilities to meet due diligence requirements independently.

#### Strategic partnerships

Forming alliances with other organisations to support due diligence through access to additional resources, expertise and insights, and sharing of experiences or results.

# Executive Summary

## Background

In February 2022, Russia launched an invasion into Ukraine, leading to a widespread humanitarian crisis across the country. In response to this crisis, a broad range of organisations in the humanitarian sector, from International NGOs to less established Civil Society Organisations (CSOs) and volunteer and community groups, responded. The administrative time, and resource burden faced by organisations when applying for donor funds continues to be a barrier to efficient funds disbursement, and due diligence requirements are a key discussion point within the international development sector.

Due diligence is of critical importance in ensuring accountability and transparency to donors. However, it can also present a significant burden on the vital resources of local organisations, who often face repeated requests for information, straining their capacity. Balancing the need for thorough due diligence with the urgency to act quickly and access funding effectively, is a challenging trade-off that has been particularly pertinent to the humanitarian crisis in Ukraine.

## Project Overview

BDO has been engaged to build upon the existing work of the Due Diligence Taskforce (DDTF), established by the Humanitarian NGO Platform (NGOP), to support and strengthen networks and engage stakeholders, both locally in Ukraine and globally, to drive knowledge sharing. This assignment was co-commissioned by ActionAid and the NGO Platform, funded by the Disaster Emergency Committee (DEC).

Working closely with the DDTF, representatives from the Disaster Emergency Committee (DEC) and NGOP in Ukraine, we have supported efforts to scale up existing projects to harmonise terminology, build networks within Ukraine and develop a local partner database. Our work has involved gathering information on due diligence from a larger platform of users and helping collate and present evidence-based reports to key decision-makers. This will be a powerful lever to drive the necessary changes and innovations in due diligence processes. There has been three phases of our work:

1. Situation review and stakeholder engagement, incorporating surveys, focus groups and a literature review;
2. In-depth analysis of due diligence processes across a sample of 26 organisations; and
3. Capitalisation and learning activities.

## Navigating the Landscape

Our work for the DDTF has specifically focused on due diligence in the context of Ukraine. When conducting due diligence on organisations in Ukraine, particularly from the perspective of Civil Society Organisations<sup>1</sup> (CSOs) and Non-Governmental Organisations (NGOs), the legal environment and country specific rules and issues. Key considerations include the following:

- (i) Complex and evolving legal framework - understanding these legal frameworks is crucial to ensure due diligence frameworks are adapted to meet the country-specific requirements.
- (ii) Volatile political and socio-economic conditions - these expose organisations to a currency risk in addition to urgent humanitarian considerations. If the exchange rate in Ukraine is volatile, then funds transferred may suddenly lose value if not used in a timely manner. It will be important to ensure that due diligence processes do not lead to unnecessary delays in the grant-making process.

Many Ukrainian not-for-profits are also relatively new, as they have either been established in response to the conflict or existing organisations have adapted their activities to provide a humanitarian response. As CSOs grow and have access to more funding, it will be important to ensure that the due diligence requirements are proportionate to their age and level of establishment. This is particularly relevant as our survey revealed that only 38% of NGOs that completed the survey feel that due diligence is proportionate to the size of their organisation.

## Purpose

The main purpose of this report is to bring together the findings from our work completed for the DDTF and highlight key observations and recommendations tailored to local Ukrainian organisations both seeking donor funding themselves and seeking to partner with other organisations. This report will also highlight several current due diligence initiatives that are available and how organisations can participate in these.

<sup>1</sup>In Ukraine, the term 'CSO' (Civil Society Organisation) is widely used to refer to not-for-profit organisations. However, this term is not officially used in legal acts under Ukrainian law. There are different types of not-for-profit organisations. It is our understanding that the term would generally be used to refer to organisations officially registered as: civil society organisation/public associations; creative unions; or charitable organisations.



## Executive Summary (cont.)

### Summary of Key Observations and Recommendations:

We recognise that there is a strong desire for harmonisation and streamlining across the sector, but the high volume of initiatives and lack of transparent information has resulted in confusion and duplication. The confusion arises not only from the limited oversight on what due diligence initiatives have already been developed, but it also stems from a lack of clear guidance on what action is required from each stakeholder. In this report, we outline a set of key observations and recommendations for local organisations wishing to contribute towards due diligence reform. We have identified the findings from analysing survey results, holding focus group discussions (FGDs) and consultations, researching initiatives, and conducting a detailed comparative analysis of 26 due diligence frameworks from members of DEC and NGOP. We have then developed pragmatic recommendations which we deem to be feasible for local partners to implement.

