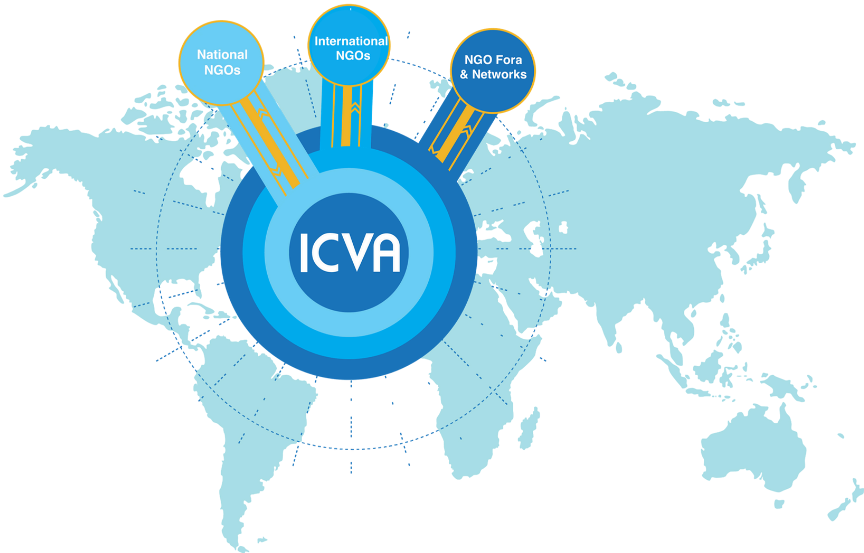
A GLOBAL NGO NETWORK
FOR PRINCIPLED AND EFFECTIVE
HUMANITARIAN ACTION

RISK SHARING IN POOLED FUNDS

Insights for Donors, Fund Managers and NGOs on advancing risk sharing and localisation

July 2025



About ICVA

ICVA is a global network of over 160 non-governmental organisations whose mission is to make humanitarian action more principled and effective by working collectively and independently to influence policy and practice.

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EXECUTIVE SUMMARY

Purpose

As the humanitarian sector has sought to embrace localisation and efficient delivery, Humanitarian Pooled Funds, including Country-Based Pooled Funds (CBPFs), and funds led by NGOs and other actors[1] (hereinafter Pooled Funds) have played an increasingly central role. In the context of the Humanitarian Reset, Tom Fletcher the Emergency Relief Coordinator, has stated that his goal is to see 50% of humanitarian financing channelled through such mechanisms, with 70% of such financing provided to local actors[2]. Pooled Funds are key for funding local and national actors. However, the proportion and quality funding that reaches these actors relies largely on the effectiveness of risk-sharing within the Funds and the funded partners. More funding alone will not lead to an effective localised response. Pooled Funds need to unlock risk-sharing solutions that improve the equity of partnerships.

This report **explores how Pooled Fund delivery chains currently manage, share and mitigate risk, and how these practices affect localisation outcomes and the impact of responses**. Based on desk reviews, interviews, and surveys across four major humanitarian contexts, **Myanmar, Sudan, Syria, and Ukraine,** it examines Pooled Funds managed by OCHA, UNOPS, as well as the Aid Fund for Syria (AFS), and the Start Network Funds**. The report highlights scalable good practices, promising emergent practices and persistent challenges, providing actionable recommendations for donors, fund managers, intermediaries, and operational partners.**

Key findings:

1. Commonalities in risk landscapes offer opportunities for scalable risk-sharing

Despite their different operating environments, the risk profiles of large humanitarian responses in Sudan, Myanmar, Syria, and Ukraine share many similarities. Common risks, such as security issues, access and compliance challenges, often point to the need for common solutions. Given these responses are four among the seven responses that account for over 70% of global caseloads, there are clearly opportunities to invest in risk-sharing

[1] See the ICVA mapping of NGO led pooled funds: https://www.icvanetwork.org/resource/mapping-ngo-led-pooled-funds/.

[2] Statement by Emergency Relief Coordinator Tom Fletcher - The Humanitarian Reset Phase Two 19 June 2025, https://interagencystandingcommittee.org/inter-agency-standing-committee/statement-emergency-relief-coordinator-tom-fletcher-humanitarian-reset-phase-two.

solutions that could have scalable impact globally.

2. Shared understanding of risk within pooled fund delivery chains

Donors, Pooled Funds, sub-grantors and local actors in Pooled Fund delivery chains demonstrate a more consistent shared perception of key risks challenging delivery than in other types of funded delivery chains. This may be due in part to the more localised governance arrangements between actors in Pooled Funds. This shared perception is a valuable starting point for dialogue on risk-sharing solutions to help deliver on shared objectives.

3. Systemic biases towards larger actors

Risk management in Pooled Fund delivery chains is largely shaped by the approaches of donors, Pooled Funds and larger actors, that lean on commercial standards such as the ISO 31000.[3] These commercial standards, favouring unilateral over collaborative action, are not well adapted to meet humanitarian needs and localisation objectives. Complex risk management approaches too often exclude smaller actors from direct funding by creating high barriers to entry. Pooled Funds therefore tend to disproportionately allocate funding directly to INGOs and large national NGOs, while smaller often local actors often struggle to access funding directly.

4. Heavy burden on sub-grantors

NGOs and other sub-grantors play a critical role in delivering Pooled Fund objectives, particularly when it comes to reaching local and grassroots actors. Yet, this research highlights that this sub-granting role can be poorly articulated and understood. Too often, the result is a structural imbalance of risk, responsibility, and resources that impacts the way sub-grantors work with local actors.

Sub-grantors hold the full contractual liability for the grant combined with the expectation that they should partner with and support smaller actors working in high-risk locations. Sub-grantors receive limited funding to discharge these duties and often are not given the means to mitigate the potential risks inherent in sub-granting.

This burden leads to defensive behaviours such as imposing stricter compliance requirements, avoiding working with smaller or unregistered partners and/or prioritising lower-risk programming.

These patterns hinder localisation and weaken the overall effectiveness of the delivery chain. With the increase of the proportion of humanitarian funding channelled through Pooled Funds, **it is critical that donors and Pooled Funds address both the barriers to directly funding local actors, and recognise, resource and rebalance the role of sub-grantors to ensure funds received by local actors indirectly are of the same quality.**

5. Good practices in preventative and reactive risk-sharing in security

- Increasing budget flexibility and jointly developing risk budgets.
- Adopting minimum duties of care for staff of sub-grantors and operational actors.
- Sharing the consequences of critical incidents.
- Rethinking commercial insurance coverage.

6. Good practices in removing barriers for local and national actors

- Increasing the use of Donation Agreements and Micrograms.
- Adopting tiered eligibility processes.
- Using expedited due diligence processes.

7. Good practises in contextualisation of back donor compliance requirements

- Regularising the use of financial transfer modalities.
- Reducing grant disbursement delays.

[3] https://www.iso.org/standard/65694.html.

- Embedding greater flexibility in granting procedures, including through:
    - pre-positioning flexible funds,
    - including contingency budget lines
    - responsive grant amendment processes, and
    - liberal use of no cost and cost extensions.

8. Emerging practices

There are a number of emerging practices which should continue to be tested and eventually scaled. These include:

- Addressing proactively secondary and reputational risks.
- Reframing liability through clearer distinctions between negligent and non-negligent loss.
- Changing repayment terms and offering repayments instalment plans.
- Creating reserve funds within the Pooled Funds to help address financial risk consequences of partners.
- Extending commercial insurance options.
- Protecting partners against losses through third party pooled risk funds.
- Expanding the use of indemnification clauses.

