The Risk Appetite Hackathon Report

Global Affairs Canada
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Acknowledgement

It is with gratitude and sincere thanks that GAC's Grants and Contributions Transformation Bureau would like to recognize all of its partners, participants, contributors and supporters for sharing their precious time and expertise, to co-design the elements of the new risk appetite at Global Affairs Canada. The hackathon was a new and ambitious project, using many co-design methodology elements, tackling the complex world of international assistance at GAC, with a view to transform our collective work around the globe for the better. The GCTI team would like to thank the following groups and individuals in particular:

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    - Monia Lahaie, Assistant Deputy Minister and Assistant Comptroller General, Treasury Board of Canada
    - Patricia Peña, Assistant Deputy Minister, International Development Partnerships and Operations, GAC
    - Antoine Chévrier, Assistant Deputy Minister, Africa Branch, and Future of Diplomacy Lead, GAC
    - Anick Ouellette, Assistant Deputy Minister and Chief Financial Officer, GAC
    - Jean-Bernard Parenteau, Director General, Canadian Partnerships for Health and Social Development, GAC
    - Megan Cain, Director General, International Assistance Operations, GAC
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    - Rosa Emilia Salamanca, Executive Director, CIASE, Colombia
    - Dr. Paul Niehaus, Co-Founder and Chairman, Give Directly
    - Sanam Anderlini, Founder and CEO, International Civil Society Action Network (ICAN), Innovative Peace Fund
    - Mike Jobbins, Vice President, Global Affairs & Partnerships, Search for Common Ground
    - Shivam Kishore, Global Leader, Digital Transformation for Sustainability
    - Jennifer Corriero, Co-Founder, TakingITGlobal
    - Emily Gilfillan, Lead, Global Partnerships, MasterCard Foundation
    - John McArthur, Director and Senior Fellow, Center for Sustainable Development, The Brookings Institute.

- Kyle Wierks, Senior Account Executive, ThoughtExchange and team, for supporting GAC's first-ever risk appetite hackathon.
- The staff from Invest Ottawa for providing the venue and space support for the event.
- All the members of GAC's Risk Appetite Working Group, who worked tirelessly to develop a risk appetite proposal to present to partners and support the development of the new approach, as part of the GCTI's mandate.

Note on Data and Methodology

Statistics have been drawn from data within the ThoughtExchange platform utilized during the Risk Appetite Hackathon. The ThoughtExchange's methodology prioritizes the anonymity of responses and randomization of thoughts seen by each participant, in order to facilitate equality of perspectives. However, this limits the ability to glean certain disaggregated results. Further research is needed to delve deeper into participant suggestions and gain valuable insights from cross-cutting thematic analysis.
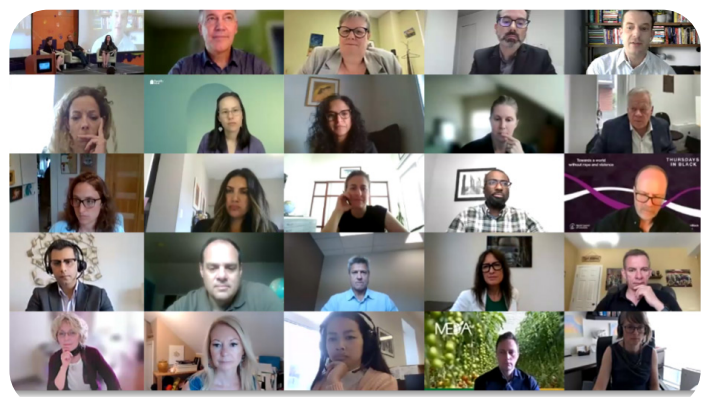
Executive Summary

In June 2023, Global Affairs Canada (GAC) held its first Risk Appetite Hackathon. The event was held in support of the department's Grants and Contributions Transformation Initiative (GCTI). The Initiative aims to transform how GAC manages its international assistance (IA) delivery, becoming more responsive, effective, transparent, and accountable — generating greater value for every dollar spent. The involvement of Canada's partner organizations on the frontlines of delivering IA was central to this effort. Over 350 Canadian and international civil society organizations, including local[1] partner organizations, as well as various think tanks and private sector, gathered in a hybrid setting, using a digital collaborative platform, the *ThoughtExchange*. Their goal was to provide feedback and contribute ideas on a variety of proposed innovative solutions and provide their perspectives on how key grants and contributions (G&Cs) programming and business areas can be more risk-aware in managing international assistance.

GAC presented potential solutions to current challenges, moving toward the development both of a new way of managing the department's significant grants and contributions portfolio and a set of new partnership principles. In line with the GCTI's mandate, these draft principles outlined GAC's proposal to:

- Share a common vision;
- Explore tailoring due diligence based on partners' profiles;
- Ensure shared and mutual trust;
- Value partner diversity;
- Ensure transparent and timely communication; and
- Use a smart failure approach to learn from mistakes.

These draft principles were endorsed by partners, who were involved in the hackathon — a vital expression of the principle of co-design. Proposed solutions were presented to partners for review and feedback and if approved, will form the foundation of the GCTI approach to improved risk-awareness and enhanced partner engagement.

Themes

The Risk Appetite Hackathon event focused on four key G&Cs themes or areas with associated risks for which partners shared their ideas and solutions:

Proposal process: There was a clear recognition that GAC is accountable to Parliament for its financial stewardship of public funds. However, partners supported the idea that GAC move away from time-consuming, resource-intensive "one-size-fits-all" applications and due diligence processes that apply to all organizations in the same way. This could improve access for proposals from a wider range of organizations, including those based in the Global South, as well as a diversity of Canadian partners.

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[1] Local partners refers to organizations established and operating in a recipient country.

