

---

# *Summary of Roundtable Discussions on Compliance and Due Diligence in Philanthropy*



**Catalyst  
Now**  
For the world's  
social innovators

**techsoup**

**KujaLink**  
Meaningful connections

**WAC**  
**WARANDE ADVISORY  
CENTRE**  
PEOPLE . SYSTEMS . INSTITUTIONS

 **EPIC Africa**  
Enhancing philanthropic impact

# The Compliance Conundrum Collaborative

Promoting coherence of compliance and due diligence to increase financial investment to local actors.

Compliance poses a **significant barrier to localisation** efforts worldwide, **hindering effective engagement** with local communities. Despite existing research, the **sector lacks a comprehensive solution** to address this systemic challenge.

## Our Goals:



An ecosystem of actors working to address compliance challenges around the globe.



Increased knowledge of current funder due diligence requirements.



Significant increase in funders that accept and adopt streamlined compliance and due diligence systems and processes.



Shared stories of the impact delivered through “localisation”.



Support CSOs to leverage technology to simplify and meet compliance and due diligence requirements.



# Mapping Funder Due Diligence Requirements

## Finding Common Ground

Understanding funding requirements is key to identifying opportunities for streamlining and reducing barriers for CSOs.

- What requirements are consistently expected by most funders?
- Do requirements diverge? If so, how and to what extent?
- Is it feasible – or desirable – to develop a shared approach to due diligence?

**67 funders\***  
completed our survey based on TechSoup's STEP framework



\* Includes private foundations, international and national NGOs from the USA, Europe, Latin America, Africa, and India.

---

## Key Findings:

- **Strong Financial Foundations** – Funders expect a bank account, expense tracking, budgets, and financial statements to ensure transparency.
- **Robust Governance** – Key requirements include registration, governance documents, and leadership details.
- **Strategic & Sustainable** – Organizations must show long-term planning, annual reporting, and financial sustainability.
- **Context Matters** – 29% of decisions are flexible and context-specific.
- **Core Compliance First, More Flexibility on the Details?** Funders prioritize financial transparency and governance, while technical, operational, and safeguarding measures are less commonly required.



---

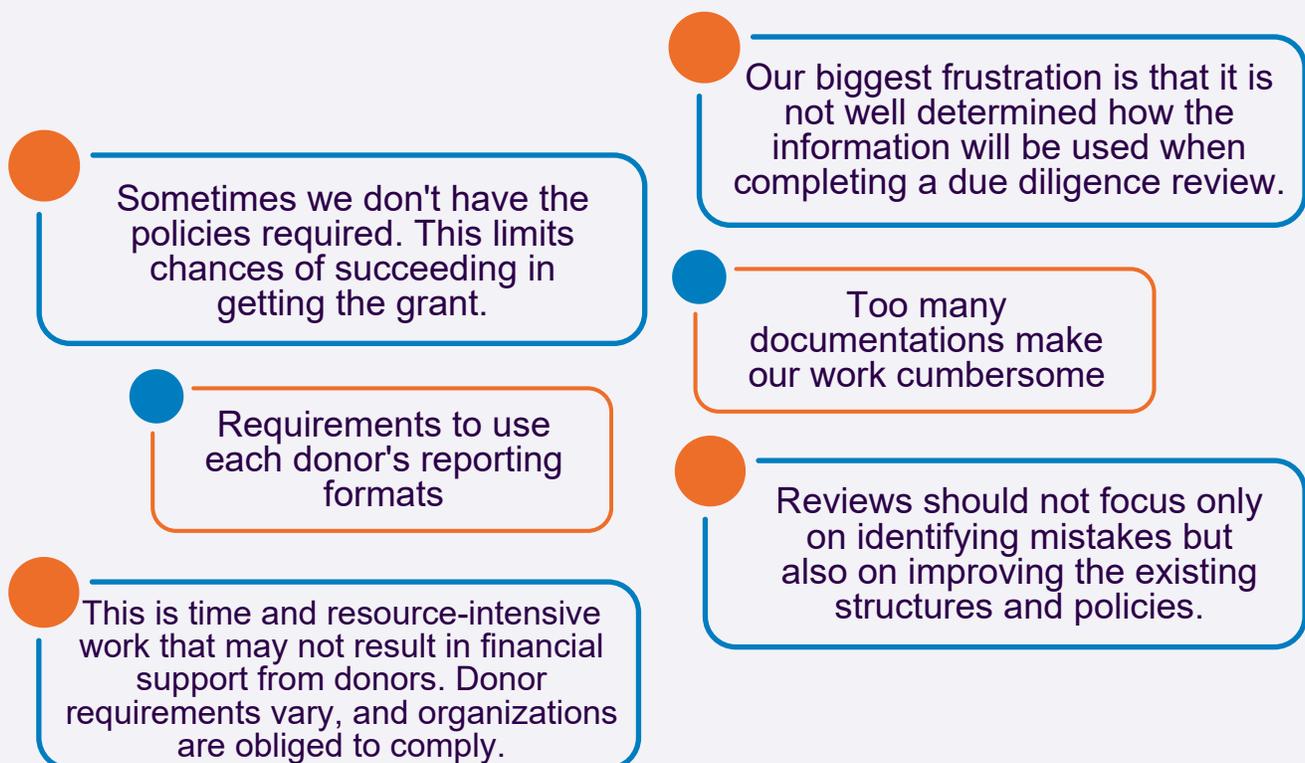
## Why This Matters To Civil Society Organisations