9. Discretion has its place in risk-sharing – but is problematic for partnership

Many advances in risk-sharing have relied on discretionary decisions by individuals. **While leadership matters, reliance on informal goodwill creates unpredictability and reinforces power imbalances in what are intended as equitable partnerships**. Codifying risk-sharing practices in policies, contracts, and guidance is therefore preferable, tending to lead to better outcomes.

10. The need to progress reactive risk-sharing

While there are positive examples of reactive risk-sharing measures such as accepting losses from looting or expropriation as eligible costs, these responses remain ad hoc and discretionary. Downstream partners are still largely left to absorb the consequences of materialised risk even when they were not at fault, or at the minimum left to think that they will have to absorb these costs.

This lack of a predictable safety net forces fund managers and sub-granting partners to take more conservative positions than necessary. The delivery chain is therefore more constrained by risk aversion than it needs to be. To enable effective and timely humanitarian response, all actors, especially donors and fund managers, must move beyond case-by-case responses and treat the **equitable sharing of risk consequences** as a strategic and operational necessity, not just a moral imperative. Codifying common practice comes with little cost for funders and offers more predictability to partners.

Recommendations at a glance:

- **For all actors**: Recognise that unmanaged risk for one actor in the delivery chain ultimately affects all other actors' ability to achieve their shared objective. Commit to equitable risk-sharing as a shared responsibility, and in each individual actor's interest. Continue to test, identify and scale good practices.
- **For donors and Fund managers**: Move from unilateral risk transfer to pre-agreed, codified risk-sharing mechanisms, especially for common, non-negligent risks such as looting or expropriation, where discretionary risk-sharing practices already exist.
- **For sub-grantors**: Demonstrate added value by advocating for local partners and pushing for risk-sharing practices that enable rather than constrain local partners.
- **For the sector as a whole**: Re-think how sub-grantors are selected, supported, and funded, acknowledging that effective sub-granting requires specialist capacities, dedicated resourcing and equitable risk-sharing.

1
INTRODUCTION

Risk-Sharing in Pooled Funds

Humanitarian actors are exposed to a myriad of security, fiduciary, ethical, legal, and operational risks. Over several decades, the complexity of these operational and regulatory environments has increased, while risk tolerance in general has arguably decreased.

This heightened risk awareness has caused partnerships and funding arrangements to become increasingly legalised, and compliance focused. This trend has also influenced Humanitarian Pooled Funds and their funding arrangements.

What are Humanitarian Pooled Funds?

Humanitarian Pooled Funds are funding mechanisms that allow donors to combine resources into a single, flexible fund to support humanitarian action and/or outcomes.[4] These Funds may be independent legal entities or hosted by a third party. Hosting agencies typically include UN agencies (e.g. OCHA, UNOPS, etc.), the World Bank, NGOs (e.g. Danish Refugee Council, Save the Children, START network, NEAR network, etc.) or private sector entities, such as Adam Smith International.

Pooled Funds have been found to enable improved coordination, reduce duplication, better fund directly and indirectly a diversity of actors, including local and national actors, and enable faster, more targeted responses to crises.[5] Pooled Funds conceived appropriately, can strengthen local capacity and reinforce locally led action.

Delivery Chains in Pooled Funds

Pooled Funds operate through "delivery chains of assistance." These chains include **back donors,** the **pooled fund management body**, **grant recipients** directly implementing activities and/or serving as **sub-grantors**, and eventually, **sub-grantees**, as illustrated in Figure 1 below.

- **Back donors**, mainly government or philanthropic institutions, who source and provide funding either directly to

[4] Guidance note for donors: Promoting inclusive and locally-led action through humanitarian pooled funds. November 2024 https://interagencystandingcommittee.org/sites/default/files/2024-11/Donor-Guidance-on-promoting-inclusive-and-locally-led-action-through-humanitarian-pooled-funds%20%281%29.pdf

[5] See e.g. ICVA, 2023 Pooled Funds at a Crossroads – A Comprehensive Review and Analyis https://www.icvanetwork.org/resource/pooled-funding-at-a-crossroads-a-comprehensive-review-and-analysis/ and NRC, 2022 Pooled funds: the new humanitarian silver bullet? https://www.nrc.no/resources/reports/pooled-funds-the-new-humanitarian-silver-bullet

implementers or through intermediary funding vehicles such as Pooled Funds.

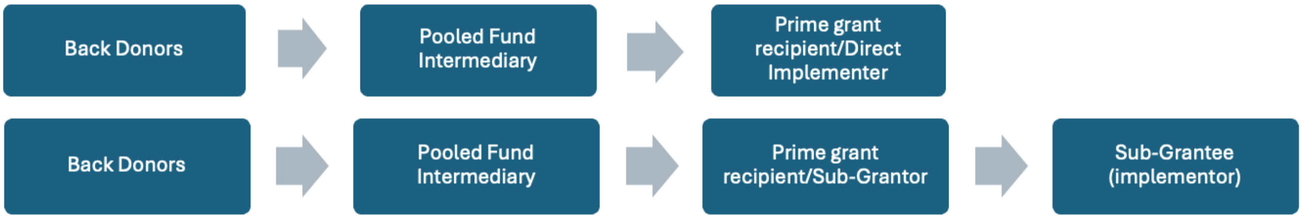
- Pooled Funds work as **intermediaries**, managing the onward transfer and oversight of the donor funds in line with the Funds' objectives and allocation rules.

- **Prime grant recipient** receive funding directly from the Fund, then either directly implement and/or serve as a sub-grantors.

- **Sub-grantors** hold the contractual responsibility with the Pooled Funds and sub-grant the funding to one or more sub-grantees for them to implement in part or all of the grant activities.
- **Sub-grantees** directly implement all or a portion of the grant, through a sub-granting arrangement with the sub-grantor.

In large responses, INGOs and increasingly larger NNGOs can simultaneously be prime grant recipients, directly implementing activities, and **sub-grantors**.

Figure 1 - Examples of common Pooled Fund delivery chain configurations



Risk Management to Risk-Sharing

Risk management is intended to reduce the effect of uncertainty on an organisation's objectives. Given the interdependence of organisations in humanitarian delivery chains, risk cannot be effectively managed unilaterally. An individual actor cannot 'see or mitigate' all the risks faced by their partners, although these risks may be critical to the shared success of the operation. For example, a cyber security attack on one actor's data may compromise the delivery of assistance and have grave security, operational and/or reputational consequences for all partners in the chain.

It is therefore in the interest of all actors to work collaboratively to identify key risks in their delivery chains and to work together to prevent and equitably share those risks.

Working together includes designing risk management systems, contracts, and practices that equitably share the cost of preventive measures and the responsibility for the consequences of risks that materialise.

The Grand Bargain & the Risk-Sharing Framework

Recognising these challenges, in 2021, **Grand Bargain** signatories formally acknowledged the need to consider how risk management systems could better incorporate a risk-sharing approach.

The Netherlands, ICRC, and Interaction co-led the development of a Risk-Sharing Framework to help organisations operationalise risk-sharing within their partnerships. Following the adoption of the Framework, toolkits were developed, pilots launched, and a Grand Bargain Risk-Sharing Community of Practice (RSCOP) convened. Grand Bargain signatories are due to report back on their risk-sharing initiatives in 2026.

Risk-sharing in Pooled Funds

Pooled Funds are well placed **to enable equitable risk-sharing** across their delivery chains. Their governance structures bring together donors, pooled funds and operational partners, enabling greater dialogue and shared understanding among all the actors in the delivery chain.

The country presence of the Fund's management, recipients, and often donor representatives, helps to ensure a strong and consistent operational understanding of the context. Pooled Funds also have the ability to pool risks among multiple donors and innovate in risk-sharing measures, including with downstream partners.