Programming and reporting: Partners voiced the need for the department to have more flexibility to allow some adjustments during program delivery to better achieve outcomes without re-negotiating funding agreements. They also favoured more streamlined, flexible and simplified reporting requirements for GAC-funded programs and projects.

Financial management: Partners advocated for more flexible and responsive ways of managing project budgets, making it simpler to reallocate funds when circumstances change.

Localization and inclusion: There was a strong message from hackathon participants that significant work needs to be done on localization. They pressed for the development of policies and innovative programming to support decolonization of IA and more help to local actors delivering international assistance.

Results

Over the nine-day hackathon period, GAC received valuable feedback and recommendations on GAC's risk appetite proposal and the department's broader approach to transforming grants and contributions. For the first time, GAC was able to engage hundreds of partners around the world in real time, who validated many potential solutions and provided feedback on complex issues.
Partners were generally supportive of most of the potential innovative solutions proposed by GAC, with 85% of participants who voted, agreeing to various degrees that GAC's draft proposal on risk appetite addressed many of their challenges in working with the department.

Partners also reiterated the commitments made in Canada's Feminist International Assistance Policy (FIAP) to streamline and accelerate funding and reporting procedures; reduce the administrative burden for funding recipients; and to be more responsible, transparent, and predictable.
The three key results of the hackathon to be further explored and tested are:

* The newly developed draft partnership principles, endorsed by partner organizations, that would guide the relationship between GAC and its diverse community of partner organizations;
* Establishing distinct partner profiles and tailoring due diligence based on those profiles; and
* Co-designing and validation of potential innovative solutions in four main G&Cs areas (proposal process, programming and reporting, financial management, and localization and inclusion), as part of GAC's approach to improved risk awareness and enhanced partner engagement, directly influencing the GCTI.

Lessons Learned

* Co-design can work. Partners sent a strong signal that co-design is a meaningful and effective way to transform GAC's management of grants and contributions;
* Partners, especially smaller organizations, have limited resources. For the next outreach and engagement initiative, GAC will aim to tailor invitations to the technical expertise, interest and availability of partner organizations;
* Focused effort is required to ensure that even more partners from the Global South can participate in similar future events and more broadly. Many local organizations were not able to join due to

barriers, such as time zone differences, language, and internet access issues. These voices are critical, and the department will explore ways to make it easier for them to participate;

- GAC will consider future events that feature shorter sessions over multiple days, at varying times. This schedule would allow participants from more local partners in various time zones to attend.
- The digital platform ThoughtExchange was useful in helping GAC reach more partners simultaneously. This allowed for the sharing of diverse ideas and insights in real time. Data analytics support allowed the capture and sharing of results immediately. Some participants would have preferred to have a ranking function to immediately see top results. The rating function provides everyone with an ability to rate the quality of the ideas, but not rank those ideas. GAC will explore ways to include this feature for its next outreach event.

The Hackathon was successful in that GAC assembled many ideas and recommendations on how to develop and improve systems and processes. The department would like to thank all who participated in this ground-breaking event. The contributions of all participants are of immense value. The department will continue to strengthen relationships with partner organizations. The core principle of co-design enacted during the hackathon is key to maintaining and building trust and transforming an IA funding system to be more efficient and effective.

Grants and Contributions Transformation

Overview of Grants and Contributions Transformation
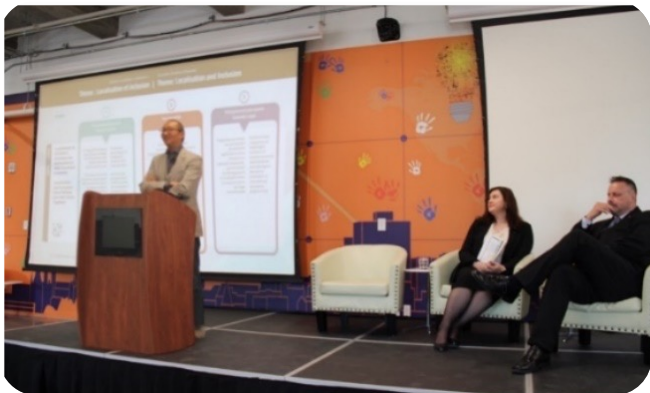
Over the past several years, GAC has been rethinking its G&Cs management, with a view to harmonize and streamline its due diligence and relevant business processes, to reduce administrative burdens on GAC officers and partners, to better match risk calibration to partner risk profiles, and ultimately, to improve decision-making.

Over five years (2022 to 2027), the department has committed to transforming its management of IA in the following ways:

- Update the current risk management systems, ensuring compatible data and reporting between programs;

- Ensure seamless and integrated international assistance using modern technology;

- Facilitate greater transparency, responsiveness to partners and mutual accountability; and

- Ensure most effective and efficient use of funds that will contribute to positive change in people's lives around the world.

Global Affairs Canada's First Ever Hackathon

What is a Hackathon?

A hackathon is an event where people engage in rapid and collaborative engineering over a relatively short period of time such as 24 or 48 hours, to develop new approaches to solving complex problems or completing large projects that require collaboration. During hackathons, participants introduce original ideas, techniques, and standards, and collaboratively develop novel solutions. A hackathon is an opportunity for participants to experiment with new ideas, explore new technologies and build prototypes of their products in a short amount of time. This innovative and creative process can lead to new and exciting products. This type of experimentation-focused event was novel to GAC and together with using the co-design methodology, the GCTI team was truly navigating unchartered territory when it comes to developing policy and public engagement.

Why Do a Risk Appetite Hackathon?

The Risk Appetite Hackathon was a culmination of over five years of consultations with partner organizations. GAC has listened to the concerns voiced by partners about inefficient processes and burdensome due diligence and administrative requirements, which echoed the department's equal desire to modernize its processes and become more effective and efficient in its implementation of Canada's international assistance commitments. As a result, the department and its partners were ready for rapid and collaborative engineering.