As infrastructure organisations situated in the Global Minority and Majority, the Compliance Conundrum Collaborative brings a **diversity of networks, expertise, and lived experience** to this work.

Our goal is to **prioritise the needs of CSOs** to ensure they are the first to benefit from solutions and services.

Here selection of opinions shared:

### “What is your biggest due diligence pain point?”



Want to talk? We love to! Please email: [cburrage@techsoup.org](mailto:cburrage@techsoup.org)

---

## Introduction

The Compliance Conundrum Collaboration (CCC), a joint initiative involving Catalyst Now, TechSoup, EPIC-Africa, ADESO/KujaLink, and Warande Advisory, aims to address these challenges by exploring ways to harmonize due diligence across multiple funders.

The roundtable sessions brought together funders, philanthropic organizations, and key stakeholders to discuss challenges, trends, and solutions related to compliance and due diligence in the philanthropic sector. These discussions aimed to foster collaboration, share best practices, and explore opportunities to simplify processes to build greater trust and better support locally led development.



---

## Key Issues Discussed

### Compliance and due diligence challenges

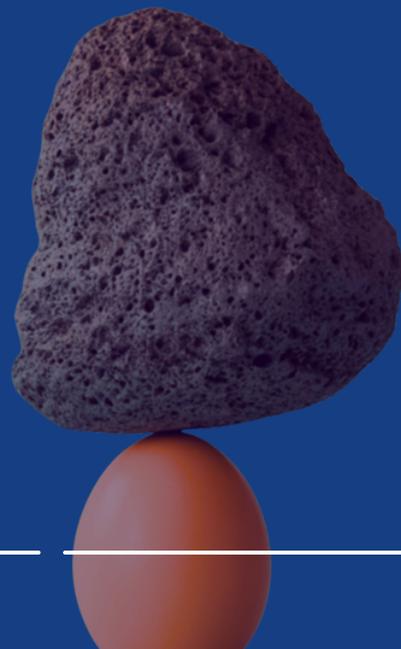
Participants highlighted the complexity and burden of compliance requirements, particularly for smaller, resource-constrained organizations. Key challenges identified included:

- 1. The diversity of donor expectations leads to inconsistencies in due diligence processes.** Different funders apply varied criteria based on their risk appetite, geographic focus, and regulatory obligations, making it difficult for grantees to navigate the landscape. Some donors prioritize financial audits, while others focus on governance structures, risk management policies, or organizational track records. These differences create inefficiencies, forcing grantees to undergo multiple assessments, often with redundant or conflicting requirements. Additionally, the lack of a standardized approach means that some organizations struggle to meet certain donor expectations while seamlessly complying with others. This fragmentation underscores the need for a more harmonized approach to due diligence across the sector.
- 2. Redundant or conflicting requirements across funders.** Many grantees face challenges due to the lack of alignment among funders' due diligence and compliance expectations, leading to unnecessary duplication of effort. Examples include:
  - **Different documentation standards across funders:** Some funders require **audited financial statements**, while others accept **unaudited reports** or simplified financial statements. Compliance checklists also vary, with some emphasizing **board governance**, while others focus on **risk assessments** or **data security measures**. As a result, organizations often need to **repackage the same information in different formats** when applying to multiple funders, increasing administrative burdens.
  - **Inconsistencies in Due Diligence Criteria:** Certain funders expect **full legal registration** in the grantee's home country, while others accept **unregistered entities** under fiscal sponsorship arrangements. Additionally, due diligence factors such as **anti-money laundering (AML) checks, banking verification, and conflict-of-interest policies**

