

Guidance on Due Diligence for Downstream Partners

Purpose of the Guidelines

This document provides guidance on the level of due diligence to conduct on downstream partners. Downstream partners are subcontractors or sub-grantees contracted by the Lead Organisation to carry out P4F supported activities.

FCDO imposes specific requirements and obligations on use of its funds. Due diligence must be done on each organisation that forms a link in the delivery chain of P4F-supported activities.

Lead Organisations receiving P4F funds must conduct due diligence on any downstream partner that they delegate activities to. They must also pass on the relevant requirements of their Agreement to downstream partners.

FCDO also expects recipients of P4F funds to be compliant with the [FCDO Supply Partner Code of Conduct](#). This gives FCDO confidence that its delivery chains are providing value for money and behaving ethically.

Process

The general process is:

- Always conduct due diligence when entering into a new agreement, contract or purchase order
- Where an agreement or contract is in place before provision of P4F support, due diligence does not need to be carried out again. Instead, confirmation that equivalent due diligence was carried out during the initial contracting is enough.
- One-off cash (or card) purchases do not need due diligence

The level of responsibility being delegated and type of relationship determine the level of due diligence. The three types of downstream partners are:

1. Sub-Contractors/Consultants – a service provider conducting specific activities, at a set cost, within a set timeframe. Due diligence should include (but does not need to be limited to) confirmation of:

- Certificate of registration/incorporation
- Compliance with national legislation, insurance requirements and health and safety regulations
- Any government relationships (e.g. declaring instances where the Organisation principal(s) /Individual is, employs, or is related to a public official)
- Prior conduct (e.g. declaring past instances of criminal, corrupt, unethical, or unlawful activity related to the Organisation/Individual or subsidiaries)

The Palladium Subcontractor Due Diligence form (which can be shared upon request) is an example of the best practise level of due diligence expected for Sub-Contractors/Consultants.

2. Sub-Grantees – a partner who carries out specific tasks and also manages a portion of the P4F funds. Due diligence should include (but does not need to be limited to):

- All items listed above for subcontractors
- Fiduciary Assessment – an organisation’s financial viability, the reliability and integrity of their financial controls and processes, how their anti-fraud/bribery/corruption measures have been implemented and are monitored, and whether they have measures in place to ensure value for money
- Delivery Assessment – whether an organisation has suitable policies and procedures, staff capacity and ability to effectively deliver the activities delegated to them
- Operational Assessment – whether an organisation has a suitable decision making/governance structure, whether they are able to comply with all national legislation and regulations and how they monitor and manage risks and issues
- Safeguarding Assessment – how an organisation monitors and manages labour and employee working conditions, how recruitment is performed, whether they are addressing modern slavery in supply chains. Where physical or economic relocation is expected, environmental and social impact assessments should be evaluated. This is especially relevant when delegating responsibility for activities at the pilot stage.
- Reputational Assessment – any controversies, problems, disagreements etc. that may represent a reputational risk (e.g. criminal action, environmentally unsustainable practices, accusations of fraud or corruption etc.)

3. Project Stakeholders/Partners – a partner involved in the project but not carrying out activities or receiving P4F funds (e.g. a silent partner/investor). Due diligence should include at least formal identification and reputational 'Know Your Client' checks.