With the GCTI underway, GAC wanted to go beyond consultation to build and deepen equitable collaboration between GAC and its partners. The GCTI team intentionally used a co-design methodology, to ensure that all hackathon participants are central to the design process.

> *"I really appreciated the space that's being created today and the fact that there are people talking to people. I think that's important. Too many forms without people behind it, it feels rebotic, like a machine, and that's not how we want to feel when we're doing community revitalization work."*
> *- Jennifer Corriero, Co-founder, TakingITGlobal*

The Problematique

Over the years, re-occurring issues related to lack of mutual trust, problems with timely communication and transparency have affected the overall relationship between GAC and its numerous partners who work to deliver IA around the world.

GAC is accountable to Parliament for its financial stewardship of public funds, in line with all relevant Government of Canada legislative, regulatory and policy requirements. GAC's manner of applying due diligence across all IA partners was at times problematic and innovative solutions needed to further explore as part of the GCTI. It often limited new, small, and local organizations from accessing GAC's funding, inadvertently supporting the same types of partners, year after year. It has also hindered the department's ability to support innovation and explore novel programming approaches in different sectors, with diverse types of partners. Most importantly, it potentially limits GAC's response to the current global aid sector challenge, as the department may not be able to react as quickly to evolving circumstances in a complex environment with multiple stakeholders. As a donor, we must explore more agile approaches in development, that ensure timely response to the changing environment and adaptation when pre-programmed activities are no longer appropriate.

After COVID-19, donors, from the World Bank to the U.S. Agency for International Development (USAID), began to investigate adopting flexible programming and due diligence methods — using small, nimble teams on the ground, engaging partners to co-create solutions or using an agile

approach in certain areas. With the recent emphasis on and recognition of the importance of localization and decolonization in international assistance, it became even more critical to review how and whom donors fund, to achieve more effective results on the ground. It also became imperative for GAC to address localization and inclusion; make distinctions between locally led projects versus locally implemented; and, in consultation with GAC's partner organizations, decide how to structure grants and contributions processes and systems to better support commitment to the IA mandate. The Risk Appetite Hackathon allowed GAC to test and validate its newly developed draft partnership principles, which would ensure that IA partner perspectives are valued (Table 1).
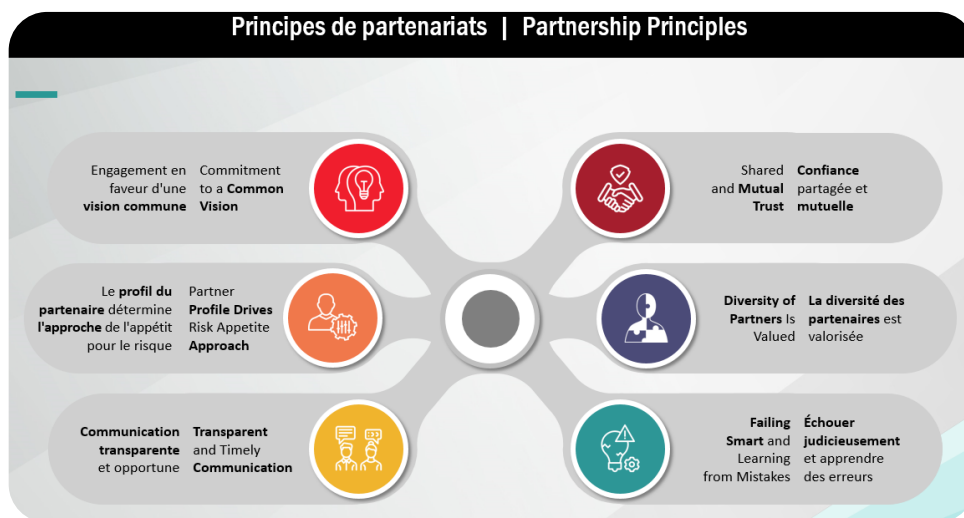
Table 1

GAC Methodology

- GAC's goal is to establish a culture in the department that:

- encourages appropriate, intelligent risk-taking;

- removes disincentives for taking calculated risks;

- creates funding and finance mechanisms that are efficient and flexible, to reduce transaction costs and make timely disbursements;

- promotes shared mutual trust and learning from mistakes by embracing smart failure and enhancing openness and transparency;

- and respects all relevant Government of Canada legislative, regulatory and policy requirements.

The Four Thematic Areas

1. **The proposal experience for partners**

2. **Programming and reporting**

3. **Financial management**

4. **Localization and inclusion (how GAC and partners work together)**

To that end, the four themes were carefully chosen by GAC to be explored in the Hackathon. Each one represents a critical marker in the grants and contributions management process at GAC, which has harboured many "pain points" for partners and for the department.

Armed with feedback received over the past five years, GAC developed a set of potential innovative solutions, which focus on the practical parameters by exploring the four risk themes and unpacking how GAC proposes to potentially work with different types of partner organizations.

Recognizing that using a "one-size-fits-all" approach to due diligence may not be optimal for achieving results, GAC wanted to seek partners' concrete views on establishing broad partner profile groupings, which are divided into three general types, with a view to tailor or calibrate GAC's due diligence requirements for each grouping:

1) New, smaller or modest (including smaller local partners);
2) Larger, long-standing or established; and
3) All remaining partner organizations.

By adapting due diligence requirements for each partner profile, GAC was able to propose potential innovative solutions that would:

- Address structural issues for all partner organizations;
- Alleviate the heavy burden of requirements for new or modest partners that reduce access to GAC's funding; and
- Lighten processes and communications for larger partners managing multiple agreements.