- 
- differ across funders, requiring grantees to repeatedly adapt their policies to meet donor-specific requirements. Some funders require **multi-year financial histories**, whereas others assess only the **most recent year's financials**, further complicating compliance efforts.
  - **Conflicting Compliance Timelines and Reporting Requirements:** Some donors **require quarterly financial reporting**, while others expect **annual summaries**, forcing grantees to establish parallel reporting structures. Additionally, varying deadlines and submission formats—such as **real-time expense tracking** via online portals versus **manual reconciliation spreadsheets**—create inefficiencies and increase administrative overhead for grantees.
  - **Sector-Specific or Regional Compliance Challenges:** Different regional and sectoral funding requirements create further discrepancies. For example, funders operating in different jurisdictions impose **context-specific requirements** (e.g., India's **Foreign Contribution Regulation Act (FCRA)**, the EU's **General Data Protection Regulation (GDPR)**) that may conflict with a grantee's existing practices. Additionally, while some funders have **strict safeguarding and anti-exploitation policies**, others lack standardized frameworks, leading to inconsistent compliance expectations.
3. **The need for a more tailored and streamlined approach to meet compliance without overburdening grantees.** Many small and medium-sized organizations find it challenging to meet the extensive documentation requirements imposed by multiple funders. The lack of proportionate compliance measures can make it difficult for these organizations to access funding, as they are often held to the same standards as larger, well-established institutions. This one-size-fits-all approach creates barriers, excluding effective but less formally structured organizations from funding opportunities. To address this, funders should consider implementing **tiered compliance models** that scale requirements based on the grant size, organization's risk profile, or previous funding history. Additionally, introducing **flexible reporting mechanisms**—such as alternative financial verification methods for smaller organizations—could ease the compliance burden and allow more equitable access to funding.
4. **Potential solutions:** To address these inefficiencies and contradictions, several funders and grantees suggested:

- 
- Developing **harmonized compliance frameworks** among funders to standardize requirements and reduce redundant assessments.
  - Creating a **compliance “passporting” system**, where organizations submit due diligence documents once and reuse them for multiple funding applications.
  - Introducing **proportional risk assessment models**, where compliance requirements are adjusted based on an organization’s size, experience, and operational context.

5. **Balancing the need for thorough risk assessments with the desire to remain inclusive and equitable.** Some funders require extensive due diligence as a risk mitigation strategy, while others have moved towards more flexible approaches to accommodate smaller organizations. The challenge is ensuring that compliance does not become an exclusionary barrier for locally led organizations that may not have the financial and administrative structures that large international organizations do.



---

# Why Funders Require Extensive Due Diligence as a Risk Mitigation Strategy

## 1. Regulatory compliance

Funders working with government grants or international aid often need to comply with anti-money laundering (AML) laws, counter-terrorism financing regulations, and sanctions policies.

Organizations working across borders may need to meet the compliance standards set by entities such as the Financial Action Task Force (FATF) or regional banking authorities.

## 2. Financial oversight and fiduciary responsibility

Foundations and institutional donors have fiduciary responsibilities to ensure that funds are used appropriately and that grantee organizations have the necessary financial controls in place.

Some funders conduct deep financial audits, requiring multi-year financial statements, independent audits, and proof of internal financial policies before disbursing funds.

## 3. Preventing fraud and corruption

Some funders implement background checks, conflict-of-interest assessments, and vetting of key personnel to prevent fraudulent activities.

Organizations may need to submit banking details, proof of tax compliance, and governance policies to ensure transparency.

## 4. Safeguarding and risk of harm

For organizations working with vulnerable populations (e.g., child-focused NGOs, refugee support services), funders may require extensive safeguarding policies to ensure compliance with ethical standards.

This includes mandatory background checks, child protection policies, and third-party evaluations of program impact.

---

## 5. Reputation and public perception

Large philanthropic institutions are highly sensitive to reputational risks, leading them to impose strict due diligence requirements to avoid potential scandals.

Some funders require media and social impact assessments to ensure that grantee activities align with their organizational values.

## 6. Sector-specific due diligence requirements

Funders in sectors such as climate action, health, and human rights often have specialized risk assessments to evaluate environmental impact, compliance with health regulations, or adherence to human rights standards.