As this research shows, there are many well established risk-sharing good practices in Pooled Funds which should be scaled and promising innovations that warrant further testing. There are also gaps and areas for improvement where further thinking is needed. Addressed consistently however, Pooled Funds could significantly advance effective risk management improving the quality of funding to local and national actors.

Purpose of the report

This report examines how Pooled Funds are incorporating risk-sharing measures in their risk management approaches. Drawing on different types of Pooled Fund responses in four major humanitarian contexts, Myanmar, Sudan, Syria, and Ukraine, it analyses where risk-sharing is working, where it is not, and what more could be done to support effective localised responses. Special attention is given to how risk-sharing affects the inclusion, resourcing, and empowerment of national and local actors.

The findings aim to support the practical implementation of risk-sharing solutions as described in the Risk-Sharing Framework endorsed by Grand Bargain signatories, and to position risk-sharing as a foundational element of equitable partnerships and more effective localised humanitarian response.

2

METHODOLOGY

Overview

This study was based on an extensive literature review and key informant interviews. It also drew upon findings from a local and national non-governmental organisation (NGO) risk-sharing workshop and survey conducted by ICVA in parallel to this report. It focuses on Pooled Funds operating in four of the largest humanitarian contexts to identify common trends and promising practices that could be scaled to other contexts with high caseloads.

Selecting country responses

The study looks at the practices of Pooled Funds operating in four of the larger humanitarian contexts: Myanmar, Sudan, Syria, and Ukraine. These countries were selected as actors generally experience similar risks across these contexts, albeit with different intensities. Advancing risk-sharing solutions in any one of these settings could offer scalable benefits to other contexts with high humanitarian caseloads

Selected Funds and delivery chains

The Funds at country level were selected based on:

1. Operational presence in one or more of the four focus countries.
2. Demonstrated engagement with risk-sharing.
3. Ensuring a diversity of Funds and fund management.

Based on these criteria, the following Funds were included in this review:

- UNOCHA-managed Country-Based Pooled Funds (CBPF) in Ukraine and Sudan.
- UNOPS-managed Livelihoods & Food Security (LIFT) Fund in Myanmar.
- Adam Smith International (ASI)-managed Aid Fund for Syria (AFS).
- Ukraine National Fund supported by the START Fund.

While the desk review revealed several delivery chain configurations, this study grounds itself in **two delivery configurations which are the most common**.

1. **Donor – Pooled Fund – Direct Implementer:** Large grants awarded directly to international NGOs or large national NGOs by the Pooled Fund as prime grant recipient recipients, who directly implement activities themselves.

2. **Donor – Pooled Fund – Sub-Grantor – Sub-Grantee:** Large grants awarded to international NGOs or large national NGOs by the Pooled Funds as prime grant recipients, who then serve as **sub-grantors**,

sub-granting to one or more, often smaller national or local NGO **sub-grantee.**

Desk review and key informant interviews

Data collection combined a desk review of Pooled Fund documentation with 25 key informant interviews (KIIs) involving donors, Fund managers, NGOs working as sub-grantors and/or sub-grantees, and third-party actors such as insurers. Interviewees were selected to ensure a balance across different roles in the delivery chain. See Table 1 for details.

All INGOs interviewed had experience as prime grant recipients and had served as both direct implementers and as sub-grantors. Most NNGOs interviewed had operated as sub-grantees, directly implementing activities via sub-granting arrangements with INGOs or other NNGOs.

KIIs were conducted as semi-structured discussions using a guideline questionnaire created for each function interviewed.

Table 1: KIIs by organisation and role

Type of organisation	Functions Performed			
	Back Donor	Pooled Fund	Sub-Grantor	Direct Implementor (Prime or sub-grantee)
Government	5			
Pooled Fund		5		
INGOs			6	6
NNGOs			2	7

Survey responses

In parallel to the desk review and KIIs, ICVA conducted an online survey of NGO risk perceptions to inform a dedicated risk-sharing workshop with local and national NGOs and their networks.

The survey received 47 responses:

- 79% national partner respondents (NNGOs, LNGOs, and CBOs).
- 21% INGOs, across multiple regions, with a slight bias towards Asia.

These survey findings, published separately by ICVA, were used to triangulate and reinforce insights from this report.

Research ethics

Given the sensitivity of the topic, interviews were not recorded to encourage openness. Participants were informed of their right to withdraw at any time or request the deletion of interview notes. All interviewees were offered the opportunity to review their notes for accuracy.

To protect confidentiality, no individual organisations are cited or quoted unless their contributions are a matter of public record or written permission was obtained in advance

Challenges & limitations

As with any piece of work of this nature, time and budget limitations had an influence on the number of country responses covered, Funds studied and partners interviewed, and the depth to which available data could be reviewed and analysed. In addition, as risk-sharing is a relatively new concept, literature was limited, as was the experience of the informants on the topic.

It must also be acknowledged that the political landscape in several responses and funding realities have changed significantly prior to publication. These limitations however are not considered to affect the validity of the conclusions or recommendations in this report. Rather, in the current context, the case for addressing the systemic and persistent issues highlighted is even more pressing.

3 RISK IN POOLED FUNDS

Overview

Pooled Funds, given the nature of their donors and delivery chain partners, commonly share certain key characteristics which drive their risk management and therefore risk-sharing practices. Before highlighting good practices and challenges, this section looks at the nature of risk management in Pooled Fund delivery chains. In short, it finds that the influence of ISO 31000 standards and the normative risk management approaches in use by dominant actors in pooled fund delivery chains challenges Pooled Fund risk-sharing in two critical ways:

- **It drives a tendency for Pooled Funds to directly fund larger organisations and a reliance on those larger organisations to serve as sub-grantors to fund smaller local actors.**
- **It contributes to an imbalance in expectations and risks around the sub-grantor role that causes friction in longer delivery chains.**

This chapter is divided into the following sections:

3.1 The nature of risk in Pooled Fund delivery chains
3.2 A bias towards larger organisations
3.3 The role and risk of sub-grantors

3.1 The nature of risk in pooled fund delivery chains

Common risks in sampled country contexts

There is a temptation across the humanitarian system to consider every emerging or evolving crises as unique, demanding an 'extraordinary response'. However, similar risks are present in multiple humanitarian crises. In the sampled contexts, these common risks include:

- **Safety and security risks**: Physical security risks to personnel, assets and infrastructure (e.g. looting, theft, etc.) and safety risks to staff health and welfare.
- **Operational risks:** Risks related to timely and appropriate partner selection and ability of partners to realize the operational objectives of the grants, including securing access.
- **Legal & regulatory compliance risks**: Bureaucratic impediments at national and sub-national levels, compliance with counterterrorism and sanctions measures, and navigating national laws.
- **Informational risks**: Challenges securing physical records, meeting digital security standards, and complying with legal and donor requirements.

As confirmed through both desk research and interviews, these risks are what most concerned the actors in the various Delivery Chains of Pooled Funds. There were as well some passing references to fiduciary risks, such as fraud or misappropriation, but these did not seem to be a major preoccupation.

Second order consequences and reputational risks

In addition to these common risks, though not always openly or clearly articulated, was a concern especially from donors and funding partners on "**second order consequences**", i.e. the potential fall-out from risk incidents such as sanctions violations, corruption, or safeguarding breaches.

For example, while the financial cost of a fraud incident might be manageable for a partner or donor, the incident could set in motion a series of second order consequences. For a donor this may include heightened scrutiny and political fallout. For a sub-grantor the consequences may be loss of funding qualification, increased audit checks, or funding suspensions. Often for all engaged in a risk incident there will be a reputational hit. As such, these secondary and reputational consequences shape as much if not more the risk-sharing discussions in Pooled Fund delivery chains.