We understand that local organisations may feel less autonomy in creating pivotal change to achieving a more harmonised approach to due diligence, in comparison to large INGOs and donors. However, as demonstrated by the five recommendations outlined in this report, local organisations will play a vital role in achieving reform. As donors often have higher levels of accountability and fiduciary responsibility than their local partners, this may limit their ability to adopt a more harmonised due diligence approach, and change may need to happen from the bottom-up.

It is important to highlight that a one-size fits all approach is unlikely to be the end result, but having transparent information on the initiatives in existence will allow organisations to consider what is the best approach for them, set clear end-goals, and share learnings with each other. Active participation from local organisations will be essential in driving change from the bottom up. The evidence indicates that by fostering transparency and collaboration, a more streamlined approach to due diligence can be achieved in the near future.

No	Observation	Recommendation(s)
1	<b>A wide range of due diligence initiatives have already been developed</b>	<ul style="list-style-type: none"> <li>▶ If an organisation is interested in adapting or reforming their due diligence processes, we recommend that organisations review the pool of existing initiatives and consider whether an existing initiative could be used instead.</li> <li>▶ Inform the NGO Platform of any new initiatives that are developed, to ensure that there is a centralised platform/network with up-to-date information.</li> </ul>
2	<b>Due diligence initiatives may be more successful in smaller groups</b>	<ul style="list-style-type: none"> <li>▶ Explore the possibility of introducing a passporting procedure within an existing alliance, network, or even a group of organisations that frequently operate in the same sector or region.</li> </ul>
3	<b>Ensuring due diligence results can be shared is key</b>	<ul style="list-style-type: none"> <li>▶ Develop an approach to overcome the issues arising from sharing due diligence results.</li> <li>▶ Prospective partners should inform their donors about other due diligence procedures that they have undergone.</li> </ul>
4	<b>Proportionality in due diligence is important</b>	<ul style="list-style-type: none"> <li>▶ Ensure that there is a unified understanding of what due diligence entails within the organisation, and that the process is adequately addressing risks, without being unnecessarily complicated.</li> </ul>
5	<b>Limited engagement &amp; communication between donors and INGOs exists</b>	<ul style="list-style-type: none"> <li>▶ Donors, INGOs, NGOs, and local partners should engage in open and transparent dialogue with each other to discuss their due diligence needs and approaches.</li> </ul>

## Summary of Comparative Analysis

We compared 26 due diligence frameworks against 57 indicators deemed to be common topics across the sector (see Annex A) to determine how aligned the requirements were. Alignment is measured by the number of frameworks that contained full or partial<sup>2</sup> reference to the indicator. The results demonstrate full or strong alignment on 23 (40%) of the indicators and mixed alignment on a further 23 (40%), meaning that 80% of key topics across the sector are being consistently asked by granting organisations seeking new or refreshed partnerships, a high degree of correlation.

There is a reasonable degree of consistency across due diligence that demonstrates a set of ‘core’ topics that a high proportion of organisations seek assurance over before entering into a partnership. These would formulate a strong baseline for harmonisation, passporting and certification initiatives to be a success.

### Areas with full alignment

Three indicators were found to be clearly present or referenced in all frameworks reviewed:

#### Pre-qualification

- **Legal Status:** confirmation that the organisation is legally registered in the country of operation.

#### Safeguarding

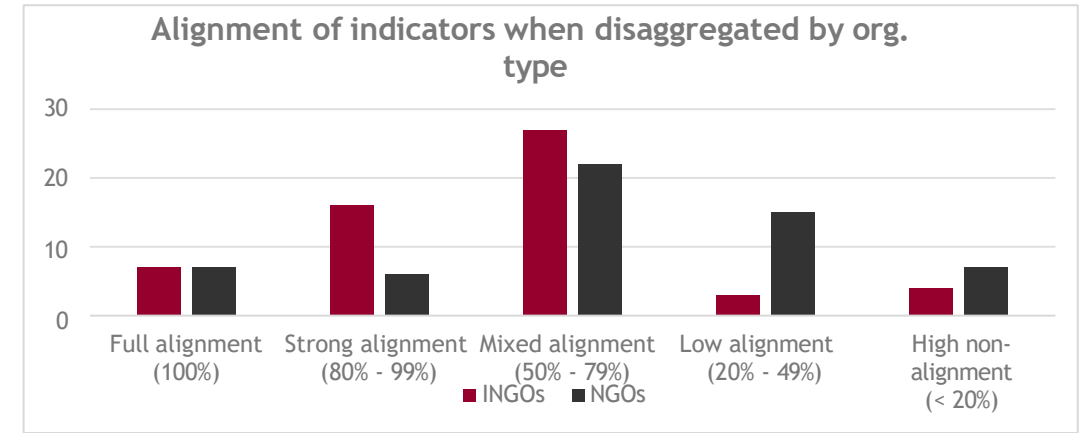
- **Policies:** confirmation that policies and procedures exist that include applicability, tolerance, reporting and consequences.

