RISK SHARING FRAMEWORK SIMULATION

OUTCOME REPORT

Authors

This report was prepared by consultants Ed Hughes and Anne Moenster. The views are those of the authors and do not necessarily represent the views of InterAction or other participating organizations.

Photo Acknowledgements

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Executive Summary

Background of the Risk Sharing Framework

In most humanitarian contexts, delivery of assistance is an inherently risky business. Organizations use risk management approaches borrowed from the commercial sector to address the risks they face and ensure they can still deliver assistance. This approach is proving increasingly challenging and new approaches are needed. One such opportunity identified by several Grand Bargain signatories was to look differently at risk sharing and see it not just in the commercial sense as a pre-agreed division of risk between organizations, but as a reasonable sharing of the burden of preventative measures and reasonable sharing of responsibility for materializing risks. However, there remained a gap in how to achieve this. The Grand Bargain's Risk Sharing Platform developed the Risk Sharing Framework to address this gap, creating a set of foundational principles and guiding questions that collaborating organizations could use and adapt to different contexts to pursue mutually beneficial risk sharing outcomes.

Purpose of Simulating the Framework

Grand Bargain 3.0 urged signatories to use the framework to pursue risk sharing pilots, aware that this was a cross cutting issue that could help unlock outcomes in the two key focus areas. However, like any new approach, there are questions and caution among organizations as to how to adopt it. InterAction, with the support of the International Committee of the Red Cross (ICRC) and the Netherlands Ministry of Foreign Affairs (MFA), sought to address this by creating a simulation in which participating organizations interested in piloting the framework could experience what it might look like in a test environment, prior to taking their learning into real-world pilots.

The simulation involved 24 participants and three facilitators from a wide variety of real-world organizations,[1] who were assigned legends with fictional information on back donors, intermediary donors, and direct implementing organizations, all working in the fictional Republic of Carana. The simulation used a deteriorating humanitarian situation as the backdrop for back donors, a fictional U.N. agency operating as the intermediary donor, and several direct implementing organizations to prepare to work together in a "delivery chain of assistance" as part of a generic pooled fund that would fund a humanitarian response. Participants were led through multiple scenarios, using the framework to create a risk sharing action plan, and then testing how plans stood up against common risk incidents.

Key Takeaways for Organizations Seeking to Pursue Risk Sharing Pilots:

1. Framework processes must not lose sight of the affected people they seek to support. The Grand Bargain envisions achieving its goals though a participation revolution. The framework echoes this commitment by seeking to better serve affected people by improving management of risk within delivery chains. The framework is a compliment to other processes—not a replacement for them. Participating organizations must engage equitably with the affected populations they seek to assist to understand their needs and preferred modes of receiving assistance, where after the risk identification in the framework process seeks only to identify

[1] Participating organizations included the U.N. High Commissioner for Refugees (UNHCR); U.N. Children's Fund (UNICEF); U.N. Office for the Coordination of Humanitarian Affairs' Country-Based Pooled Fund (OCHA CBPF) Section; World Food Programme (WFP); ICRC, Netherlands Red Cross; U.S. Agency for International Development's Bureau for Humanitarian Assistance (USAID BHA); Netherlands MFA; Catholic Relief Services (CRS); Norwegian Refugee Council (NRC); representatives of the Dutch Relief Alliance, and the Sudan NGO Forum.

potential obstacles to meeting those needs and desires that might be unblocked through better risk. Organizations must not lose sight of this link to affected people and their original concerns, otherwise the result may be a successful process with an unsuccessful outcome.

2. **Successful framework facilitation requires maintaining sight of its principles.** In almost every discussion during the simulation where a concern or obstacle was raised, a response involving one or more of the eight foundational principles of the framework could be posed as a guide to help overcome it. Facilitators of framework processes—or indeed any risk sharing dialogue—will benefit significantly from spending time reflecting and sharing the principles, and their underlying meaning, with their participants. The simulation demonstrated that the principles are a sound guide for risk sharing dialogue.
3. **System-wide risk sharing impact requires engagement at the strategic and tactical levels.** Participants in the simulation demonstrated that there is room for collaboration on risk sharing, but a tendency to equate small steps and incremental progress as being best achieved through work in tactical-level delivery chains—for example, by a donor and partner working on a single grant. All progress is good progress and it is natural for organizations to skew toward such delivery chains in risk sharing framework processes, but some of the most significant and scalable impact lies with risk sharing that must be pursued at the strategic and longer-term level. Failure to do so means the same risks come round time and again. Strategic and tactical-level risk sharing cannot be de-coupled—they must at least be pursued as parallel efforts. Organizations must start working toward strategic level risk sharing outcomes early on, even on a small scale.
4. **Reactive risk sharing measures must be part of the solution.** Preventive risk sharing measures are vital and good progress is being made in this area, though as this simulation demonstrated, there is still more to do. The simulation underlined the reality that making sustained progress on risk sharing in an equitable fashion, consistent with the principles of the framework, requires all stakeholders to share the responsibility for risk consequences as well as the burden of risk prevention. This means working toward improving risk sharing around reactive measures and not just prevention. The framework highlighted the principle that organizations should consider the impact their risk management approaches pose for other organizations in their delivery chain, and on their ability to deliver on the goals those organizations have in common. If the absence of reactive measures around risk sharing is contributing to this, it should be addressed.
5. **Successful risk sharing requires proper planning and a sense of perspective.** Progress on risk sharing will not happen by itself and will not happen overnight. Organizations must determine internally what they want to achieve, what the timeline for such a pilot might be, and how long it will realistically take to realize the benefits. Management buy-in is a significant benefit in this. Careful consideration of what delivery chains are appropriate to pursue is important; bringing in all the critical stakeholders is essential. Organizations must discuss and agree to a plan and an approach with other organizations in the delivery chain, being mindful of the need to find a common language. Agreeing to ground rules in advance and assigning time to deliver not just on the plan but the review of its success is vital.
6. **Simulations can help build buy-in for risk sharing and model potential solutions.** The simulation aimed to bridge the gap between an untested framework approach to risk sharing and its operationalization in real world contexts. According to participants, the tabletop exercise successfully modeled real world risk scenarios. Most participants viewed the risk sharing framework as a viable tool that they would recommend to their own or other organizations to implement. This points to the importance simulated learning opportunities hold in promoting uptake of the risk sharing framework and in modeling pathways to solutions for difficult risk sharing issues before moving to higher-pressure real-world discussions.