Alignment of risk perceptions in Pooled Funds

One of the **most encouraging findings in this study is the unusually high level of alignment in risk perception among** actors involved in Pooled Fund delivery chains. Unlike other funding models, where donors, intermediaries, implementers often hold divergent views of what constitutes key risks, Pooled Fund stakeholders across the board shared a consistent framing.

Two features of Pooled Fund governance likely explain this alignment:

- **Proximity to context:** Donor representatives are often in-country or directly engaged with fund operations, giving them a more grounded view of risk realities.
- **Inclusive governance structures:** The engagement of operational INGO and NNGO fund recipients on Pooled Fund governance structures promotes equitable approaches to risk dialogue.

In short, the proximity and inclusive governance of many Pooled Funds helps build a shared, grounded understanding of risk.

This alignment provides a basis that may support more effective, trust-based decision-making and lays a strong foundation for equitable risk-sharing across the delivery chain.

The ISO 31000 Standard

Risk management across humanitarian Pooled Fund delivery chains is largely shaped by models originating in the commercial sector, most notably the ISO 31000 standard.

This international standard outlines a comprehensive approach to identifying, analysing, evaluating, treating, monitoring and communicating risks. Elements of the ISO standard are widely incorporated into the risk management approaches used by donor governments and Pooled Funds.

Over time, many prime recipients and subgrantees, especially INGOs and larger NNGOs, have adapted their internal systems to align with these approaches. As a result, a fairly common approach to risk management has emerged among larger Pooled Funds, one that **tends towards standardisation, is compliance-driven, and resource-intensive**.[6]

[6] Funds like the Resilio Fund, which are financed primarily by foundations or individual donors and primarily support volunteer, community-based entities such as mutual aid groups—may have developed different approaches to risk-sharing. This is an area that would benefit from future study.[7] For example, expenditure on assets, which is sometimes excluded by certain funds. This is nonsensical; if certain equipment is key for delivery of an intervention and cannot be rented, such policies merely limit the pool of potential partners to those who already own such equipment – naturally disfavouring frontline local responders.

This alignment to commercial models is evident in the standard requirements seen across most Pooled Funds. These include:

- **Eligibility assessments** to pre-qualify partners, incorporating elements of due diligence and capacity assessment.
- **Partner risk rating** processes to determine grant values and management conditions, often based on capacity and partner performance assessments.
- **Standardised contracts** for disbursing funds to partners.
- **General and context-specific grant management guidelines** included as part of the contract.
- **Mandatory requirements** relating to PSEAH, fraud and corruption, reflecting stringent back donor expectations.
- **Partner performance assessment process** to evaluate implementation quality and compliance**.**
- **Procedures** relating to the highlighting, detection and response to non-compliance and misconduct.

All sub-grantors (INGOs and NNGOs) interviewed appeared to confirm through responses that their risk management processes align with elements of the ISO 31000 risk management standard.

3.2 A bias towards larger organisations

The complexity of Pooled Fund risk management requirements and the ISO 31000 standard often translates into a demand for partners with financial scale to support the compliance capacities required by back donors and intermediaries.

These capacities include:

- Comprehensive financial and IT systems.
- Dedicated staff for compliance, safeguarding, and reporting.
- Organisational policies aligned with donor expectations.
- Capacity to manage audits and respond to incidents.

These capabilities require scale and sustained investment. Costs that are rarely covered under project-based funding, and often only partially offset by limited overhead allowances.

To note: these requirements and costs will rise if donor risk aversion increases, and humanitarian operational contexts become more complex.

There is therefore an inherent bias in favour of larger organisations, and barriers to entry for smaller mostly local actors as prime grant recipients. As one NNGO interviewee pointed out:

"It was much easier to work before [when the Fund was newly established] than since they rolled out their full processes."

Although Pooled Fund disbursement data is often unavailable, the CBPFs are transparently tracking both their disbursements and onward sub-grants. The publicly available information for CBPFs operating in Sudan, Myanmar, Ukraine, and Syria supported this inherent tendency towards larger grantees. The results are summarised in **Table 2** below.

Table 2: Direct Funding vs. Direct Implementation by CBPFs (2024)

Country / Fund	% Direct Funding to INGOs	% Direct Funding to NNGOs	% INGO Implementation	% NNGO Implementation
Sudan (SHF)	96.0%	0.8%	69%	31.8%
Myanmar (MHF)	64.7%	28.1%	27.4%	65%
Ukraine (UHF)	51.9%	45%	38.5%	58.0%
Northern Syria (SCBHF)	25.8%	62.7%	24.1%	69.6%

The following trends were seen:

- While UN agencies, INGOs and NNGOs are eligible to be contracted by Pooled Funds as prime grant recipients, in 2024, more than half of the funding in three of the four contexts was channelled to INGOs.
- Although the percentages were close, in 2024, cumulatively, INGOs were the main implementers across the four CBPFs reviewed, with 46% of funding directly implemented by INGOs versus 43% by NNGOs (direct and indirect).
- Where NNGOs were contracted directly by Pooled Funds, a small number of organisations often account for a significant proportion of funds disbursed, indicating a dominance of larger NNGOs within this sub-group (i.e. those who could meet the high compliance bar).
- When funds were sub-granted, the sub-grantees were overwhelmingly NNGOs, with the grant amounts generally smaller in value.

Size therefore matters. Larger, often international organisations, tend to receive larger value CBPF grants directly, while smaller, more often, local or national organisations **tend to receive lower value grants indirectly.**

The KIIs noted a similar trend across other non CBPF Funds, namely a preference of providing larger grants through direct funding to larger organisations, with risk concerns cited as a driving factor.

This creates a fundamental tension. While back donors generally express good levels of trust in Pooled Funds and view them as a key tool for advancing localisation, Pooled Funds managers struggle to balance donor conditionalities with the need for flexibility and inclusive partnership.

In summary, Pooled Funds are increasingly expected to deliver on localisation goals, yet their risk management systems often demand conformity with compliance models that smaller organisations cannot meet.

Instead of fostering diverse and locally led responses, the current approaches risk pushing local actors to mimic international systems, sometimes at the expense of their own strengths and agility.

3.3 The role and risk of sub-grantors

As shown above the ability of Pooled Funds to fund a diversity of local actors directly remains a challenge. While Pooled Funds must take steps to improve their ability to directly support smaller and grassroots partners (which many are currently doing), many larger Pooled Funds rely on sub-granting organisations, primarily INGOs, larger NNGOs, or NGO consortiums to do so at scale.

The sub-grantor role in supporting localisation efforts in Pooled Funds with traditional risk management models is therefore critical. However, this role is often misunderstood and under-supported, such that localisation efforts can stall.

When sub-granting to smaller partners, INGOs typically mirrored the ISO 31000-inspired approaches of the Pooled Funds however, many **showed less flexibility than Pooled Funds** in adapting these processes to the capacities and performance of their sub-partners.

This reluctance is driven by various factors:

- Sub-grantors tend to have low capacity to absorb financial risk consequences from any partner related incident so seek to limit their risk exposure through more stringent preventative measures, including increased compliance.
- Tailoring or lowering risk thresholds often requires additional resources and scale to render it worthwhile. These resources are not always made available.
- NGOs with many subgrantees across multiple donors often adopt standardised

approaches to avoid accidental non-compliance with varying donor conditions, particularly where resourcing for partner management is tight.