#### Financial Capacity to Manage Donor Funds

- **Policies:** confirmation that there are policies, procedures and other tools in place to effectively guide financial operations.

These commonalities demonstrate that there is a strong focus on regulatory compliance, ethics and sound financial management across the sector, driven by organisations’ shared low tolerance for risks related to fraud and corruption, safeguarding and illegal activity.

Full alignment also increases to seven indicators when looking only at NGOs<sup>1</sup>, but with four different areas of focus:



#### Pre-qualification

- **Corruption:** confirmation that the organisation has policies and procedures regarding Anti-Money Laundering (AML), Corruption, Whistleblowing, and Bribery, to ensure mutual accountability to stakeholders.

#### Governance and Accountability

- **Code of Conduct:** confirmation that a Code of Conduct that protects staff, beneficiaries, programme participants and other stakeholders exists, is owned by the oversight board, and is adhered to.

#### General Systems and Controls

- **Procurement:** confirmation that appropriate policies, procedures and purchasing thresholds are in place to conduct transparent, fair and ethical procurement, that ensures value-for-money in purchasing.
- **Human resources:** confirmation that appropriate policies and procedures are in place to manage staff, including staff reviews, grievance mechanisms, and training and development.

<sup>1</sup>For the purposes of analysis, NGO refers to any organisation in the sample that is registered in and operates in only Ukraine. This includes CSOs and Charitable organisations.

## Overview of Due Diligence Initiatives

Below we present an overview of the due diligence initiatives that have already been developed. The information has been obtained from our survey, and consultations with INGOs, NNGOs, and LNGOs. However, we note that this is not an exhaustive list, and we encourage organisations to reach out to the NGOP if they are aware of additional due diligence initiatives. The NGOP has a database which has been set up to record existing initiatives and increase transparency and information sharing within the sector.

Definitions for Due Diligence Initiatives	Examples of Due Diligence Initiatives
<p><b>Harmonisation</b></p> <p>Developing a unified approach to assessing due diligence, by using one assessment tool that is accepted by all donors.</p>	<p><b>Collaborative Cash Delivery (CCD) Networks Harmonised Due Diligence tool</b> - The CCD developed a harmonised tool using five INGOs (Action Against Hunger; Concern; Oxfam; Save the Children; World Vision) operating in Turkiye, Northwest Syria and Ukraine. (1)</p>
<p><b>Passporting</b></p> <p>Recognising and accepting due diligence assessments conducted by other organisations.</p>	<p><b>Charter for Change Due Diligence Passporting Tool (C4C DDPP Tool)</b> - A group of seven INGOs worked with Humentum to develop a harmonised due diligence passporting tool (2).</p>
<p><b>Certification</b></p> <p>Recognised certifications that organizations have received to demonstrate compliance in certain areas or with specific standards, for example, the Core Humanitarian Standard.</p>	<p>(i) <b>ChristianAid (Ireland) and Philanthropy in Ukraine (PhilinUA)</b> have arranged for all organizations that complete the C4C Due Diligence to be listed on an online platform 'PhilinUA'. The aim of the certification platform is to list a pool of "verified" organisations. (3)</p> <p>(ii) <b>PhilinUA</b> have piloted a separate tool, for their certification platform to create a pool of "verified" organisations within Ukraine that can then apply for funding through the Ukraine Pool Fund (UPF) (4)</p>
<p><b>Capacity Development</b></p> <p>Investing in the development of partners' capabilities to meet due diligence requirements independently.</p>	<p><b>Ukraine Humanitarian Fund (UHF)</b> - In 2023 UHF launched a pilot initiative using a Contextualised Capacity Assessment (CCA) tool, specifically aimed at NGOs and CSOs. (5)</p>
<p><b>Strategic partnerships</b></p> <p>Forming alliances with other organisations to support due diligence through access to additional resources, expertise and insights, and sharing of experiences or results.</p>	<p>We are aware of two current partnerships that work within Ukraine include; (i) <b>Alliance2015</b> - a network of seven INGOs which is currently working on a passporting initiative. (ii) <b>Joint Emergency Response Ukraine (JERU)</b> - a partnership between Concern Worldwide, Welthungerhilfe and Cesvi who have combined their response effort within Ukraine.</p>