The framework's foundational principles were shown to be sound in this simulation, answering questions and guiding discussions throughout the exercise. Collaborating organizations should now use these principles and make them work for them. Organizations have been shown a pathway to adapt and streamline the framework to their context as they need. Facilitators have been shown where the weight of planning should be, have an idea of the time it may take to work through a risk sharing process, and are aware of the potential pitfalls they may encounter so they can plan to manage them effectively. The time for talking about pilots is now past—implementation lies ahead.

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Introduction

In most humanitarian contexts, delivery of assistance is an inherently risky business. Actors have increasingly relied on risk management approaches borrowed from the commercial sector to transfer, avoid, reduce, accept, and, at times, share these risks to enable them to continue assisting affected people. These risk management approaches were designed for independent organizations competing with one another in the pursuit of a common profit-making objective. They do not reflect the deeply collaborative and inter-dependent nature of humanitarian action, where actors perform various functions[2] in delivery chains of assistance in pursuit of the shared objective of supporting affected people. There is growing recognition of the limits presented within traditional risk management models and how existing approaches may undermine humanitarian objectives and the ability to reach people in need. Out of this recognition, a common understanding of risk sharing emerged:

> *"A reasonable sharing of the burden of preventative measures and reasonable sharing of responsibility for materializing risks."*

The Risk Sharing Framework

The concept of risk sharing for humanitarian action accelerated under the auspices of the Grand Bargain's Risk Sharing Platform—where a diverse membership of government donors, U.N. agencies, Red Cross entities, and NGOs came together under the co-leadership of ICRC, InterAction, and the Netherlands—contributing to the Risk Sharing in Practice report. The report showed what was working and "where the membership wanted to go" in terms of risk sharing, but it didn't answer the question of "how do we get there?" This was the question that the platform's work on the Risk Sharing Framework sought to answer: how can collaborating organizations successfully work together on risk sharing in pursuit of their common goal to support people affected by crisis? As a result, the Risk Sharing Framework is oriented around a common goal, to:

> *"...better serve affected people, by improving management of risk within delivery chains through a principled approach to sharing the burden of preventative measures and responsibility for materializing risks."*

The Risk Sharing Framework seeks to achieve this through the stated objectives of (1) enabling the holistic identification and understanding of risk and risk sharing in the delivery chain, (2) identifying risk sharing opportunities that can be exploited to maximize the collective potential reach of partnering organizations, and (3) ensuring that actors operationalize these opportunities. The framework is based on eight foundational principles which, together with 26 suggested guideline questions, allow a high degree of flexibility in how it can be applied in different contexts. The framework principles are as follows:

- Actors use a **collaborative approach** to pursue mutually acceptable risk sharing solutions that best facilitate delivery of assistance.
- Actors strive for a confidential and **non-punitive process of dialogue** to enable collaboration.

[2] These functions include organizations, typically governmental donors or multilaterals, operating as "Back Donors," where a wider variety of often U.N. agencies and large INGOs receive back donor funds which they then distribute onward to other organizations as "Intermediary Donors" and finally "Direct Implementers." These intermediary donors and direct implementers commonly include all frontline responders, as well as some larger organizations who may have dual functions in different situations.

- Actors identify, **focus on**, and seek mitigation for those **key risks** which significantly inhibit the ability of them and other actors in a delivery chain to achieve their shared goal of assisting affected people.
- Actors **collectively consider the totality of key risks in the delivery chain**, not just the key risks to their own organization.
- Actors consider and define their risk appetites and **evaluate how their compliance- and controls-based frameworks**, which should support their risk appetite, affect their ability to achieve humanitarian objectives, including whether they **create obstacles** to doing so.
- Actors continuously **consider risks generated by inaction**.
- Actors deploy best practices and/or innovative **preventive measures** that reduce likelihood of risks occurring and deploy reactive measures to address impact of residual risks that may still materialize.
- Actors **clarify, codify, and resource risk sharing measures** to the greatest extent possible within contracts, budgets, external risk sharing policies, and internal guidelines.

The Risk Sharing Framework and Grand Bargain 3.0

In June 2023, the signatories to the Grand Bargain met in Geneva to discuss and agree on the future scope and timeline for the Grand Bargain. The plan endorsed by the signatories aims to pursue better humanitarian outcomes for affected populations through enhanced efficiency and effectiveness, greater accountability, and strengthened partnerships through a focus on two areas: (1) continued support for localization, participation of affected communities, and quality funding and (2) catalyzing sector wide transformation through the Grand Bargain. Within these focus areas were identified two cross cutting issues for consideration during delivery, one around gender and another around risk sharing, which stated: Building on the evidence generated and the good practices identified, Signatories [will] use the Risk Sharing Framework to integrate new approaches to share risks with their partners, paying attention to the risks identified by local and national actors. Signatories are expected to check in on progress on an annual basis and report back in June 2026.