The broad partner profile groupings[2] were embraced by our partners. While these profile groupings still need to be vetted and tested, most agreed that such distinction, especially as it relates to different elements of administrative and due diligence requirements, could be helpful.

[2] These partner groupings are meant to be general and broad at this time, to discuss and further explore. The definitions will become more clear with the GCTI's work, including project pilots, over the next three to five years.

Overview of the Event

To ensure that the event was inclusive, sustainable, and transformative, the GCTI team structured the hackathon to be partner-led and partner-centered. A co-design methodology was integrated throughout the two-day event.

Over 350 participants including Canadian and international grassroots organizations, think tanks, donor funds and philanthropic organizations attended. They provided concrete feedback and recommendations on innovative ways to manage GAC's grants and contributions.

It was clear on the first day that partners and participants had high expectations for GCTI, especially the new co-design element. When asked, "how confident are you that this G&Cs transformation can benefit your work with Global Affairs Canada," 68% stated they were either "confident" or "very confident." Through their participation, voting and comments they demonstrated they were aware of the initiative and were "impatient to get started." The event was structured to stimulate meaningful, inclusive, and creative exchanges. It was organized to be inspirational and practical in format, with the morning of day one showcasing diverse "TEDx-style" presentations on "decolonization," "smart failure" and "doing things differently," with industry leaders setting the stage for the afternoon's brief overview of GAC's proposed and yet-to-be approved principles related to risk appetite.

These practical example presentations were well attended; they provided many insights and provoked interesting discussions and received positive feedback from participants.

The afternoon of day one focused on four parallel partner-led moderated panel discussions on the four key themes that frame the risk appetite discussions.

Grants and Contributions Transformation Initiative

Each of the four thematic discussions was led by two partner co-leads from different organizations, randomly chosen by GAC. The partner co-leads had one week's advance preview of GAC's proposed approach and worked in pairs to review the information received, preparing, with the support of their teams, to lead their respective sessions at the hackathon. The intention was to maximize their peers' participation, to provide concrete inputs and feedback on what resonated, what did not, as well as find out what was missing via the online digital survey hosted on the *ThoughtExchange* platform.

It was an intensive afternoon with all four parallel discussion groups working hard to unpack the risk elements of the themes presented by GAC. All participants were fully engaged, providing invaluable feedback using the ThoughtExchange platform. Day two of the hackathon was also intentionally designed to be partner driven. Partner co-leads presented their recommendations from each of the the-matic groups to GAC's senior manage-ment, followed by additional discussion among all participants about the top priori-ties raised.

The last panel of day two was led by Brandon Lee, Director General, GCTI and it involved industry leaders from day one offering their views on the partners' recommendations. It was a dynamic session, with everyone sharing their impromptu/unscripted insights on the ideas proposed and how GAC can avoid some of the pitfalls that could occur as a large organization undertakes such a transformation. This day was instrumental in helping validate and adjust GAC's potential innovative solutions with partners, allowing the depart-ment to shape its way forward.

Q8: Right now, how confident are you that the G&Cs transformation can benefit your work with Global Affairs Canada?

Answered: 159
Not answered: 34

Category	Participants % (#)
Not at all confident	3% (4)
Not very confident	4% (6)
Neutral	25% (40)
Confident	53% (85)
Very confident	15% (24)

The Risk Appetite Hackathon marks first time that GAC was able to obtain views and recommenda-tions from such a large group of stakeholders at one time.

To collect as many ideas and perspectives as possible, GAC made the digital platform available to all participants one week prior to the event, between days one and two, and afterward. As a result, GAC received over 1,260 ideas and thoughts, and over 22,500 ratings of those thoughts over the hack-athon period. Using the ThoughtExchange, a digital collaboration tool, made it possible for GAC to include diverse ideas and uncover quality insights that represent community perspectives in real-time, with data analytics support. It gave partners a tangible opportunity to make their voices heard and instantly vote on ideas.

Vers une approche pour l'appétit pour le risque | Getting to a Risk Appetite Approach

PHASE I	PHASE II	PHASE III	PHASE IV	PHASE V
cinq dernières années AMC écoute les partenaires et recueille leur avis	*premier semestre 2023* AMC élabore un projet d'approche de l'appétence au risque	*21-29 juin 2023* Le hackathon a lieu et Thought Exchange est utilisé pour vérifier, clarifier, ajuster et pivoter	*juin-juillet 2023* Les partenaires présentent leurs recommandations et identifient leurs principales priorités	*Été 2023* AMC consolide le retour d'information et renforce son approche de co-conception
past five years GAC listens to partners and collects feedback	*first half of 2023* GAC pulls together a draft risk appetite approach	*June 21-29, 2023* Hackathon occurs and Thought Exchange used to vet, clarify, adjust and pivot	*June-July 2023* Partners present recommendations and identify their top areas of focus	*Summer 2023* GAC consolidates feedback and solidifies its co-design approach

What Our Partners Told Us and Thematic Analysis

The event validated many of the proposed ideas currently being explored under GCTI, with almost 70% alignment by partners on the draft document originally proposed by GAC. Over 900 ideas were shared after day one of the Hackathon, with over 13,000 ratings of those insights and feedback received.

Theme One: Partners' Proposal Experience

Over the years, GAC has received criticism about its proposal process. While there have been some positive changes recently, partners have shared that the application process was cumbersome, with complex funding and administrative requirements, effectively excluding many organizations that are not used to working with GAC or other governments/donors.

According to GAC's evaluation of the Women's Voice and Leadership (WVL) Program in May 2022, the department's processes and systems were not sufficiently "fit for purpose" for feminist programming and direct support to local women's rights organizations (WROs). The reality is that GAC's approach to risk management encompasses its business processes and systems, including its proposal process, and it did not change significantly for WVL, despite the increased risk appetite needed to support local organizations, including WROs. As per the evaluation, GAC's corporate requirements for contracting, due diligence and reporting were particularly challenging for new partners—especially for local organizations—and selection processes did not fully succeed in modelling feminist principles of inclusivity and transparency.