## Section 3: Detailed Observations and Recommendations



## Detailed Observations and Recommendations

No.	Observation	Recommendation(s)
1	<p><b>A wide range of due diligence initiatives have already been developed</b></p>	<p><b>Make use of existing initiatives</b></p>
	<p>To reform due diligence and achieve a more harmonised approach, a range of due diligence initiatives have already been developed.</p> <p>On Page 7, we presented details on the due diligence initiatives that we have been made aware of during this project with ActionAid and NGOP, both through the survey and FGDs held, and more generally based on our knowledge and experience within the sector*. Whilst the number of existing initiatives is promising and demonstrates strong commitment to reduce the burden of due diligence in our sector, the multitude of initiatives has resulted in overlapping efforts and may have also stagnated progress. Furthermore, the benefits of harmonisation may not be equally applicable to all organisations. During the FGDs, an issue highlighted was that harmonisation may also result in the opposite effect than intended, by reducing flexibility for smaller and local organisations, and even the potential for increased burden through more questions or requirements.</p> <p>When considering whether a due diligence initiative would be suitable, it is important to keep in mind that it is unlikely that there will be a one-size fits all solution. The mindset of trying to seek 100% harmonisation needs to shift towards increased harmonisation as opposed to full harmonisation. 100% harmonisation is unlikely to be achievable at scale and a modular approach to harmonising due diligence is a way to overcome barriers and ensure flexibility continues to exist for the smaller, and local organisations.</p> <p>It has become apparent that many organisations in the sector are reviewing their as-is due diligence processes and are considering how their processes can be improved. The approach taken to achieve a more harmonised approach to due diligence will be key. Whether organisations continue to reform their own processes and add to the pool of existing initiatives or choose to collaborate and make use of existing resources could result in two different outcomes. When exploring ways to reform the sector, it will be important that we do not fall into ‘due diligence reform fatigue’, whereby an excessive number of overlapping efforts do not lead to meaningful change, and stakeholders become disengaged from the process.</p>	<p>We encourage organisations to be mindful of initiatives that have already been developed, and to collaborate to avoid any further duplication of efforts. We encourage organisations recognise that there will not be a one-size-fits-all solution to due diligence, and in trying to achieve a more harmonised approach certain compromises will be need to be made. Whilst there are extensive benefits arising from due diligence harmonisation initiatives, each type of initiative also poses certain drawbacks</p> <ol style="list-style-type: none"> <li>1. If an organisation is interested in adapting or reforming their due diligence processes, we recommend that organisations review the pool of existing initiatives and consider whether an existing initiative could be used instead. Organisations should take into consideration their organisation’s size, risk appetite, and ultimately, their desired approach to due diligence. The NGO Platform will be able to provide more information on the initiatives detailed on Page 7.</li> <li>2. To ensure that the list of existing initiatives is informative and accurate, we recommend that organisations inform the NGO Platform of any new initiatives that are developed, to ensure that there is a centralised platform/network with up-to-date information. Similarly, organisations should also notify the NGO Platform if they are trialling or adopting an initiative, to facilitate more conversations about successes and necessary adaptations for success across the platform.</li> </ol>

\*The initiatives presented cover a range of organisations in the sector, however the focus of this project was on initiatives present in Ukraine, and this is therefore not an exhaustive list.