Why a Simulation of the Risk Sharing Framework

In June 2023, several agencies committed to piloting risk sharing as part of their grand bargain commitments. The Framework was conceived as a support to operationalizing this type of risk sharing. However, risk sharing is a relatively new concept and some organizations expressed hesitation on how the framework could be used in practice. Against this backdrop, InterAction committed to developing and leading a tabletop exercise to simulate how the risk sharing framework might be applied in real world situations. The goal of this simulation was to:

> *"Contribute to advances in uptake of Risk Sharing by humanitarian donors, U.N. agencies, Red Cross entities, NGOs, and other local actors."*

The simulation sought to contribute to this goal through several objectives, including to (1) fill a gap between the Frameworks' inception and its operationalization in complex humanitarian settings, (2) simulate common scenarios within the humanitarian delivery chain that demonstrate the usefulness and need for the Risk Sharing Framework, (3) contribute to organizational and expert learning on risk sharing, and (4) identify good practice. InterAction planned to capture this learning in an outcome document that could help inform the efforts of the broader community, which is the basis for this report.

Simulation Design

To achieve the objectives of the simulation, InterAction considered several factors while designing the workshop, based around the following key issues:

1. To make the simulation relevant required a context. A real-world context risked overlooking key risks and limiting discussion, so instead a composite context was developed that all participants could read their experience into.
2. Relevance for participants required consideration of the delivery chain for simulation. There are limitless permutations of delivery chains, so the requirement was to choose an example that most participants could relate to, which in this case was a pooled fund scenario.
3. Relevance for participating organizations required consideration of common function. In reality, many actors perform multiple functions (e.g. an organization can be both an intermediary donor and a direct implementer) so the design considered participating organizations' dominant function.
4. Risk categories to include in the simulation required consideration. Time is limited and some risk categories require more effort to manage than others. Key risk categories were prioritized for attention.
5. Productive simulations require space for frank and unattributable discussion. A decision was made to use fictional organizational profiles with risk appetites similar to real world organizations, to enable open discussion.
6. Simulations should benefit from participants' real-world knowledge and experience. Participants were assigned fictional legends closely aligned to their real-world profiles, but asked to act and engage with the exercise in their real-world job roles
7. Operationalizing the framework should be about outcomes not just process. The simulation was designed in two-parts – to both model the framework process, and also to test it in 'live' risk events as they might materialize in a response setting.

These considerations and the follow-on adaptations informed the final simulation and workshop design.

Conducting the Simulation

With the above design considerations in mind, the simulation was set in the fictional Republic of Carana, a well-known composite country context. The premise for the simulation was a humanitarian emergency in Carana that required the scaling up of an existing Rapid Response Mechanism (RRM) by the managing agent of a pooled fund—essentially a delivery chain consisting of fictional back donors to the pooled fund, a fictional U.N. entity working as the intermediary donor fund manager, and a number of fictional NGO direct implementing recipients. Over two days, with the help of embedded facilitators playing characters within the context, participants were guided through simulated scenarios played in character, helping them to develop a risk sharing action plan using the framework. After completing the action plan, facilitators guided participants through three "live risk" scenarios of increasing complexity. Facilitators used multiple injects intended to simulate the dynamic and evolving risk landscape common to high-risk settings. Participants reviewed planned risk sharing solutions, reacted to materializing threats and vulnerabilities, and evaluated risk sharing action plans and shortcomings.

Capturing Feedback and Lessons Learned

Working entirely in character during the simulation would come with a risk that key information or feedback might be lost due to a lack of opportunity for participants or facilitators to solicit or share it. To mitigate this risk, during the introduction sessions prior to the start of the simulation, participants were provided with the opportunity to outline their expectations and desires for the simulation. Within the ground rules for the simulation, participants were provided with instructions on how to pause the simulation and come out of character to ask significant questions or provide pertinent feedback. In addition, a short debrief was held at the end of day one of the training and a longer interactive debrief at the end of the simulation on day two.

The simulation was predicated on the idea that participants would develop in real time their risk sharing action plan, using the principles and guideline questions in the framework to build up to that agreement in a comprehensive way. The first key piece of feedback for lessons learned was therefore anticipated to be a completed Risk Sharing Framework documentation template, which forms the annex to this report. This annex effectively captures the key decisions that came out of the discussions held within each scenario up to the point where the action plan was made.

In addition to capturing the decisions leading up to the creation of the risk sharing action plan, it was also necessary to consider how to capture why and how these decisions were reached, to help understand what the pain points and opportunities could be for such processes being conducted in future. To support this, supporting facilitators sat as observers in the different break out groups and plenary sessions, capturing key talking points, concerns, and contentions, which were summarized into an internal notes document after the simulation. This document provides the feedback on which this report is largely based.

Findings Related to Conducting of Framework Processes

This simulation was intended to bridge the gap between an untested framework approach to risk sharing and its operationalization in real life. To do this, the simulation needed to test the approach in as close to "real world" conditions as possible. This presented several foreseen and unforeseen challenges, which are important to note in this report, as some are relevant to the conduct of real-world pilots in the future. Some of the key findings in this regard were as follows.