Theme One group discussions on day one and partners' recommendations on day two, which focused on partners' proposal experience, were well attended. Participants actively provided GAC with

concrete feedback on how it can significantly improve its proposal process and templates which, in turn, would considerably increase access to GAC's funding.

Partners called for GAC to establish open, transparent, and inclusive application processes that are accessible to a wide range of organizations, including women's organizations based in the Global South, as well as diverse Canadian NGOs. Over 66% of participants recommended that GAC's risk appetite should be significantly increased to work with all partners, particularly local and new partners.

Participants supported moving away from time-consuming, resource-intensive applications and due diligence processes, and exploring "fit for purpose, agile and flexible" processes, tailored to project proposal requirements that align with local programming contexts and partner profiles.

Participants' ideas included: more inclusive communications on how partners are being invited to apply; reducing expectations related to prior experience; lowering the barriers to entry for newer and local organizations; GAC setting service standards of three to six months to assess proposals and building a "real-time" proposal assessment tracker; and offering pertinent information and clarity on a variety of issues that impact GAC's proposal process, such as GAC's annual budget and planning.

One of the partner-initiated ideas was for GAC to share more information about partner and proposal risks. According to the ThoughtExchange platform, 70% of GAC employees who participated and NGO representatives who voted and 68% of private sector participants supported more transparency on how partner and proposal risks are assessed, using a risk assessment commensurate to partner profiles, with disclosure on areas for improvement and strengths.

Another idea proposed by over 46% of participants that attended the Theme One discussions was for GAC to "move away from proposal processes that are donor-driven (e.g. Requests for Proposals (RFPs), Calls for Proposals (CFPs), Department-Initiated Multiple Invitations (DIMIs)" toward those that offer more flexibility and encourage locally-led program design processes, such as concept notes and unsolicited proposals. There was 78% support for this idea from smaller and from mid-capacity organizations, 74% from larger organizations and 66% from private sector partners, who endorsed simplified proposal processes that would be more accessible, encouraging innovative locally-driven programming.

The use of a "human-centric online tool" where partners can do a signal check with minimal resource commitment for pre-submission of draft proposals also resonated, with 75% support from larger organizations, 76% from smaller and mid-capacity partners, 70% from private sector and 74% from GAC employees who voted.

Similarly, there was considerable support (60% from private sector, 66% from larger partners and 70% from smaller and mid-capacity partners) for the proposal that GAC's communications be "inclusive" and widely shared to ensure all partner organizations are being invited to a proposal process, including local partners. Over 74% GAC employees who voted agreed, observing that the department's outreach and communications should be more accessible.

Another potential innovative solution to manage our grants and contributions in a more efficient and effective way, proposed by GAC, was to use a portfolio approach (vs. project approach) for high-capacity large partners. This possible solution was conceived to facilitate relationship management at the portfolio level and leverage larger partners' extended capacities in comprehensive programming in development, peace and security, and humanitarian assistance.

Through their ThoughtExchange feedback, partner organizations shared that, while trying to navigate GAC's processes, they are investing more in risk mitigation than they are on innovation, program design and delivery. Learning together and exploring "smart failure" were overwhelmingly endorsed by all partners, who asked GAC to recalibrate its views on risk. Partners also asked for more flexibility to: pivot; adapt to changing circumstances and priorities on the ground; and incorporate lessons learned during implementation. Partners emphasized their need to build trust-based relationships, to share knowledge and expertise, to innovate, and to "fail smart" together, without worry of punitive measures, such as funding being frozen. Votes endorsing the importance of flexibility to pivot were as follows: 76% for smaller and mid-capacity partners, 82% for larger partners and 70% for private sector.

There is a clear expectation across interested parties that the new grants and contributions risk management framework be sufficiently agile. Further, the new IT / digital systems and G&Cs business processes should effectively respond to changing international assistance contexts and environments, ensure adaptability and subsequently secure successful achievement of results.

> *"At a time when Canadian organizations are contending with questions of what it means to adopt a decolonial agenda and struggling with localization and seeking earnestly more egalitarian relationships, onerous reporting demands are one of the roadblocks standing in the way of this shift."*
> *- Samantha McGavin, Executive Director, Inter Pares*

Theme Two: Programming and Reporting

The theme of programming and reporting represents a major risk appetite area for donors, often criticized for not taking enough risks in programming, requesting too much reporting and/ or not harmonizing reporting requirements among donors.

According to the ThoughtExchange, close to 70% of partners, who voted, identified "flexibility in programming mechanisms and in project implementation without having to re-negotiate the agreement" to be one of the top priorities for GAC in this thematic category. One of the examples frequently used by partners was GAC's ability to streamline the "no-cost extension" process, delegating the approval authority to project team leads (PTLs), thus significantly expediting the process. There was 80% support from both larger and smaller capacity partners, 78% support from mid-capacity organizations and 68% from the private sector for this top request of "flexibility without having to renegotiate." GAC employees who participated also agreed, with 72% (or 3.6 out of 5 rating) support.

Most partners expressed frustration with GAC's burdensome reporting requirements and asked the department to significantly streamline such requirements. They proposed simplified outcome-focused annual reports with an annual reporting period of the partner's choosing in a mutually agreed-upon language. Simplified reporting as a priority for GAC was rated by both larger and smaller capacity partner organizations at 84%; mid-capacity organizations at 80%; GAC employees who voted at 76%; and private sector at 58%, which highlights the need for a simple, light and flexible way forward.