## Detailed Observations and Recommendations

No.	Observation	Recommendation(s)																														
2	<p><b>Due diligence initiatives may be more successful in smaller groups</b></p> <p>The comparative analysis (see Page 6 and Annex A for details) found strong alignment across the sample of 26 organisations in 23 of the 57 indicators (40%) assessed when performing due diligence. When we disaggregated the results between INGOs and NNGOs, greater alignment on certain focus areas when comparing frameworks between similar organisations was noted. Through a sister-project, we performed a comparative analysis between just seven organisations in an existing alliance, and noted alignment increased to 35 indicators (61%), with 16 of these being fully aligned compared with just three across the full sample for this project.</p> <p>Details of alignment are presented in the table below:</p> <table border="1" data-bbox="326 591 1345 1058"> <thead> <tr> <th colspan="3">Percentage of sample with full or partial reference to indicators in framework</th> </tr> <tr> <th>Topic Area</th> <th>INGOs</th> <th>NNGOs</th> </tr> </thead> <tbody> <tr> <td>Pre-qualification</td> <td>73%</td> <td>54%</td> </tr> <tr> <td>Governance and Accountability</td> <td>93%</td> <td>71%</td> </tr> <tr> <td>Safeguarding</td> <td>81%</td> <td>53%</td> </tr> <tr> <td>Operational Capacity to Deliver Programmes</td> <td>69%</td> <td>63%</td> </tr> <tr> <td>Management of Downstream Partners</td> <td>15%</td> <td>25%</td> </tr> <tr> <td>Financial Capacity to Manage Donor Funds</td> <td>85%</td> <td>65%</td> </tr> <tr> <td>Payments incl. Cash and Bank Management</td> <td>65%</td> <td>23%</td> </tr> <tr> <td>General Systems and Controls</td> <td>71%</td> <td>71%</td> </tr> </tbody> </table> <p>The table above highlights that introducing passporting into smaller groups or existing alliances where there are common or complementary goals and ways of working, could be a more successful way of rolling out a due diligence initiative as organisations are more likely to be strategically aligned, and this could facilitate reaching agreement on key areas of risk.</p>	Percentage of sample with full or partial reference to indicators in framework			Topic Area	INGOs	NNGOs	Pre-qualification	73%	54%	Governance and Accountability	93%	71%	Safeguarding	81%	53%	Operational Capacity to Deliver Programmes	69%	63%	Management of Downstream Partners	15%	25%	Financial Capacity to Manage Donor Funds	85%	65%	Payments incl. Cash and Bank Management	65%	23%	General Systems and Controls	71%	71%	<p><b>Collaborate to avoid duplication of efforts</b></p> <p>We recommend that organisations increase collaboration in the sector and seek to form alliances. Organisations could explore the possibility of introducing a passporting procedure within an existing alliance, network, or even a group of organisations that frequently operate in the same sector or region.</p> <p>We understand that forming such alliances and networks requires an upfront time commitment, a willingness to share risks, and requires the build up of trust. However, there are several benefits that could arise from such collaboration:</p> <ul style="list-style-type: none"> <li>▶ A pooled effort can result in increased knowledge sharing, and an opportunity for experience-based learning. For instance, organisations within a network, or an alliance can share past experiences with partners, and this can inform due diligence performed by other organisations within the alliance.</li> <li>▶ Duplication of efforts can be minimised, and the burden of due diligence can be reduced for the prospective partner. If a passporting approach is implemented, organisations can place reliance on each other's due diligence results, and this should significantly reduce the time and cost required to perform due diligence on a prospective partner, as well as the time commitment required from the prospective partner.</li> <li>▶ A collaborative approach to due diligence can also result in effective capacity building within partners. For instance, where recommendations arise from due diligence, alliance members can work together to support the partner in a consistent approach, for maximum effect.</li> </ul>
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## Detailed Observations and Recommendations