For example, funders in medical research require proof of compliance with ethical review boards and clinical trial regulations.

## 7. Grant size and organizational maturity

Larger grants tend to come with stricter compliance checks, particularly when disbursing multi-year or unrestricted funds.

Some funders use a tiered risk assessment approach, applying more rigorous due diligence to new or untested organizations while offering streamlined processes for established partners.

## 8. Potential solutions discussed in roundtables

- Proportional due diligence models: adjusting compliance requirements based on grant size, risk level, and grantee experience.
- Shared risk assessment frameworks: encouraging funders to collaborate on standardized due diligence measures.
- Capacity building for compliance: supporting smaller organizations in meeting due diligence expectations through technical assistance.

---

## 9. Risk management and flexibility

Discussions centered on how funders can balance risk appetite while ensuring accountability. Some funders shared their strategies, such as:

- **Implementing flexible risk thresholds for smaller organizations.** Several funders discussed the benefits of adopting a risk-based approach that allows for greater flexibility when working with grassroots organizations. Rather than imposing uniform compliance requirements, this approach tailors due diligence processes based on factors such as grant size, organization track record, and project complexity.
- **Providing additional capacity-building support for grantees struggling with compliance requirements.** Many funders recognize that some organizations require additional technical and financial assistance to strengthen their compliance capacity. Strategies such as providing financial management training, offering fiscal sponsorship opportunities, and integrating compliance mentorship into grant agreements were highlighted as ways to address these challenges.
- **Using a tiered approach to assess risk based on grant size, location, and organizational capacity.** Some funders discussed the possibility of categorizing grantees into different risk levels and tailoring their due diligence requirements accordingly. Higher-risk organizations (e.g., new or unregistered organizations) would require more extensive documentation and oversight, while lower-risk organizations with established track records could benefit from a more streamlined process.



---

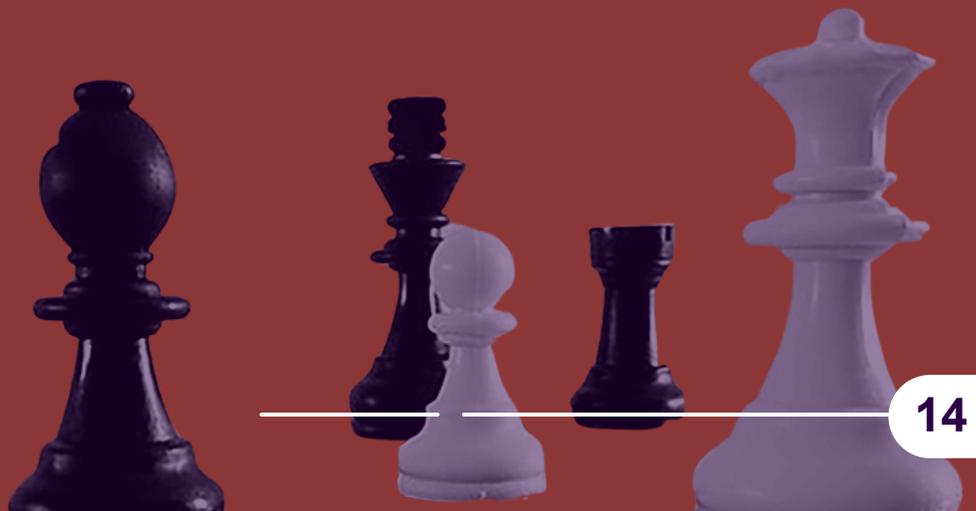
## Funders acknowledged the tension between maintaining accountability and offering flexibility to grassroots organizations that may lack formal financial audits or governance structures.

- 1. Capacity strengthening and organizational growth:** participants emphasized the importance of providing grantees with the tools and resources needed to meet compliance expectations. Key takeaways included:
  - **Funders are increasingly coupling grants with capacity-building initiatives.** Several organizations shared that they have incorporated technical support into their grantmaking process to help grantees meet compliance standards. Some funders provide financial literacy training, board governance workshops, and technology support to improve grantee readiness.
  - **Some organizations use multi-year grants to help partners build governance and financial management capacity.** Instead of applying compliance requirements rigidly, some funders offer incremental support over multiple years, allowing grantees to gradually build the necessary structures for long-term sustainability.
  - **Encouraging partnerships between smaller organizations and fiscal sponsors to strengthen compliance capabilities.** Some funders suggested that local organizations could benefit from partnering with fiscal sponsors or intermediary organizations that have the necessary administrative capacity to manage compliance on their behalf.
- 2. Evolving funding practices:** A shift towards trust-based philanthropy and localization efforts was a recurring theme. Funders discussed:
  - **Moving from traditional application-based funding to invitation-only or relationship-driven grantmaking.** Several funders have begun experimenting with grant models that prioritize established relationships and referrals over open calls for proposals. This approach helps reduce the administrative burden on grantees and allows funders to engage more deeply with partners.
  - **Piloting new approaches such as unrestricted funding and staggered payments to alleviate financial pressures.** Some funders are moving away from project-based funding and instead offering