The idea of staggered deadlines for reporting resonated with many participants, including GAC employees, who agreed that it would allow PTLs to manage a greater number of projects more effectively.

Another top issue discussed by partners was how a project's narrative reporting could be done. There was strong support for GAC's proposal to allow local partners to do reporting via video, with enabled artificial intelligence (AI) technology translating the report into one of the two official languages, and focusing on innovation, learning and smart failure. Participants agreed that this could be a viable solution to provide sufficient updates to GAC and eliminate undue burden on organizations that are potentially unfamiliar with GAC's requirements as well as local and smaller organizations. This solution would also allow for the managing of agreement(s) that are lower in materiality.

Partners also emphasized the need for greater flexibility with results-based management while ensuring that performance management frameworks are outcome-focused, easily adaptable over the project lifecycle and reflective of evolving contexts. There was 84% support for this idea, rating it 4.2 out of 5, from larger capacity partner organizations. Similarly, mid-capacity organizations and smaller organizations also voted for flexible results- based management structure, at 80% and 78% respectively. Furthermore, there was a considerable number of contributed ideas that emphasized the need for program monitoring and reporting to be more learning focused.
Smaller, mid-capacity and larger partners rated this idea a 4.4 out of 5 (or 84%) and 2.9 out of 5 (58%) from private partners, endorsing the idea.

Exploring options to potentially consider longer-term funding (of five to ten years) was also highly endorsed by participants; such funding would improve the sustainability of projects and reduce the number of no-cost extensions. Larger capacity partner organizations supported the idea at 88% (or 4.4 out 5 rating), smaller organizations rated it at 86%, mid-capacity partners supported it at 80% and private sector at 62%, data that suggests that this potential solution resonated with most participants.

Trust was another top priority identified by the programming and reporting thematic group. Most partners urged GAC to review reporting requirements and establish more flexible and simplified reporting requirements; partners highlighted the possibility of identifying a way to "share the risk" together (versus the perception that GAC "downloads" the risk on organizations). Smaller capacity partners in particular, at 88% (or 4.4 out of 5), expressed that GAC needs to have more trust in partners.

Throughout the discussions, the partnership principles regarding strengthening mutual trust and making distinctions between partner profiles to recognize partners' unique merits, was emphasized.

Participants were also supportive of the idea to explore the inclusion of Canadian and local partners in joint risk evaluation processes, risk mitigation planning and the development of specific scenarios for risk management according to context.

Theme Three: Financial Management

GAC has previously done a lot of advanced work with partners on the financial management aspects of international assistance programming via Chief Financial Officers' (CFOs) partner focal points' pilots, several working groups and regular focused outreach and consultation activities over the past five years. The resulting potential solutions derived from this work resonated with partners participating in the financial management themed group.

Over 73% of partners identified that the top priority for GAC in the area of financial management should be to make budget management significantly more flexible and responsive by implementing a much more simplified process for reallocating budgets and creating the ability for mid-course correction as a project evolves: 88% of larger partners, 86% of smaller partners and 82% of mid-capacity partners rated this as a top priority.[3] Conversely, only 68% (or 3.4 out of 5) of GAC employees who voted rated this as a top priority.

Almost 60% of participating organizations who voted supported the idea of simplifying financial and compliance reporting tools, such as budget templates, for all partner profiles including the compliance reporting tools for the Global South. This would shift the focus to the delivery of programs and achievement of better results. Larger, smaller and mid-capacity organizations rated this idea highly at 84%, 82% and 80% respectively.[4] Specifically, partners supported working with smaller organizations directly, to support building their financial infrastructure; smaller partners rated this idea as 4 out of 5 or 80% and larger and mid-capacity organizations supported it at 76% and 72% respectively.[5]

Another priority identified by 64% of partners was to ensure that GAC's financial management process for local partners is less onerous and more responsive to local realities. Both GAC employees who participated and attending partners supported the idea of GAC further taking steps to support civil society organizations in the Global South, suggesting potential solutions such as funding to cover staff salaries for finance managers for the duration of a project, ensuring equitable access to overhead cost funding for all partners on a project and funding partners' strategic plans and their core costs. These steps are consistent with a decolonized, feminist approach to funding the long-term work of local partners which would allow them to meet the unique needs and priorities of their own communities.

Over 56% of participants in the financial management themed group identified overhead and indirect costs as issues requiring further attention.

Exploring the option of covering overhead for smaller organizations in the first year of a project's implementation was met with approval. Partners also requested that GAC provide this option for all partner profiles that may need it. It was also requested that overhead be adjusted; partners cited do-

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[3] Private sector organizations did not participate in this vote.
[4] Ibid.
[5] Ibid.

nors who pay 15 to 20% overhead (compared to GAC's 12%). There was 84% support for increased overhead rates from larger organizations, 80% from smaller organizations and 70% from mid-capacity organizations.[6]

Similarly, for indirect costs, participants requested that GAC be more flexible and consider covering additional costs such as paid parental leave and COVID-19 testing. Larger organizations led this request with support at 82% and mid-capacity and smaller organizations at 70%.
Despite the holdback being significantly reduced during COVID-19, close to 25% of participants either wanted to reduce it further or eliminate it completely for all partner profiles, not only for smaller partners, as GAC initially proposed at the hackathon.