Affected People and Their Needs Must Be Central to the Framework Process

The goal of the Grand Bargain remains to "achieve better humanitarian outcomes for affected populations through enhanced efficiency, effectiveness, greater accountability and strengthened partnerships," envisioned in part through greater participation of affected communities. The risk sharing framework echoes this commitment by "seeking to better serve affected people, by improving management of risk within delivery chains." During the simulation, there was significant and valid discussion about what participation might mean in the context of operationalizing risk sharing. The key consideration in this area is perhaps a need to reflect on why the 'delivery chain' was conceived as consisting of arrays of back donors, intermediary donors and direct implementers and was not expected to consider affected populations.

The reasoning in this area is not perhaps as well articulated within the framework as it could be, however the key factor to consider is that the risk sharing framework is not conceived as a replacement for other processes, but rather a compliment to them, a set of principles that can be woven into other processes and approaches. With this in mind, the question to be asked might be, how did participating organizations engage equitably with the affected populations they are seeking to assist to understand their needs and preferred modes of receiving assistance? If that participation is happening, then the risk identification in the framework is really only seeking to identify potential obstacles to meeting those needs and desires that might be unblocked through better risk sharing. Likewise, proper Do No Harm assessments of proposed actions which are outside of the scope of the framework but should be integrated within organizations decision making, are there precisely to prevent unintended consequences through circling back to original objectives to sense check proposed actions. With these facts in mind, while it may not be necessary to adjust the approach to the framework itself, it is necessary for facilitators of the framework process to ensure that organizations properly consider its place and sequencing within other organizational processes.

Organizations Should Be Realistic About What the Time Commitment Is

Reaching agreement on a risk sharing action plan requires information gathering, analysis, inter-agency discussion, organizational reflection and in the closing stages, detailed negotiation. Real world processes are shown to be conducted over weeks, months and in some cases years, rather than hours or days as during this simulation. Organizations seeking to pilot need to consider the complexity of the delivery chain they are piloting in, what the implications may be regarding pilot timelines and when impacts can be realized.

Organizations Should Use the Framework Principles to Streamline Their Dialogue

Once a delivery chain is identified for risk sharing, organizations should carefully consider how those organizations involved can usefully streamline the process. The simulation demonstrated that starting from scratch could feasibly require long periods of preparation by individual organizations. Facilitators of the simulation reflected that future simulations could have developed and provided a full identification of risks (stage 2 of the framework) and potentially of existing mitigation measures (stage 3 of the framework) in advance as a starting point of the simulation, to allow more time for the other scenarios of the event thereafter. Similarly in real life, engagement between organizations at the front end may identify existing risk analyses that can be used, agreements to synthesize data in smaller working groups and other steps that can improve the economy and efficiency of the process. Processes should be as light as possible and as heavy as necessary; the principles of the framework exist to help in this, but it still requires actors to engage thoughtfully to achieve.

Organizations Must Consider Differences in Risk Vocabularies and Capacities to Engage

Earlier research by the risk sharing platform[3] stressed the importance of considering respective risk vocabularies and organizations' capacities when initiating risk sharing processes. Participants in the simulation identified this as a challenge, raising the possibility of misdiagnosing or considering only certain risks as a result. The need to ensure local partners could engage equitably was also raised as a concern by all functional groups of actors. This is, however, an important consideration for organizations embarking on risk sharing in real world scenarios, where working out how to do so concretely is often a challenge. Nonetheless, it is crucial to see all risks in the delivery chain "to ensure that the key risks identified by those in the least equitable positions will be adequately considered and reflected, meaning local responders will be heard, with their capacity built to enable them to engage directly, should it be required"—a need reflected clearly in the third framework principle.

Organizations Should Allow Time for Consolidation of Steps in Framework Processes

The simulation underlined a point that is already well understood by most practitioners: consolidating and digesting complex informational inputs is not always simple or fast. With the tabletop exercise's compressed timeframe, facilitators acknowledged that inputs gathered in different framework stages from the three different functional groups and vertically integrated groups (i.e. mixed groups of the three functions) were challenging to synthesize in close-to-real time before moving on to the following stages of the exercise. This will be an important consideration when embarking on pilots—organizations will need to sequence the various stages of the framework with sufficient time to consolidate inputs, create space for internal reflection among participating organizations, and enable productive, concrete, and targeted discussion collectively when the time comes.

Organizations Should Be Sensitive to Likely Points of Tension

During the creation of the framework by the risk sharing platform, a significant amount of time was spent unpacking concerns of the different stakeholders, as well as common concerns of specific constituencies within those functional groups (for example, smaller and national actors among the direct implementing function). These discussions were the basis for the creation of the eight foundational principles of the risk sharing framework described in the introduction. Despite assigning fictional profiles for all participants, these tensions began to emerge early in the simulation. When broken into functional groups, direct implementers expressed concern about "opening up" regarding risks and challenges faced by their fictional organizations and questioned what the impact might be to their reputation and future funding. Back donors expressed concern about being expected to commit to actions or liabilities they could not deliver on or absorb. Intermediary donors showed anxiety and

[3] *Risk Sharing in Practice: Enablers and Obstacles to Risk Sharing*, ICRC and the Netherlands, 2022

indecision on how to balance both concerns. This experience points toward the need for facilitators of processes to ensure they depart from the first principle of the framework, to "use a collaborative approach to pursue mutually acceptable risk sharing solutions that best facilitate delivery of assistance," and continuously reflect on the second principle needed to help achieve this, "to strive for a confidential and non-punitive process of dialogue that enables collaboration."