No.	Observation	Recommendation(s)
3	<p><b>Ensuring due diligence results can be shared is key</b></p>	<p><b>Develop an approach to sharing due diligence results</b></p>
	<p>The survey results provided a comprehensive view of how participants perceive due diligence within the Humanitarian NGO Platform (NGOP). A significant majority of respondents strongly agree or agree that their organisation is open to sharing due diligence results with other partners to streamline processes. This indicates a collaborative approach and a willingness to enhance efficiency through transparency.</p> <p>During the FGD, we explored how easy it was in reality to share due diligence results. Participants explained that results are always shared with partners, who then decide whether or not to share them with other donors. There were no objections from the INGO respondents regarding this practice.</p> <p>Notwithstanding, a barrier to implementing due diligence initiatives, such as passporting, harmonisation, or certification, is often establishing how past due diligence results can be shared and overcoming the risks associated with who holds accountability for the results. Reservations may lie with the individuals performing the due diligence and may arise from risks associated with ownership. However, from conversations with donors, it appears that prospective partners may also not be openly informing the donor about previous due diligence processes that have been performed on their organisation.</p> <p>More openness when sharing results can benefit the prospective partner in two ways:</p> <ol style="list-style-type: none"> <li>1. Unless the prospective partner informs the upward partners about previous due diligence processes undergone, the donor/granting organisation will not be able to consider relying on those results. Not every upward partner will be willing to rely on another organisation's results, but in some instances, they might welcome the opportunity to use the result, even in part, to achieve some efficiencies.</li> <li>2. Donors have different views on what is important to them, and therefore their requirements when performing due diligence may differ. Even if one donor was not willing or able to fund capacity action plans it may be that another donor can provide funding or non-financial support on recommendations identified by the other donor. We therefore recommend that partners not only request to receive the outcome of their due diligence results but also are proactive in sharing these results with new funding partners (provided permission has been granted).</li> </ol>	<ol style="list-style-type: none"> <li>1. Organisations should inform their prospective donors about other due diligence procedures that they have undergone with funding partners. If they do not have access to the results, then they may also inform the donor of who the other organisation was, as the donor may be able to request the results directly.</li> <li>2. To overcome the barriers presented when sharing due diligence results, we recommend that: <ul style="list-style-type: none"> <li>▶ Prior to sharing the results, the organisation should ensure that they have obtained approval from the partner organisation confirming that they are happy for their results to be shared.</li> <li>▶ If organisations wish to also be able to rely on another organisation's due diligence results, we recommend they develop formalised procedures that set out the steps taken to ensure they are aware of the risks they will be facing and have considered mitigation actions where necessary. This should include minimum requirements that must be met to be able to place reliance. Feedback from donors should be obtained to ensure they approve of any formalised procedures introduced.</li> <li>▶ Organisations involved in passporting initiatives should consider adding a disclaimer to the due diligence results being shared, which ensures that they cannot be held responsible if their results are relied upon.</li> </ul> </li> </ol>