> *"As we speak, many of the organizations in this room are faced with a one-size-fits-all approach. Many are faced with limited risk appetite, many are faced with forms, rules and constraints that serve neither the common objectives we have together, Global Affairs Canada and all our partners, nor the impacts on the ground... So, let's start right away to see what we can change in the system."*
> *- Pascal Paradis, Former Executive Director, Lawyers Without Borders Canada*

Theme Four: Localization and Inclusion

The most challenging thematic panel was localization and inclusion, which addressed how GAC and partners work together. When it comes to integrating localization and decolonization into GAC's international assistance programming work, significant improvements are still needed. As per GAC's definition of localization of international assistance, it is broadly understood as shifting decision-making, resources, power, capacity and project management to local partners, including national and sub-national governments and/or national and local civil society organizations and women's rights organizations. The hackathon discussions brought up many of these issues, pointing out that localization "shouldn't just mean adding a signatory to a contribution agreement and expecting Canadian partners to share the overhead," but should involve a careful reassessment of power dynamics of where and how decision-making is done.

Notably, GAC employees who participated in the localization and inclusion thematic group indicated particularly strong support (84%) for local leadership and decision-making (an idea modeled on the Urgent Action Fund's process of utilizing a committee of local experts, which provides an anonymized/double blind review on project proposals). Furthermore, 80% of GAC employees who participated supported the proposition to include local organizations in the process as well as in project design and implementation. However, there was less support for establishing funding quotas, or specific percentages being allocated to local organizations (at 62% support or 3.1 out of 5) whereas larger partner organizations rated this idea as 4 out of 5 or at 80% support. The lower rating could be attributed to comments heard at the hackathon regarding the potential resistance to passing and implementing such a policy in Canada, based on the challenges experienced by USAID for a similar initiative.

Overall, all partners voted for local inclusion in project design and implementation, with larger capacity and smaller capacity partners both rating the idea at 82% (4.2 out of 5) and mid-capacity partners at 76% (or 3.8 out of 5).
Another top priority identified by GAC and endorsed by the larger capacity organizations, was the

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[6] Ibid.

need for GAC staff to be trained on localization and decolonization, with 82% rating support from larger partners and 78% (or 3.9 out of 5) from GAC employees.

There was strong support across all participant groups for the need to further leverage FIAP as well as to expand the WVL principles for wider learning of and application to GAC's localization agenda. Medium capacity and smaller organizations rated this idea at 82%, with larger capacity organizations rating it at 76% and GAC at 80%. They noted last year's recommendations from the WVL Program Formative Evaluation, which urged GAC to "strengthen the ability of local organizations and organizations in developing countries to serve as effective WVL 2.0 implementing partners." [7]

In addition to the analysis above, larger capacity partners (those with funding of over $20 million) indicated strong support for funding for a design phase of projects, to support smaller organizations' ability to do a baseline assessment before establishing project metrics, and for Canadian organizations to engage fulsomely with local organizations before setting their metrics.

Moderate capacity partners (those with GAC funding of $1 million to $10 million) responded with strong support for strategic capacity building with local partners, shifting the relationship from predetermined capacity building, which was decided for local partners, to flexible models whereby partners, who receive GAC project funding as a result of submitting a proposal, receive dedicated funds to invest in strategic planning, staff courses or skills trainings in areas of their choosing.

The highest rated idea by smaller capacity partners (those with funding under $1 million) was local inclusion in project design and implementation. There was also strong support for a number of individual ideas which fell under "specific or new/ novel recommendations" though data would need to be disaggregated further to elaborate which specific recommendations were most significant. Decolonization, local agency and decision-making in agreements and grant priorities were also strongly supported.

Remarkably, ideas which emphasized the need to maintain high levels of accountability and control over local partner funding were ranked as one of the two lowest priorities by GAC employees who participated, and all partner profiles. The only group to rank maintaining or increasing accountability highly was the private sector and multilaterals.

GAC decentralization of decision-making to empower local partners (who know best what their communities' needs are) and their priorities resonated with many participants.

There were discussions among partners who strongly felt that local partner organizations should be substantively supported. Different potential solutions were provided to address how this could be done.

While GAC staff expressed moderate support for funding local organizations directly (versus funding Canadian organizations as intermediary recipients) at 74% (the 13th highest rated idea out of 20), many Canadian organizations themselves expressed relatively strong support for this suggestion. Me-

[7] Women's Voice and Leadership Formative Evaluation, May 2022, Recommendations, p. 42.

dium capacity organizations rated it as the second most popular suggestion (82% support). However, some expressed concerns that this would take away from the funding currently supporting the work of Canadian organizations working in the sector.

There were also those who sought solutions elsewhere, suggesting GAC review its support to multi-lateral organizations and re-allocate more funding to Canadian as well as local organizations instead.

Not surprisingly, there were many different points of views shared on the topics of localization and decolonization. These discussions are important to GAC as the department transforms the way it manages grants and contributions. Many would argue that these themes are cross-cutting across all GAC's work in international assistance.

While all participants seemed to agree in principle that locally led and locally owned projects are pre-ferred, there did not seem to be an easy answer on how to practically accomplish this.

Nevertheless, there were several potential innovative solutions proposed by partners to help GAC take the initial steps to fully integrate localization and inclusion as part of its IA programming, includ-ing imbedding it into its new to- be-built systems and processes, as part of GCTI.

Another significant priority identified by all the participants in this thematic group was capacity building and capacity sharing for both partner organizations and GAC. It has been acknowledged internation-ally by donors that local partners, including grassroots organizations, have significant existing capaci-ties, considered an asset in project design and implementation.

Like most donors, GAC understands that capacity strengthening should always be demand-driven, with local organizations invited to establish priorities, in various areas, such as project management, performance monitoring, reporting and evaluation. However, capacity-strengthening and capaci-ty-sharing plans should be mutually identified, defined and agreed upon based on project and institu-tional needs, using a range of approaches such as mentoring, shadowing and training, with follow-up monitoring.

GAC recognizes that there is much work needed still on issues related to localization (such as de-veloping a GAC policy on localization as well as new and innovative programming approaches, such having each GAC program set its notional targets to work with local organizations in support of lo-calization, reviewing power shifts, in addition to decentralizing financial delegation authority to GAC missions, to enable more effective decision making, closer to local contexts and more.