Organizations Should Be Aware of Tricky Steps Identified in Framework Stages

The risk sharing framework is intentionally flexible so it can be applied in different contexts, delivery chains (i.e. partnerships), and levels (operational or strategic). As a result, the guideline questions provided to operationalize the framework were created on the basis that nothing would be available to build on (e.g., previous risk analyses, etc.) and organizations participating in a risk sharing process may feel it necessary to undertake a fully comprehensive approach. This decision in design was shown to result in some complexity in how participants in the simulation understood the purpose and interaction of guiding questions in Stage 3 (risk response strategy assessment) and Stage 4 (identification of risk sharing opportunities) of the framework. This resulted in some confusion on how to complete the framework's documentation template.[4] To avoid such dilemmas in the future, users should:

1. Maintain a focus on the framework principles and zero-in what is needed for each organization in their specific context. It may be redundant to unpack all current mitigations and gaps (i.e. Framework Stages 3 and 4). If it is a shared and inclusive decision, and all risks in the delivery chain are acknowledged, organizations may agree to shortcut these stages in the framework and immediately begin work on specific risks and their mitigations. The principles exist to support this; organizations must consider how to apply them.
2. In the future, there may be value in updating the guidance questions and instructions to reflect this reality and learning to better support organizations piloting the framework.

Organizations Must Push to Consider Reactive and Preventive Measures

The risk sharing framework's seventh principle encourages actors to "deploy best practice and innovative preventive measures that reduce the likelihood of risks occurring, and reactive measures to address the impact of residual risks that may still occur." Despite this key principle, simulation participants still naturally slipped into discussion on preventive action at the expense of unpacking what might feasibly be possible, and needed, in planned and agreed reactive measures. The second half of the simulation underscored this crucial error, given that few if any risks can be reduced to zero probability. At some point risks will materialize and risk sharing is as much about seeing a sharing of the responsibility for occurring risks as sharing the burden of those preventive measures—real change requires real conversation in this area. Those leading risk sharing pilots will need to constantly ensure that reactive measures—the hard work of containing the spread or second-order impacts of risk events when they do inevitably occur—do not fall off the agenda.

Organizations Must Work Out How to Come Back to Risks That Get Sidelined

Due to practical time constraints, the "risks" woven into the composite context were limited to those participants had a particular interest in and that past research showed were highly relevant. In the simulation, this led to a focus on security, fiduciary, and reputational risks, and the deprioritizing of several other risk categories. In the participant discussions, a feasibility exercise saw multiple proposed

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[4] The template completed during the simulation represents Annex 1 of this report, which can further demonstrate this point.

risk sharing solutions deemed too long-term to deliver on and realize an impact from within the timeframe of the scenario. This presents a practical consideration for real-life piloting. Regardless of the simplicity of the delivery chain or ambition and optimism of those organizations involved, inevitably some risks and measures will be deprioritized or discarded. This does not mean they are irrelevant. Facilitators must track unselected risks and measures as they can be an important reference point for organizations on how risk sharing solutions were planned, especially when risks begin to materialize in an operational setting.

Organizations Will Benefit from Capturing, Consolidating, and Considering Feedback

The simulation showed that even the simplest of framework processes generates a wealth of feedback with significant levels of nuance, due to all the differences in perception from organizations performing specified functions and collaborating around shared goals. As identified in previous research, the simulation revealed how functional groups prioritized different risks when working apart, but showed a positive appreciation for risks identified by each other when they discussed their views together. Adequately capturing and articulating key points and decisions is central for those not in the room. Facilitators must consider how to do this effectively when applying the framework.

Overall Conclusions on How to Facilitate Real Framework Processes in Practice

After the simulation was completed, there was enthusiasm among participants for the framework and its potential, but questions remained on how to apply the framework approach in their own organizations. Several key points of feedback and learning will be important to consider when embarking on pilots.

Don't Stay Small, But Perhaps Start Small

Both participants and facilitators reflected that the delivery chain for the simulation (i.e. pooled fund) was one of the more difficult elements to simulate. Several participants agreed that pilots, at least initially, might begin with a small section of the delivery chain comprised of fewer stakeholders. This application might prove easier for initial testing, promote organizational understanding, and potentially realize more immediate impacts for program goals.

Plan for Success

It may seem obvious, but the simulation demonstrated that risk sharing is a complex problem to solve. Solutions can be achieved, but it requires careful planning to include critical stakeholders, establish ground rules for a productive dialogue, find the right vocabulary to communicate, and find time for stakeholders to complete individual preparatory work before coming together. An essential component of this planning should include methods on how best to consolidate and capture agreements, and the mechanism for stakeholders to return to those agreements later (i.e. throughout various stages of a program cycle or other key milestones depending on the level of application).

Start Risk Sharing Dialogues and Processes Internally

Humanitarian actors are in many cases large and multi-faceted organizations. Participants worried as much about how to align understanding and ambition within their own organizations as with other partners in their delivery chain. This is a valid concern and a good starting point for facilitating organizations, as previous research has shown strong internal culture and buy-in from senior management correlates with positive risk sharing outcomes. Organizations should make the time and effort to align themselves internally to better engage with risk sharing processes. The framework principles can support this familiarization for organizations in isolation as much as they can help operationalize the framework itself.