## Detailed Observations and Recommendations

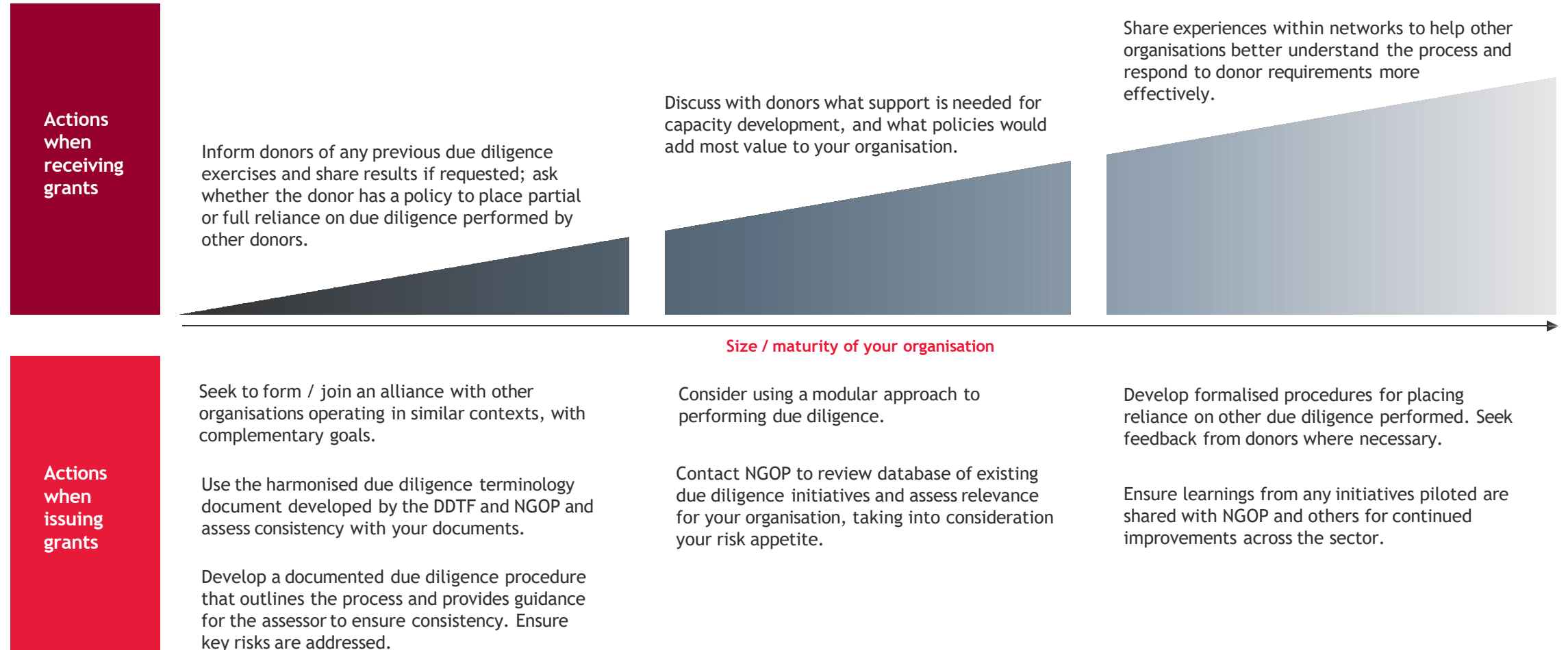
No.	Observation	Recommendation(s)
4	<p><b>Proportionality in due diligence is important</b></p>	<p><b>Ensure due diligence questions remain relevant and proportional</b></p>
	<p>84% of NGOP survey respondents identified risk mitigation as a key benefit of performing due diligence, however only 27% felt it improved decision making. This suggests that there is a need to ensure due diligence is achieving its purpose, and such oversight may be lost when the process becomes overly complex. Our survey results and FGDs suggested key learnings to be considered when developing and phrasing due diligence questionnaires:</p> <ul style="list-style-type: none"> <li>▶ NGOs are more likely to find due diligence too complex and time-consuming compared to INGOs, and only 38% of respondents viewed due diligence as proportionate to their organisation. Unnecessarily complex frameworks or irrelevant questions may hinder the effectiveness of due diligence.</li> <li>▶ Due diligence is still sometimes viewed as a tick box exercise, and some organisations still feel that organisational policies are requested without a clear objective. During the FGDs, a local NGO provided an example of being asked for branded policies covering aspects such as cost allocation, despite being a very small NGO with experience only delivering one to two projects a year prior to the conflict. This situation illustrates how the burden of compliance can be disproportionate, particularly for smaller NGOs that precisely lack the resources to develop and implement such extensive policy frameworks. It highlights the need for due diligence processes to be tailored to the size and capacity of the organisation, ensuring they are proportionate to the size of the organisation and genuinely necessary to achieve the objectives of a due diligence process.</li> <li>▶ NGO participants agreed that due diligence was well understood in their organisations but noted that only specialist team members were involved in the process. 42% of NNGO survey respondents noted that due diligence was the responsibility of an individual, compared to just 2% of INGO respondents. This presents a risk that the concept, practice and benefits of due diligence might not be fully understood by other members of the team across the organisation.</li> <li>▶ Where due diligence tools exist in several languages, the accuracy of the translation, and simplicity of the forms can minimise the completion time for the partner. This is likely also to be true for the donor, where simpler, better formulated tools with clear and concise guidance are easier to assess and therefore efforts to reduce the time burden on staff may come with greater success.</li> </ul>	<p>Organisations should ensure that there is a unified understanding of what due diligence entails within their organisation. To do this, we recommend:</p> <ol style="list-style-type: none"> <li>1. Using the harmonised due diligence terminology document developed by the DDTF and NGOP to ensure terminology used is established and understood within the sector.</li> <li>2. Developing a documented procedure which clearly outlines; (i) the process (ii) exceptions to the process (iii) the due diligence questionnaire to be completed and (iv) how the questionnaire should be assessed. To ensure consistency between assessors, we also recommend developing a guidance document which includes examples on what evidence could be provided by the prospective partner, and/or example responses to guide the assessor. The list of documents to be provided should be used as a guide, rather than a mandatory list of documents to prevent requesting policies/documents that are not proportionate to the size of the partner.</li> <li>3. Ensuring that due diligence processes adequately address the organisation's key risks, without overcomplicating the process. Using a modular approach that brings in additional questions, only where this is necessary, is a possible solution to ensuring that due diligence is not unnecessarily overly complicated.</li> <li>4. If an existing initiative (see Recommendation 1) is introduced, ensuring that a documented procedure exists to clearly defining how this initiative is to be used within your organisation. This will also be beneficial when presenting the new approach to due diligence to donors (see Recommendation 5).</li> </ol>