---

general operating support to trusted partners. Others are adopting staggered disbursement models that allow grantees to receive funding in phases based on milestones achieved.

- **Exploring the role of AI in grant applications and the potential for bias or inflated application quality.** With the rise of artificial intelligence tools, some funders are concerned that applicants may use AI-generated responses to enhance their proposals without necessarily having the internal capacity to implement the projects effectively. Funders are considering new ways to verify the authenticity of grant applications.



---

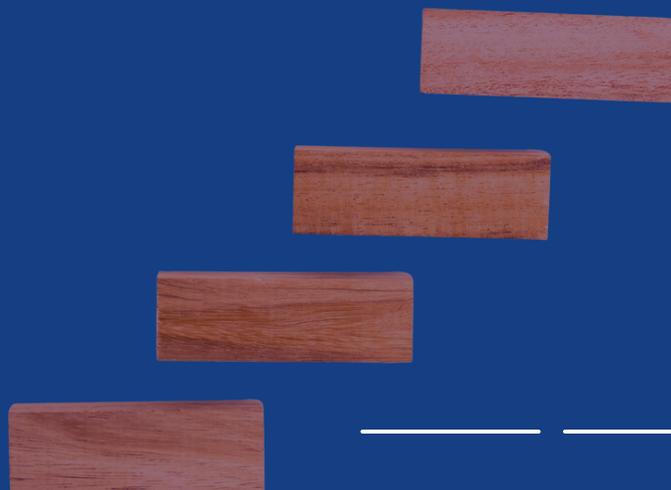
## Common and Recurring Themes

1. **Balancing flexibility and accountability:** Many funders are working towards accommodating smaller organizations while maintaining essential due diligence standards.
2. **Due diligence complexity: The need for funders to align and simplify due diligence processes to ease grantee burdens.**
3. **Technology as a Solution: Funders are keen on using technology and automation to improve efficiency in compliance processes.**
4. **Capacity building as a key lever:** Ongoing discussions on how funders can support grantees beyond just funding.
5. **Localization trends:** Growing emphasis on funding locally led development and addressing power dynamics in philanthropy.

---

## Next Steps and Action Items

1. **Further dialogues:** commit to ongoing discussions to deepen collective learning and refine due diligence practices.
2. **Develop shared resources:** explore the creation of standardized compliance frameworks and capacity-building tools.
3. **Expand collaborative efforts:** engage more funders and local organizations to ensure diverse perspectives are captured.
4. **Pilot flexible approaches:** encourage testing new grantmaking models that incorporate flexibility while maintaining accountability.



---

## Recommendations for this group (CCC) and our funder allies (participants of the round tables).

### 1. Recommendations for funders - what are some practical ways to make steps in the right direction?

- Start looking internally at culture and practices surrounding risk management and due diligence - who are the internal stakeholders who will need to be persuaded and involved in a different approach?
- Be upfront and transparent about your due diligence and compliance processes with potential grant partners. What do you require, when and why?
- If an organisation does not yet meet your due diligence requirements, is there support you can provide to help them work towards it? e.g. capacity grants, shared resources?
- Be willing to share information with others and to use due diligence reports from other, trusted partners and intermediaries. If you need to get comfortable with this, consider what baseline information or checks can be conducted by others e.g. vetting organisation documentation and sanctions checks.

### 2. Recommendations for CCC - what areas we will work on over the next year (we can take ideas from what we heard in round tables and from the project plan too)

- Build a platform to house all information, links, reports, etc (catalyst website page).
- Scope the technical solution for the digital passport.
- How do we take this on the road - events and thought leadership?
- Scoping/mapping the other parallel conversations/ movements in this space.
- Developing a roadmap for funders to consider how to align their due diligence requirements with those of other funders and the broader sector.