Frontline respondents for their part voiced concerns on the levels of compliance imposed by the sub-grantors, perceived as more stringent than the Pooled Funds' own requirements. Likewise, several donors voiced frustration that the flexibility provided to the Pooled Funds was not 'passed through' by the sub-grantors to their grantees.

However, few fully appreciate the **risks and liabilities** sub-grantors are expected to carry without corresponding support.

The risks sub-grantors face

The sub-granting organisations interviewed identified several liabilities, expectations and disincentives that impede their ability to deliver aid effectively, including:

- **Full legal and financial liability** for sub-grantee risks passed down by Pooled Funds.
- **Expectations** to work with smaller, high-risk partners, including unregistered actors.
- **Limited ability to recover costs** for capacity building, oversight, or unexpected losses (i.e. direct costs and overhead).
- **Conflicting demands** to share overheads, ensure equitable partnerships, and manage compliance.

These risks can carry financial consequences, and secondary/reputational risk concerns. To manage this fallout, sub-grantors must both reduce the likelihood of risks occurring and mitigate the consequences when they do. But unlike Pooled Funds, sub-grantors have fewer tools, especially financial reserves, to mitigate potential risk *consequences*.

Sub-grantors are rational actors

Sub-grantor behaviour, often perceived as risk-averse or inflexible, is a rational response to upstream risk transfer. The only strategy available to them is to maximise prevention efforts. These preventative measures often lead to stricter funding conditions i.e. heavy reporting, disbursement terms, micro-management at the policy/procedural levels. They also lead to operational behaviours that adversely impact localisation, such as a preference for direct implementation, choosing to work with larger partners, or choosing less risky operational contexts.

The lack of overhead costs is also a driver of this behaviour. In direct implementation, overheads typically help cover unforeseen costs. In sub-granting arrangements, overheads are often split between sub-grantor and sub-grantee, often in contravention with sub-grantor overhead policies. As a result, sub-grantors often operate with even less financial cover and hence lower risk appetite for financial risk than they would otherwise have.

If not addressed, these dynamics will **undermine the localisation agenda** by perpetuating indirect delivery of funding that is less effective than it should be.

Review and refresh the role of sub-grantors

To improve sub-granting relationships and promote localisation, there's a clear need to rebalance expectations and rethink the role of sub-grantors.

Pooled Funds should ask: why should an NGO act as a sub-grantor, and what do they need to do it effectively?

Pooled Funds must critically assess how sub-grantors can add value

Many Pooled Funds rely on sub-grantors to reach smaller or grassroots partners they cannot fund directly. But this role requires more than just acting as a pass-through: it requires partnership skills, local knowledge, and the ability to build others' capacity.

Sub-grantors require specific organisational capacities

There is a tendency among Pooled Funds to assume any established organisation can sub-grant. This is clearly not the case. Effective sub-grantors have:

- Established and adapted partnership practices.
- Networks of local partners.
- Strong and adaptive grant management capacity.
- Capacity to actively support and mentor sub-grantees.
- Capacity to provide structured capacity strengthening support.

Organisations should not be provided with funds to perform the function without an evaluation of whether they have the capacities needed to do so.

Pooled Funds must ensure required capacities are properly costed

Sub-granting is a specialised function. If Pooled Funds expect oversight, mentoring, and support to be delivered, they must fund these responsibilities appropriately.

Pooled Funds should address the imbalance in risk transfer to sub-grantors

So far, little has been done to correct the one-sided transfer of risk to sub-grantors. This undermines effectiveness and drives overly cautious approaches. Ultimately, unless Pooled Funds adjust liabilities and policy expectations, or provide support to offset them, sub-grantors will continue to operate with limited flexibility and higher risk burdens than the system can reasonably expect them to carry. It is important to note that this is a problem for international and national sub-grantors alike.

There must be recognition that unless liabilities and policy expectations change, a way must be found to either reduce risks where possible and/or address how such consequences will be paid for as part of more equitable risk-sharing between all parties involved.

4

GOOD PRACTISES TO SCALE

Overview

Given the nature of Pooled Fund risk management, a growing number of Pooled Fund actors are implementing practical measures that operationalise more equitable risk-sharing across the delivery chain. These following areas in particular have shown elements of good practise:

4.1 Preventative and reactive security risk-sharing practices
4.2 Removing the barriers to entry for local actors
4.3 Contextually appropriate donor compliance requirements

4.1 Preventative and reactive security risk-sharing practices

In all four contexts, there is a recognition that implementing actors experience significant additional security and operating costs due to working in conflict-affected environments. Pooled Funds and their delivery chain actors, including donors, Fund managers, and sub-grantors, play an essential role in helping frontline implementers mitigate and manage these risks.

Encouragingly, 70% of NNGO survey respondents said their upstream partners had "somewhat" or "well" enabled them to manage security risks.

Several positive practices are helping shift the response from a prevention-only mindset to one that also shares the **consequences** of security risks more equitably:

✓ Budget flexibility

Some Pooled Funds have developed principles for integrating additional security costs, both preventive and reactive, into project budgets.

This can involve recalibrating the split between "direct project costs" and support costs in project budgets, or redefining eligible costs,[7] i.e. which security and associated costs are deemed 'reasonable'.

Furthermore, by aligning these costs across donors, Funds, and sub-grantors, partners can more consistently recover costs across multiple projects.

[7] For example, expenditure on assets, which is sometimes excluded by certain funds. This is nonsensical; if certain equipment is key for delivery of an intervention and cannot be rented, such policies merely limit the pool of potential partners to those who already own such equipment – naturally disfavouring frontline local responders.

✓ Joint risk budgeting

Some donors and Fund managers now engage partners early in the design process to identify likely risks and pre-agree on the associated costs. This collaborative approach has helped reduce friction during proposal review and enabled more realistic budgets that reflect operational realities. It has also critically helped frontline responders to better understand their own risks and adopt appropriate risk mitigation measures.

✓ Establishing minimum duty of care standards

A long-standing concern in the sector is the disparity in duty of care between staff in large international organisations and those in smaller national NGOs. **Taking firm policy positions on what constitutes minimum standards of duty of care helps to address double standards**.

In Ukraine, for example, the UHF, Swiss and other donors agreed on a standard duty of care package for implementing and sub-implementing partners. Applicants were encouraged to include this package in their budgets, ensuring that security costs were adequately provided for all equally.

✓ Sharing the consequences of critical incidents

While donors have been increasingly supportive of preventative risk management, what is less common, but critically important, is the sharing of ***reactive risk* measures. Reactive risk measures** can for example limit the full brunt of a financial impact of critical incidents such as looting, theft, destruction on any one actor.

In reactive risk-sharing, one of the key questions is: who is best placed to absorb the loss?

Few NGOs, international and even more so national entities, can absorb the full financial consequences of security incidents. Reserves are often limited in international NGOs and non-existent in national NGOs.

Furthermore, holding prime recipients or subgrantees financially liable for losses occurred through no fault of theirs might result in some financial recovery for donors, but it can impact deeply on trust and risk appetite of both sub-grantors and operational actors.

Encouragingly, many Pooled Funds and some back donors **already treat non-negligent losses as eligible costs**, absorbing them on a case-by-case basis. However, in many instances, without formal codification, this absorption of costs remains unpredictable for partners.

To strengthen delivery and protect sub-grantors and frontline actors, the following good practices should be further scaled:

- **Reactive risk-sharing provisions further codified in policy**, not left to discretion.
- **Reactive risk-sharing should be clearly framed around negligence**, ensuring accountability without undue penalty.
- **Reactive risk-sharing practices need to be communicated transparently** to support responsible risk-taking.

Without this, partners may avoid high-risk areas, contracting smaller partners or even frontline roles, undermining effective response where it is needed most.