Recognize Likely Pressure Points in Proposed Dialogue and Plan Accordingly

Fictional organizations in the simulation displayed many of the same concerns that real life organizations working in similar functions often fixate on—direct implementers focused on overhead as the solution to all problems and back donors recoiled at the thought of sharing risk consequences equating purely with financial losses. The framework principles require a jumping off point of appreciating different perspectives on risks, but also a commitment to keeping an open mind about what solutions might be possible—and they may not be the ones that immediately come to mind. Those involved in and facilitating risk sharing dialogues need to keep these principles front-and-center, but also identify and plan ways to address such pressure points early so they do not derail the process.

Highlight Priority and Feasibility of Risk Sharing Measures to Help Bring Stakeholders Closer Together During Action Planning Discussions

Stage five of the Risk Sharing Framework—Action Planning—is the unavoidable moment where organizations collaborating in a risk sharing process have to start discussing and agreeing on what they as individual stakeholders are willing to actually do, not what the problem is or how it could be fixed. There is often a gap between what may be possible and what might be preferable for individual organizations, so facilitators should prepare for how to keep discussions collaborative and aspirational and reduce the gap between what can be achieved and committed to. The simulation used a dual prioritization and feasibility exercise. First, individual organizations ranked the proposed risk sharing solutions in order of priority. As a result, some solutions fell out of scope. Second, each functional groupings collectively ranked the remaining proposed solutions on a feasibility scale. Another round of solutions was descoped from the discussion based on mutually agreed challenges with feasibly implementing those measures. This dual exercise allowed for a collaborative focusing of the discussion on a handful of possible key risk sharing mitigation measures that were eventually agreed as the basis for the risk sharing action plan.

Findings in Relation to Achieving Outcomes Via Framework Processes

While one objective of conducting the simulation was to bridge the gap between the framework's inception and its operationalization, another was to contribute to organizational self-reflection and identification of best practices for risk sharing, including the necessary contrast with worst practices or pitfalls. In this respect, it is useful to consider how the framework process led to particular risk sharing outcomes—both positive and negative—in the risk incidents that were simulated in scenarios for participants and draw conclusions as to why these occurred.

Strategic Vs Tactical Risk Sharing Opportunities Exist in Different Delivery Chains

The first and one of the most significant findings from simulating the framework was the type of risk sharing opportunities that may be excluded from consideration from the outset. The simulated scenario included an upcoming funding call in a pooled fund delivery chain, so it was reasonable to assume that in such a context, risk sharing actions would have to be achievable in a 6-to-12-month timeframe. As potential risk sharing response strategies were included in the action plan, a significant number were descoped during the prioritization exercise on the basis that they were not realistically deliverable within the timeframe of the funding call. By contrast, the remaining mitigation measures that were discussed for feasibility were more achievable in the immediate term and to some extent more circumscribed. Participants naturally started to make a distinction between more long term "strategic" and shorter term "tactical" measures. This distinction highlighted that not all risk sharing mitigations were possible to achieve solely within this delivery chain context, leading participants to question whether what was needed was a twin-track approach, with organizations tackling different risks and pursuing different risk sharing response strategies in different notional delivery chains. Participants also acknowledged that some of these solutions were better placed with and overseen by headquarters colleagues or implemented at a global level, rather than at a response level. This is an important learning for those considering pilots and the level of application of pilots. Some solutions may be viable if piloting at a program level in a given response setting, while others may be more tenable if exploring pilots at a global level around common framework or longer-term partnership agreements that extend beyond a single crisis response.

Resolving Key Risks to Humanitarian Action Will Require Strategic Risk Sharing Solutions

The simulation highlighted how risk sharing interventions may be pursued in different tactical and strategic configurations. It was acknowledged that some risks and associated risk sharing measures were very important, but at the same time impossible to deliver in the short-to-medium term. The problem for participants was that while this was a reasonable conclusion, it was demonstrated that certain risks—particularly those around all functional partners in the delivery chain—were simply not being adequately mitigated due to the erosion of humanitarian space.[5] The measures required had been

[5] The term "erosion of humanitarian space" in this sense is used to describe several common issues of interference in humanitarian action raised by participants—in particular pressure on procurement processes by state and/or non-state officials for the purposes of personal gain and attempts to influence beneficiary targeting for purposes of personal gain, patronage, or political benefit—that have the effect of degrading trust in the impartiality of humanitarian action and the impact of various forms of increased risk for actors (e.g. reputational risk, etc.).

identified, but they were all descoped due to not being achievable in the scenario's delivery timeframe.[6] The inference here is that if organizations want to manage all the common risks that they experience in their immediate delivery chains, they cannot expect to resolve this solely in a grant-by-grant process of risk sharing. A longer horizon and different levels of stakeholder engagement will be needed as well.

Reactive Risk Sharing Measures May Require Attention in More Strategic Delivery Chains

A third finding in relation to strategic versus tactical risk sharing solutions was the near absence of reactive risk sharing strategies that made it into the final risk sharing action plan. Participants agreed that most of the final risk sharing solutions were preventive in nature. As a result, participants and their fictional organizations struggled to contend with risks as they materialized, since the preplanned solutions did not adequately cover how to react to or manage risks when they occurred or where collective action was needed. This was likely in part just a reflexive response from participants generally viewing preventive measures as less sensitive or difficult to achieve. This does, however, pose a problem. Preventive measures rarely reduce the probability of a risk occurring to zero. Risk incidents happen and they have consequences. Inaction in this area—a choice—almost always leaves the most severe consequences accruing to the direct implementer, who is often a smaller and/or local responder with the least capacity to absorb that consequence. If risk sharing is truly to be a "sharing of the burden of the costs of prevention and also the sharing of responsibility for materializing consequences," there is a clear need for strategic—level delivery chain configurations that can improve reactive risk sharing. These efforts should be linked to and run alongside the more tactical risk sharing associated with grant cycles.