## Detailed Observations and Recommendations

No.	Observation	Recommendation(s)
5	<p><b>Limited engagement &amp; communication between donors and INGOs</b></p> <p>Through engagement with stakeholders, and survey responses, it is evident that both NNGOs and INGOs see due diligence as essential for receiving funding. However, we noted that INGOs are more likely to view due diligence processes as strengthening partnerships with donors and as proportional to the size of their organisation. INGOs often have more resources and operate on a larger scale, which allows them to dedicate more effort to thorough due diligence processes. This can enhance their visibility with donors and strengthen partnerships by demonstrating accountability and reliability. In comparison, smaller NGOs might not have the same level of resources or visibility, which can affect their ability to use due diligence as a tool for strengthening donor relationships.</p> <p>For instance, during the FGDs we were told of one example where a local partner had developed a full suite of 21 policies for the purposes of ‘passing’ due diligence but were unable to effectively implement these as there were only three employees. Often donors also do not provide overhead or administrative costs to cover the development of such policies that are requested. This is clear example where we encourage organisations to be more honest about their capacity and proactively ask the donor whether support for a specific requirement would be available, or if there is some flexibility in what must be provided, rather than feeling like all requirements must be met prior to the partnership commencement. Furthermore, only a third of survey respondents saw due diligence as a tool that can support capacity building, indicating that experiences to date have shown it to be a compliance exercise to access funding rather than a mechanism to build long term partnerships between donors and local actors. An open and honest approach should better promote a partnership relationship and shift the focus of due diligence from a compliance exercise to an effective and collaborative mechanism to disburse funding.</p> <p>We also noted from conversations with donors, that they are often unaware of specific due diligence reform initiatives, their purpose and the benefits, despite being open to passing on accountability to downstream partners. Without clear information as to what initiatives are, thereby allowing them to perform their own risk assessments, donors will be less comfortable with accepting reform initiatives and as such restricting the level of success.</p>	<p><b>Increase communication between donors, INGOs, and NGOs</b></p> <ol style="list-style-type: none"> <li>1. Donors, INGOs, NNGOs, and local partners should engage in open and transparent dialogue with each other to discuss their due diligence needs and approaches. Organisations should actively engage in discussions with donors about initiatives they wish to pursue. This will raise awareness and support the success and objectives of these initiatives.</li> <li>2. If an organisation is considering introducing an existing initiative (<i>see Recommendation 1</i>), once donor approval has been sought, we recommend that organisations develop formalised procedures to be able to provide assurances to donors, demonstrating an initiative's purpose and the process being followed, including appropriate safeguards that respond to the specific concerns of these donors. In doing so, we also recommend that organisations ensure that all outcomes of due diligence are appropriately documented, justified and approved to ensure a strong audit trail.</li> <li>3. Where an organisation is small and does not have the full set of policies requested by the donor or INGO, we recommend that the organisation engages in an open and honest conversation to discuss which policies would add-value to the organisation, and where the organisation could receive additional capacity building to develop such policies, ahead of developing policies for the purpose of ‘passing’ due diligence.</li> </ol>

## Summary of Recommendations

There are a number of recommendations raised in this report and not all will be relevant to every organisation, nor are organisations expected to have capacity to implement all actions. Below we categorise the recommendations into suggested actions according to the size and/or maturity of your organisation, to aide in prioritisation and allow you to plan ahead for your organisation's growth.





## Section 4: Annexes

## Annex A: Comparative Analysis Topics

For the detailed comparative analysis of frameworks, we have identified the following indicators, split by eight key subject areas, to conduct the analysis. These topics were identified through previous harmonisation activities as common topics within the sector, focusing solely on administrative capacity of organisations. We have not compared indicators focusing on programmatic capabilities, as it is expected these would differ depending on the focus of the organisation, and even between projects.

### Pre-Qualification

- Legal Status
- Governance Structure
- Vision & Mission
- Background checks
- Sanctions
- Financing of Terrorism
- Corruption
- Disclosures
- Litigation

### Governance & Accountability

- Management oversight
- Reporting structures
- Laws & Regulations
- Code of Conduct
- Accountability to affected populations
- Feedback mechanisms

### Safeguarding

- Policies
- Awareness & Training
- Monitoring
- Culture

### Operational Capacity to Deliver Programmes

- Policies
- Work plans
- Risks
- Project management systems
- Monitoring of programmes
- Evaluation of results
- Learning
- Sustainability

### Management of Downstream Partners

- Partner selection
- Contracting
- Monitoring
- Areas of development

### Financial Capacity to Manage Donor Funds

- Policies
- Systems
- Segregation of Duties
- Personnel
- Financial Statements
- Budget monitoring
- Shared costs
- Audited accounts
- Audit findings

### Payments & Cash

- Bank accounts
- Signatories
- Cash payments
- Advances
- Reconciliations
- Online payments
- Security

### General Systems & Controls

- Procurement
- Assets
- Inventory
- Information security
- Travel
- Travel security
- Human resources
- Staff roles
- Recruitment
- Diversity, equity & inclusion

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## Annex B: References<sup>1</sup>

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