> *Pursuing downstream partners for theft and looting losses from non-negligent incidents might see recovery in the short term, but it will radically impact partner behaviour in the long term.*

✓ Rethinking insurance

Controls-based risk management models often require partners to obtain commercial insurance for health, legal liability, project assets, and life coverage. However, this approach is **increasingly unworkable** in high-risk humanitarian contexts.

Partners reported that insurance premiums have become prohibitively expensive, numerous providers have expanded geographic exclusions, refused to provide cover or rejected claims.

Pooled Funds who often mandate insurance lack clear policies for waivers or alternatives. This leaves partners, especially local actors, exposed.

While the limitations of commercial insurance in the large humanitarian responses are known, established practice can be stretched.

In Ukraine for example, the UHF, funded by SDC, granted funds to the Kharkiv-based Relief Coordination Centre to run a life insurance scheme. This scheme allowed several thousand frontline workers to benefit from life-insurance - providing coverage that was not available on the commercial market. Significantly, this project demonstrated how Pooled Funds can lay the groundwork for self-funded schemes and encourage more competitive commercial providers over time.

To move forward, Pooled Funds should:

- Reassess **default insurance requirements**.
- Recognise and support **viable local alternatives**.
- Create **clear policies for exemptions or substitutions**.

Without these, insurance can become a barrier, not a safeguard.

4.2 Removing the barriers to entry for local actors

All donor, Pooled Funds and INGO key informants stressed the importance of local partners playing a more central role in humanitarian response. However high barriers to entry remain. Several Pooled Funds are piloting promising practices that begin to lower these barriers through more flexible, risk-sharing approaches.

✓ Donation agreements and microgrants

One of the most promising risk-sharing measures identified is the use of 'donation agreements' and 'micro-grants' for funding unregistered entities, such as Mutual Aid Groups (MAGs). UN agencies have used these approaches in camp settings to support small-scale services, and bilateral donors have recently applied them in Sudan to finance MAGs operating soup kitchens.

Donation agreements and micro-grants provide small-scale funding for group-led interventions, with funds often disbursed to individuals rather than legal entities. These modalities limit financial audits to the final group transfer point and negate the need for individual beneficiary validation.

Donation agreement modalities are reported by frontline responders as among the most effective forms of support. Sub-granting organisations also recognise them as reducing their exposure to risk.

While there are concerns that the removal of this audit requirement could lead to increased financial risk, donation agreements can make it easier for MAGs to use their own community-based accountability mechanisms to mitigate this risk. This is more effective and appropriate than a top-down or remote audit approach.

As such, donation agreements should be recognised as a key risk-sharing best practice, particularly in delivery chain models that involve multiple layers of sub-granting. Their strategic use can play a critical role in enhancing both efficiency and accountability in complex humanitarian operations.

✓ Tiered eligibility processes

Several Funds have adopted a 'tiered approach' to eligibility, a form of performance-related grant management that adjusts requirements to match partner capacity. This helps newer or smaller local NGOs access funding while maintaining necessary safeguards.

Key features include:

- **Simplified eligibility processes** for lower value grants and/or increased oversight.

- **Past performance** used to justify access to larger grants or lighter oversight.

- **Flexible progression**, allowing grantees to advance between tiers as their capacity grows.

NNGO interviewees reported that once funded directly, they became more familiar with the Fund's ways of working. Several NNGOs who qualified through the UHF's Simplified Capacity Assessment pilot project later progressed to UHF's standard capacity assessment process, enabling them to apply for larger grants.

Tiered approaches are more labour-intensive to administer and often require more intensive support for smaller partners. They can increase the funding requirement for fund management units, thereby reducing funds available for grant giving. However, **they have been effective in enabling inclusive access, while still promoting accountability.**

✓ Expedited due diligence processes

Due diligence is conducted to help grant-giving actors understand and thus limit their exposure to partner liabilities. Given the time involved in such processes, these assessments are ideally done in advance as pre-qualification exercises.

Outside of chronic and more predictable responses, pre-qualified pools of potential partner organisations are often insufficient to respond to spikes in needs. In responses where Pooled Funds may be newly established, the fund rarely has the luxury of time to conduct lengthy pre-qualification processes before issuing its grants.

To overcome this, several Pooled Funds have adopted **expedited due diligence**, a form of proactive risk-sharing. Mechanisms include:

1. **'Waivers' or 'derogations':** from standard eligibility processes.
2. **Assessment by proxy:** i.e. an organisation accepts to use data from another organisation's due diligence assessments
3. **'Passporting':** a widespread and standardised approach to assessment by proxy where organisations mutually agree to use each other's assessment data to confirm partner eligibility for funding.

In these scenarios, partners still carry the same implementation risks, but Pooled Funds (and by extension, back donors) bear more of the risk from a less thorough understanding of a partner's profile. This willingness to prioritise speed and access is a clear form of upstream risk-sharing.

Expedited due diligence processes is a form of risk-sharing by the Pooled Fund and their back donors.

4.3 Contextually appropriate donor compliance requirements

Across all four contexts, key informants acknowledged that 'normal' programme management and compliance practice was increasingly challenging to achieve due to growing complexity. **The compliance measures intended to *manage* pre-identified risks, such as the requirement to use commercial banks, *generate* additional risks for partners and create operational blockages.**

Yet, neither Pooled Funds nor sub-granting organisations have significantly adapted their contracts and guidelines to account for these changes.

✓ Expanding financial transfer modalities

All Pooled Funds studied required partners to use in-country commercial banks for fund transfers, a compliance measure dictated by donor requirements. This proved to be problematic for partners in three of the four country contexts, due to the lack of commercial banks and services in many locations.

In some instances, engaging with the banking system created security risks due to the sharing of staff or beneficiary data, or the need to physically visit banking premises in volatile areas.

In all responses reviewed, the only viable option has been the authorisation of alternative money transfer modalities, **such as hawala agents**.

Interviews however, revealed stark differences in opinion on alternative service providers. NGOs, both national and international, generally praised alternative service providers, recognising their ability to effectively deliver compared to the formal banking system. Many reported more frequent and severe losses through formal banks, including frozen or inaccessible accounts, than through the informal systems. In contrast, donors and Pooled Funds expressed significant concern over potential counterterrorism or sanctions violations, and the risk of aid diversion.

> *"The authorisation of the use of hawalas was the single most significant risk-sharing measure that was agreed."*
>
> **NGO interviewee in Sudan**

While most Pooled Funds have authorised the use of hawalas, this has typically been done on a case-by-case basis. The result is often protracted negotiations that revisit the same issues, such as whether transfer agent fees are eligible, leading to program delays, uncertainty, and reinforcing perceptions of risk around these alternatives.

While discretionary approval of third-party transfer modalities is a positive step, formalising such provisions in contracts would be a major step forward for risk-sharing and response efficiency.

✓ Reducing grant disbursement delays

Many donors provide grants in instalments to manage risk. They link these disbursements to a partner's timely completion of activities and submission of satisfactory narrative and financial reports.

While this limits exposure to poor partner performance, it can also disrupt aid delivery. Examples were given of tight reporting timelines, low instalment values, or delays in fund disbursement leading to the stoppage of humanitarian aid.

Some Pooled Funds are adapting. For example, the Sudan Humanitarian Fund based on the CBPF Global Guidelines of 2015, **varies instalment size and reporting frequency based on a partner's risk profile.**

Others allow **waivers to postpone standard reporting requirements** without blocking future disbursements. These adjustments help balance financial risk control with the need for uninterrupted aid delivery.