Reputational Risk Is a Central Concern of All Actors, But Is Still Not Well Articulated

The simulation created a context where reputational risk impacts could easily be foreseen. The Republic of Carana was described as ranking low in the Corruption Perceptions Index, with pressure on humanitarian actors in the areas of procurement and beneficiary targeting. While participants cited reputational impacts in various discussion groups during the framework process stages, these risks did not carry over extensively into discussion and elaboration of potential mitigation measures or risk sharing solutions incorporated into the final agreed action plan. As the simulation evolved, incidents unfolded where reputational risk impacts emerged. It was clear that this was an area where more needed to be done.

Reputational impacts are understandably some of the more challenging dilemmas in risk management as these risks emerge as second-order effects of other risks. As a result, contending with reputational risk must focus on reactive measures, an area that remains under-developed as noted above. Some of

[6] Interestingly, much of the discussion on how to better share and mitigate risks associated with erosion of humanitarian space and principles revolved around how to pause, redirect, and otherwise slow down delivery of assistance in pursuit of more stable long-term dynamics. In discussions about partnerships, direct implementers presented anxiety that raising concerns about access may impact their future funding outlook with a particular back donor, but back donors also expressed worries that partners may be unprincipled in their access approach due to competition or concern over funding. The crux of this issue is financial; maintaining humanitarian space and principles in the long-term requires collaboration in partnership and needs to be decoupled from competition for funding to a certain extent. This might mean facing reduced delivery and increased costs in a single grant cycle to maintain that space and principles, as opposed to seeing funding simply move immediately to other partners who do have "access" and not at least questioning why that is the case.

the conversation on reactive measures focused on expectation-setting and transparency. It was notable that the only reactive measure agreed to in the risk sharing action plan was to improve the predictability of outcomes for fiduciary risk consequences.[7] However, this could run for almost any other type of risk event—if partners can't assess what the consequences of a particular risk event materializing will be, they will likely take the most conservative approach in managing it, which may have negative implications for response and program quality. Predictability does not point to a weak approach by a donor, but by contrast unpredictability will often lead to a more conservative mitigation by a partner.

Predictability is not the only thing that needs to be improved to better manage reputational risk. Discussions on the erosion of humanitarian space and principles noted that there was a tendency to go into a "defensive crouch" when it came to negative press and public reactions, but far less tendency to use communications and advocacy to help maintain this space across the broader delivery chain, which would have more of a preventive impact on reputational risk. Ideas such as pre-planned talking points and positions for when certain risks in certain circumstances might materialize, including what information such as identity of organizations might be disclosed, were also discussed as ways to make consequences more predictable. This includes how to manage reputational risk, for example, in cases where organizations were under investigation but allegations had not yet been investigated or substantiated, or where misconduct such as fraud had been substantiated but all agreed measures had been in place and necessary corrective/disciplinary action had been taken by the organization in question. This is separate from issues such as payment of losses but is another significant part of risk consequences that a partner may be dealing with.

Overall Conclusions on Achieving Risk Sharing Outcomes Through Framework Processes

As participants reflected on the relevance and durability of their risk sharing action plan after each simulated risk incident, the above outcomes started to crystalize important takeaways on how they thought risk sharing outcomes could best be maximized over time, including the following.

Maintaining a Strategic Outlook Alongside a Tactical Approach to Risk Sharing is Vital

As already mentioned, starting small with piloting risk sharing approaches is an understandable approach. This naturally skews toward tactical, short-term interventions which will realize moderate risk sharing gains. The key problem with this is that several of the most significant risks that commonly materialize in real-world scenarios appear unlikely to see successful risk sharing solutions achieved purely through engagement at the tactical level—for example, the seeming inability to share the responsibility for risk consequences around fiduciary risks between donors and direct implementers when no-fault incidents occur. Risks will therefore continue to materialize in similar forms, time after time in different humanitarian contexts. If the risk consequences of these incidents are considered individually, they may just be seen as the "cost of doing business." Considered in aggregate, they are a

[7] The measure essentially revolved around how donors and direct implementers could agree on how to react in cases where financial misconduct had been substantiated, but where the partner had followed all agreed measures to try to prevent the risk materializing and taken all necessary corrective/disciplinary action thereafter. The financial consequences in terms of loss repayment may still apply, but other consequences—such as on eligibility, future funding possibilities, or relationships with other donors—are equally or more important and where there is generally more room for maneuver to adjust approaches in pursuit of predictable risk consequence outcomes.

drag on the effectiveness of every response due to financial costs and uncertainty around the predictability of reputational risk consequences for direct implementers. This can lead to more conservative compliance approaches than are necessary, which can be a bad outcome for the affected people that organizations seek to assist.[8] Therefore, it is vital that even on a small scale, organizations tackle these risks at the strategic and longer-term level. Failure to do so will to a large extent lock organizations into their existing compliance-based approaches, which in many cases are shown to hinder responses. Tackling these problems at a strategic and advocacy-based level can help reverse this trend to take a principle-based approach to risk management that manages the risks adequately, in pursuit of the organizations' overall goal of assisting the population of concern.