Results of the Risk Appetite Hackathon

The aims of the hackathon were to share GAC's ambition to increase its risk appetite with partner organizations and to co-design and develop ways to integrate greater risk tolerance into how it manages grants and contributions which would contribute to an increase in the impact of Canada's international assistance.

Over the nine days of the hackathon period, GAC received valuable feedback and recommendations from our partners and interested parties. This was one of the first milestone deliverables of GCTI; it effectively demonstrated GAC's commitment to the co-design principles.

The three key results of the Hackathon for further testing and piloting are:
- the newly developed draft partnership principles, endorsed by partner organizations, which would guide the relationship between GAC and its diverse community of partners;
- tailoring due diligence by establishing distinct partner profiles; and
- co-designing and validation of potential innovative solutions in four main G&Cs areas (proposal process, programming and reporting, financial management and localization and inclusion).

Overall, GAC's first ever hackathon was a successfully co-designed event, which provided GAC and partner organizations with a unique opportunity to collaboratively explore new ways to manage Canada's grants and contributions. During the hackathon, GAC was able to reach out to hundreds of partners around the world simultaneously in real-time, validating many potential solutions and instantaneously obtaining feedback on solutions to complex issues. It was also the first time that partners had an opportunity to review and influence GAC's potential policy plans as well as co-create together.

According to the *ThoughtExchange* platform, over 85% of participants moderately or greatly felt that the draft proposal potentially addressed many of their challenges working with GAC.
As per GAC's ambition to increase its risk appetite, the recommendations and the co-designed outcomes of the hackathon will be used to develop and refine GAC's approach to risk appetite and directly impact and influence the development and implementation of various modules of the GCTI, such as risk management, financial management, program management and results-based management.

GAC's partners validated most of its grants and contributions transformation goals, as well as reiterated the commitments made in Canada's Feminist International Assistance Policy, to streamline and accelerate funding and reporting procedures of G&Cs; reduce the administrative burden on funding recipients; and be more responsible, transparent and predictable.

> *"What are the arguments that will make sense no matter what? Because these issues have to work, no matter who's in charge. I'd really encourage people to think about the language, the framing, and the depth of reframing that's required to achieve the longstanding victories that so many of us have been hoping to see in this."*
> *- John McArthur, Director and Senior Fellow, Center for Sustainable Development, The Brookings Institution*

Lessons Learned and What Our Partners Told Us About Co-Design

By integrating a co-design approach and through the use of the *ThoughtExchange* platform, the Risk Appetite Hackathon sought to be highly innovative, radically changing how the department collects feedback from partners, reinforcing trust, promoting transparency and encouraging agility while instilling the message that the entire GCTI is a co-designed effort.

The hackathon was an intentional experiment, allowing GAC to collaboratively, with its partners, test out ideas that have been percolating for years.

The hackathon marks one of the first co-designed initiatives undertaken by GAC; it generated many lessons that could be addressed by the department in future events.
Some of the key lessons learned include:

Co-Design
1. Co-design works. GAC's partners sent a strong signal to the department to continue to employ co-design to meaningfully transform the department's G&Cs management framework.
2. To enhance participation, it is important to allow ample time to plan the event and provide more notice to partners. Due to several unforeseen circumstances and delays, including the Public Service Alliance of Canada (PSAC) strike, GAC had significantly reduced time to plan and organize the event, including limited time to notify its partner organizations to ensure availability.

Partners' Capacity to Support Events
3. Partners', especially smaller organizations with limited resources, capacity is "stretched." For future outreach and engagement initiatives, the GCTI team will aim to tailor events by subject matter as well as issue invitations to partner organizations based on their specific technical expertise, interest and availability.
4. GAC will also consider doing shorter, separated sessions over four days of three hours each, to reduce the administrative burden on partners and allow for more flexibility in schedule.

Using Digital Collaborative Online Survey Platform, ThoughtExchange
5. The innovative platform was instrumental in helping GAC reach partners simultaneously, allowing for more diverse ideas and better-quality insights that represent real community perspectives in "real time," to be shared with data analytics support.
6. While participants noted support for the use of the ThoughtExchange platform, some would have preferred to have a ranking function that would make top results visible to all participants. The rating function provided participants with the ability to rate the quality of the ideas, but not rank those ideas. GAC will ensure this type of feature is available for its next outreach event.

More Focused Effort Needed to Ensure Participation by Global South

7. Despite efforts to include numerous local partners around the world, many local organizations cited time difference, language and internet accessibility issues as barriers to their participation. GAC will continue to reach out to local partners around the world, recognizing their voice is critical. Through accommodations such as scheduling shorter, targeted sessions in various time zones, the department will continue to explore accessible and inclusive ways to reach out to local organizations.

The Path Ahead

Despite some obstacles, the Risk Appetite Hackathon was a successful experimentation-focused, co-design initiative. GAC's new draft partnership principles of "working together" were endorsed by partners. These principles include committing to mutual shared trust; valuing the diversity of partners; tailoring due diligence based on partners' profiles; pledging transparent and timely communication; and sharing smart failures and learning from mistakes together. Together with partner feedback and perspectives provided during the Hackathon and on an ongoing basis, the new draft partnership principles, and the development and implementation of the new IA enterprise system and business processes will demonstrate increased risk appetite throughout all G&Cs programming, business processes and relevant policies, truly transforming GAC's international assistance management over the next five years.

> *"The 21st century needs a different set of solutions... It's a privilege to be rethinking and reshaping how we work together for this new 21st century. So, the change is needed, and I think if Canada leads, others will follow and I think we can have a transformation going forward."*
> *- Sanam Anderlini, Founder and CEO, International Civil Society Action Network*