✓ Embedding flexibility into grant procedures

In large-scale humanitarian responses, sudden surges in demand or emerging needs often arise with little warning — as seen in Myanmar, Sudan, and Syria. Even in stable contexts, bureaucratic and administrative impediments can require adaptations or incur additional costs.

While partners may have the capacity to adapt to sustain operations, they are frequently constrained by the terms and conditions of their grants.

The following practices illustrate how grant procedures can be adapted to better support timely and effective response.

✓ Pre-positioning flexible funds

Several Pooled Funds have introduced mechanisms in their operational guidelines to allow rapid disbursement of funds in shifting context, such as the CBPF's 48-hour response modality. Rolled out in 2022 and used extensively in the Sudan response, it enables pre-positioning of funding and the drawdown of contingency funds within pre-approved limits, ensuring timely and well-targeted responses.

✓ Integrating contingency budget lines into grant design

Some Funds have used contingency budget lines within their grants to enable response to changing humanitarian needs. Similarly, the development Funds were able to call upon their donors to provide humanitarian funding to pivot as needed to changing needs.

✓ Responsive grant amendment processes

NNGO and INGOs reported that Pooled Funds are generally open to both planned and retroactive grant amendments. While approval is not guaranteed, this flexibility, grounded in strong communication and trust, allows partners to adapt to real-time challenges. It represents a meaningful form of risk-sharing.

✓ No cost and cost extensions

Partners are often exposed to financial risk when faced with delays outside their control, such as delays in project approvals from authorities. Donor measures such as linking grant start dates to approval milestones or offering no-cost extensions can help.

However, if delays occur mid-project, partners are often already financially committed, with staff hired, leases signed and activities underway. In such cases, costed extensions may be needed to cover additional liabilities. Without them, the financial burden shifts to the partner, undermining both operational continuity and equitable risk-sharing.

In summary, these good practices show that equitable risk-sharing is not only possible, it is already happening in parts of the system.

From inclusive governance and costed security measures to flexible compliance models and simplified access for local actors, these innovations are helping to shift risk management from a one-sided burden to a shared responsibility.

However, much of this progress remains discretionary or context specific. To truly unlock the potential of Pooled Funds for locally led response, these approaches must be scaled, codified, and treated as core operational norms rather than optional exceptions.

5 EMERGING INNOVATIONS

Overview

This section explores emerging practices that could significantly improve how financial risk consequences are shared in Pooled Fund delivery chains. While many of these approaches are still untested or in early stages of implementation, they represent a shift toward **more predictable, equitable, and transparent frameworks**. The proposals include:

5.1 Addressing secondary and reputational consequences
5.2 Reframing liability through clearer distinctions between negligent and non-negligent loss
5.3 Changing repayment terms and offering repayment by instalment
5.4 Creating reserve funds to address financial risk consequences
5.5 Protecting partners against losses through pooled risk funds
5.6 Indemnification clauses

5.1 Addressing secondary and reputational consequences

Concern around secondary risk consequences, particularly perceptions of reputational loss drive risk and compliance systems, limit programmatic flexibility among actors in the delivery chains. They will often shape operational decisions not only around *whether* to fund or operate but also *how cautiously* to do so.

Recent risk-sharing pilots, notably those supported by the German government, have highlighted the need for a more holistic conversation around risk, including proactive management of reputational risks.

For example, while financial loss is the most common risk consequence, granting organisations also typically factor in the wider consequences of an incident when assessing their risk appetite.

These could include:

- Whether an NGO’s risk rating may be downgraded, affecting future grant size or eligibility.
- Clarity on the conditions and timescale to recover an NGOs risk rating or eligibility (e.g. due to temporary debarment).
- Informal reputational impacts on their standing with other donors and partner.
- Donor terms for repayments, for example whether a donor will insist on immediate full reimbursement or accept instalment payments.

The research showed that reputational impacts of risk incidents, real or perceived, can often even outweigh their financial cost, especially for downstream partners. Organisations may avoid working in high-risk areas, decline to partner with smaller actors, or over-invest in compliance to protect future funding regardless of operational need.

A more holistic approach to **reactive risk-sharing** is therefore needed, one that recognises not just the financial cost of incidents, but the **reputational and relational impacts** they trigger.

Promising areas for progress include:

- Clarifying future eligibility repercussions in the case of non-negligent losses.
- Communicating risk consequences predictably, for example explaining how a downstream partner's actions may or may not affect future funding.
- Designing contractual and reputational risk safeguards, including confidentiality.
- Insulating sub-granting organisation risk ratings from actions of their sub-grantees.
- Writing off losses for sub-grantees.
- Lowering reporting or compliance standards for the sub-grantees.

These steps can lower partners' risk thresholds and increase their ability to engage in higher-risk but high-priority contexts ultimately strengthening response effectiveness and equity. They can also incentivise transparent reporting.1

5.2 Reframing liability

A fundamental yet under-addressed barrier to fair risk-sharing is how liability for financial losses is understood and applied. One promising way forward is to formally differentiate between **negligent and non-negligent losses**:

- **Non-negligent losses** occur when a partner has taken all agreed-upon steps to manage risk, but an incident still happens (e.g., looting, expropriation, or bureaucratic delays).
- **Negligent losses** involve a failure to meet basic, agreed standards of risk prevention or compliance.

Currently, many Pooled Funds make discretionary allowances for non-negligent losses, but the lack of consistency creates uncertainty. A modest but meaningful improvement would be to codify the principle that **non-negligent losses from foreseeable risks are presumptively eligible costs**, unless specific exclusions apply (e.g. legal constraints around fraud or corruption).

This would not radically increase exposure for Pooled Funds, since such costs are often forgiven informally already. What it would do is **enhance predictability, support fairer treatment, and improve partners' willingness to engage in higher-risk work**, particularly in fragile or hard-to-reach areas.

Codifying this distinction would also ensure that decisions are based on agreed standards of practice, not subjective interpretation. Where negligence is found, discretion could still apply, but the default for non-negligent incidents should be shared responsibility, not unilateral liability.

5.3 Changing repayment terms

Requiring partners to repay financial losses in full and immediately is often unrealistic, particularly for national or smaller organisations with limited reserves. Yet this remains the default expectation in many Pooled Fund agreements. When deadlines are missed, the typical consequence is automatic disqualification, which perversely reduces a partner's incentive or ability to repay at all.

By contrast, **lengthening repayment terms** or allowing **instalment-based repayment** can offer a more pragmatic path, one that protects donor resources while supporting partner continuity and rehabilitation. The cost to Pooled Funds is minimal, but the potential benefit for equity and sustainability is substantial.

There is precedent for this approach. Within the **START Network**, partners have access to a reserve mechanism that effectively functions as an internal loan facility. When a partner incurs a loss, it can borrow from this reserve and **repay in instalments over time**, reducing pressure on operational budgets while maintaining its role in the delivery chain.

Offering longer or more flexible repayment terms would not eliminate accountability—but it would prevent short-term liquidity challenges from escalating into long-term exclusion. It's a small operational shift with the potential to **strengthen financial recovery, preserve partnerships, and reduce the downstream impact of unavoidable risk**.

5.4 Use reserve funds to address financial risk consequences

Reserve funds offer a promising mechanism for managing the financial impact of incidents that fall outside a partner's control. The START Network's reserve concept helps partners address unforeseen financial consequences. However, it does not enable partners to more explicitly budget for them.

The new Anchor Concept devised and published by the AFS outlines provisions for reserve funds, for 'mitigating unforeseen compliance-related liabilities.'

This concept explicitly recognises that, when working with small organisations or civil society groups, the occurrence of incidents is an inherent and, to some extent, acceptable risk for sub-granting organisations. Further, that the cost of such an event can be budgeted and supported by the Fund.