Failure to Pursue Reactive Risk Sharing Measures Imperils Multiple Interlocking Objectives

In almost every delivery chain, there is a shared objective to support affected people, a reliance on back donors and intermediary donors to provide financial inputs, and a reliance on direct implementers to deliver interventions. This simulation reiterated the reality that, in many cases, risks are transferred downstream, risk consequences often accrue with the next in line, and the impacts are often felt most by those least equipped to absorb them, such as smaller and national frontline direct implementers. The humanitarian community seeks to put these organizations at the center of its responses as equitable partners. Failure to act on reactive measures—with inaction recognized as a choice for all actors—puts these objectives and the broader goal of support to populations of concern at risk.

[8] For example, as already referenced, participants raised an issue regarding the lack of predictability around how direct implementers would be treated where a case of corruption was detected and reported in good faith and where all agreed preventive measures were in place and implemented. Participants reflected that more often than not, there would be no financial sharing of the risk consequences between donors and direct implementers and reputational risk sharing in this area was also considered unpredictable. The aggregate consequence is certainly a significant financial cost to direct implementing organisations and potential reputational risks that are difficult to manage – which may also lead to more conservative compliance approaches than the actual risk should require. A poor outcome of risk management for affected people.

Key Takeaways

Simulations Can Help Build Buy-In for Risk Sharing

In the post-simulation survey conducted by InterAction, 100% of participants expressed being satisfied with the event, 75% of whom indicated they were "very" or ″extremely" satisfied. Seventy-five percent of participants indicated they were "likely" or "very likely" to recommend implementation of the framework to their own or other organizations. Certain participants immediately translated this desire into concrete suggestions for follow-up events. The shape and duration of events may differ depending on audience, but the benefits are clear and demand is strong.

Simulations Can Mimic Real-World Risk Scenarios and Help Model Possible Solutions

The survey also showed that 100% of participants classified the simulation as "good" or "very good" at effectively reflecting risk scenarios that exist in real-world humanitarian contexts. If we can mimic the scenarios, we can model the possible responses. This may prove to be a useful way to workshop risk sharing solutions to particularly difficult or intractable issues, especially where longer-term, strategic engagement may be needed.

Successful Framework Facilitation Requires Maintaining Sight of The Principles

It was pertinent that in almost every discussion during the simulation where a concern, anxiety, or obstacle was raised, a response involving one or more of the eight foundational principles of the framework could be posed as a guide to how to proceed to help overcome it. Facilitators of framework processes—or indeed any risk sharing dialogue—will benefit significantly from spending time reflecting and sharing the principles with their participants and their underlying meaning.

Framework Processes Must Not Lose Sight of The Affected People They Seek to Support

The Grand Bargain envisages achieving its goals though a participation revolution. The framework echoes this commitment by "seeking to better serve affected people, by improving management of risk within delivery chains." The framework is a compliment to other processes—not a replacement for them. Participating organizations must engage equitably with the affected populations they are seeking to assist to understand their needs and preferred modes of receiving assistance. The risk identification in the framework process seeks only to identify potential obstacles to meeting those needs and desires that might be unblocked through better risk. Organizations must not lose sight of this link to affected people and their original concerns, otherwise the result may be a successful process with an unsuccessful outcome.

Successful Framework Processes Require Proper Planning and a Sense of Perspective

Further progress on risk sharing will not happen by itself and will not happen overnight. Organizations need to think through internally what they want to achieve, what the timeline for such a pilot might be, and how long it will take to realistically realize the benefits pursued. Management buy-in is a significant benefit in this. Careful consideration of what delivery chains are appropriate to pursue is important; bringing in all the critical stakeholders is essential. Take the time to discuss and agree on a plan and an approach with other organizations in the delivery chain, being mindful of the need to find a common language. Agree on ground rules in advance and recognize and assign time to deliver not just on the plan, but the review of its success or otherwise.

System-Wide Risk Sharing Impact Will Require Strategic as Well as Tactical Risk Sharing

Pilots will naturally skew toward tactical-level and individual grants-based risk sharing framework processes, but the most significant and scalable impact lies with risk sharing that must be pursued at the strategic and longer-term level. These two cannot be de-coupled. Organizations must start early on working toward strategic level risk sharing outcomes, even on a small scale. Another three years without progress in this area would be an opportunity lost.

Reactive Risk Sharing Measures Must Be Part of the Solution

Making sustained progress on risk sharing in an equitable fashion consistent with the principles of the framework requires all stakeholders to share the responsibility for risk consequences as well as the burden of risk prevention. Within this is a principled position for organizations to consider the impact their risk management approaches pose for organizations in the delivery chain, and on their ability to deliver on the goals those organizations have in common—to support affected people. In some cases, this will simply be a case of thinking outside of the box to find achievable solutions. In other cases, it may require genuine compromise on existing positions.

Risk Sharing Framework Piloting and Looking Ahead

During the Grand Bargain meeting, several signatories committed to piloting the risk sharing framework. After the simulation, several participants indicated that they would take the approach back to their organizations and see what steps could be taken to make risk sharing a reality. Herein lies the key consideration: the framework itself is only a means to an end; what is important is the outcome for affected people. With this in mind, it is important not to become fixated with organizations utilizing the framework in exactly the same way but pursuing impact with the shared principles of the framework in mind and committing to sharing their progress with other stakeholders in the lead up to 2026. This is, however, some time away, and a number of participants at the simulation, as in the aftermath of the Grand Bargain meeting, raised the question of how and where a community of practice in this area may emerge and evolve, who might facilitate such a mechanism, and how it might be resourced. For the time being, this remains a topic that must be driven by like-minded agencies, utilizing existing structures and meetings, such as those held between risk focal points of different U.N. agencies, mainstreamed as a topic within broader risk management for a of NGOs, and so on.