While still in early stages, the concept envisions the sub-grantor and the AFS team jointly assessing whether the incident's consequences warrant the use of the project's reserve fund, ensuring oversight while offering relief.

This is not a radical departure from existing practice. Many donors already provide overheads with the tacit understanding that they can absorb risk costs. The innovation here is transparency and intent: **reserves are explicitly framed as tools for equitable risk-sharing**, rather than as financial cushions partners must build and justify on their own.

Formalising such mechanisms could reduce partner exposure, increase accountability, and support more predictable partnerships, particularly in layered sub-granting arrangements.

5.5 Protect partners against losses through pooled risk funds

Beyond commercial insurance, a range of insurance-like approaches are emerging that may offer more viable solutions for managing financial risk in humanitarian contexts. One promising model involves donors contributing to a pooled risk fund, which provides a pre-agreed level of cover for certain organisations, projects and/or their personnel.

The best example of this is the Risk Pool Alliance, backed by several philanthropic donors to support their partners. It provides cover to projects disrupted by pre-identified risks, such as acts of God; national level policy or economic changes; funder created obstacles and incidents of setbacks such as equipment failures, infrastructure disruptions, fraud, embezzlement, theft.

The organisation involved can request assistance via a short application, which is rapidly assessed by an independent panel of experts on behalf of the Fund. If approved an agreed amount of funding is released within 48 hours.

What makes this model stand out is its **flexibility and breadth**: a wide range of risks can trigger claims, and the panel-based assessment avoids the rigid thresholds and actuarial formulas typical of commercial insurance. While this introduces a degree of subjectivity, it also enables faster, context-sensitive responses, particularly valuable in conflict or crisis settings.

The use of pooled risk funds, whether embedded within Pooled Funds or established as separate entities, offers a **scalable, cost-effective way to offset financial risk for partners**, especially in fragile or high-risk environments. They are best viewed as a **complement to**, not a **replacement for**, commercial insurance, one that better reflects the realities of humanitarian risk.

5.6 Indemnification clauses

Many of the risk challenges identified in this research stem from **contractual risk transfer**, where liability is passed downstream from back donors and Pooled Funds to implementing partners. In many cases, partners would not face these risks if not for the structure of their contracts. To address this, the AFS Anchor Concept proposes including indemnification clauses in sub-grantor agreements. These clauses would explicitly limit the transfer of liability for certain categories of unforeseen, compliance-related risk.

While the drafting of such clauses must be handled carefully, the principle is straightforward: donors, Pooled Funds, and sub-grantors should work together to avoid blanket risk transfer. Instead, they should proactively design contracts that enable shared responsibility from the outset, rather than relying on discretionary, post-incident responses.

While many of the ideas in this section remain untested, they offer important pathways for evolving risk-sharing from a discretionary response to a strategic system design. From redefining liability and repayment terms to establishing pooled reserves and indemnification clauses, these proposals reflect a growing recognition that fairer risk distribution must be built into the architecture of partnerships, not improvised after crises occur.

Piloting, codifying, and scaling these innovations will be critical to unlocking more inclusive, resilient, and locally led humanitarian responses.

6
CONCLUSION & RECOMMENDATIONS

Conclusion

Pooled Funds remain one of the few mechanisms with the scale, flexibility, and governance **potential** to advance both risk-sharing and localisation in a meaningful way. But realising that potential requires more than technical improvements, it demands a shift in mindset. Risk must be viewed not only as a liability but as a lever for more equitable and effective partnerships. Codifying fairer risk-sharing practices, addressing the systemic vulnerabilities of sub-grantors, and moving beyond case-by-case discretion are not peripheral fixes, they are central to improving humanitarian outcomes. The challenge now is not in identifying what needs to change, but in having the collective will to change it.

Despite continuing obstacles, this research shows that measurable progress is being made on risk-sharing in Pooled Fund delivery chains. Specific examples exist of measures, not least to address security and operational risks, which can be replicated. Some measures have been codified. There have been clear efforts to maximise the use of discretionary decision making, even while it may have its limitations. All actors must therefore continue to make progress on these issues, while continuing to advocate for longer term change on the more systemic issues outlined above.

To all parties (back donors, Pooled Funds, sub grantors and sub-grantees)

- Recognise the shared impact of risk. The interconnected nature of humanitarian delivery means that when one organisation faces unmanageable risks, it affects the ability of all in the chain to achieve their shared objective to support affected populations. Equitable risk-sharing is therefore essential, not only as a collective responsibility, but as a matter of self-interest for all actors involved.
- Engage meaningfully with risk perspectives across the chain. Commit to genuinely listening to the risk perceptions of other organisations working in other functions in your delivery chain. This is key to identifying unaddressed risks negatively impacting on their, and your, ability to support affected populations.

To back donors, Pooled Funds and sub-grantor organisations

- Proactively support preventive risk management measures. Discuss, identify, agree and share the burden for effective preventive measures to address project risks faced by partners, and ensure these are reflected in budgets, policies and other codified approaches. Positive examples include expedited and tiered approaches to due diligence, the use of donation agreements when working with smaller partners and minimum duty of care packages for frontline personnel.

- Avoid transferring disproportionate risk through contracts. When risks are passed down to partners without clear agreements, and any risk-sharing is left to discretionary decision making later, it creates an unpredictable and inequitable partnership dynamic. This often compels downstream partners to take more conservative risk positions in their responses than they may otherwise take.
- Establish clear, pre-agreed risk-sharing agreements. As a minimum standard, donors and partners should seek a more explicit and pre-agreed division of foreseen risks, including protocols for addressing financing consequences. A practical entry point is to agree on how to handle losses from non-negligent incidents (e.g. looting or expropriation), creating a foundation for more comprehensive approaches to equitable risk-sharing.

To back donors and Pooled Funds

- Strengthen localisation by addressing risks faced sub-grantors. Relying on sub-grantors to achieve localisation commitments will remain challenging for response effectiveness over more direct contracting arrangements, unless the key risks they face are not better understood and managed across the delivery chain. A more systematic understanding of these risks is essential to enable sub-grantors to operate effectively and support more direct engagement with local actors.
- Clearly define the role and requirements of sub-grantors more clearly. There is a need to articulate the distinct value that sub-grantors are expected to contribute within the delivery chain, the skills required to fulfil this role, the risks they will assume, and the financial resources necessary to do so in an equitable and accountable manner.

To sub-grantors

- Demonstrate added value through meaningful support to local partners. Sub-grantors should actively engage with and advocate for the risk management needs of local grassroots partners. By ensuring that risk-sharing enables, rather than constrains, local response capacity, sub-grantors can demonstrate their strategic value in strengthening the effectiveness and integrity of aid delivery.

7 ACRONYMS & ABBREVIATIONS

AAP	Accountability to affected populations
AFS	Aid Fund for Syria (formerly Aid Fund for Northern Syria)
CBPF	OCHA Country-Based Pooled Funds
ICVA	International Council of Voluntary Agencies
INGO	International Non-Governmental Organisation
ISO	International Organisation for Standardisation
IP	Implementing Partner
LIFT	Livelihoods & Food Security Fund (Myanmar)
KII	Key Informant Interview
LNGO	Local Non-Governmental Organisation
MAG	Mutual Aid Groups
NNGO	National Non-Governmental Organisation
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
PSEAH	Protection from Sexual Exploitation, Abuse and Harassment
SDC	Swiss Agency for Development and Cooperation
UHF	Ukraine Humanitarian Fund
UN	United Nations
UNOPS	United Nations Office for Project Services

ICVA

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