



“Localization of Aid – Towards Realising Commitments to Local/National NGO (LNNGO) Capacity strengthening”

NEAR Network: Global Policy Brief on a 10% allocation of unrestricted financing to Local/National NGOs as a necessary commitment to local/national organisations capacity strengthening –
July 2017

Introduction

The Humanitarian system has marked its one year anniversary of the **World Humanitarian Summit**, and the launch of the **Grand Bargain** agreement, where key commitments in reinforcing national and local systems and ensuring accountability to affected people was realized.

The Grand Bargain, an agreement entered into by more than 30 of the biggest donors and aid providers at the World Humanitarian Summit in 2016, was an important step in the ‘localization’ journey. The Grand Bargain committed donors and aid organizations to providing 25 per cent of global humanitarian funding to local and national responders by 2020, along with financing that is unearmarked (unrestricted), increased multi-year funding to ensure greater predictability and continuity in humanitarian response, to incorporate capacity strengthening in partnership agreements, to reduce barriers that prevent partnerships between local and national responders with donors and include local and national responders in international coordination mechanisms.

The evidence presented, over the last few years, suggests that the global humanitarian system is stretched beyond its capacity. The number of people in need of humanitarian assistance has almost doubled, over the past ten years, and is expected to increase. Substantial funding shortfalls persist. More people are affected by conflict and disaster, more frequently, and for longer than in previous decades. Few would deny the humanitarian ecosystem is at full stretch and we are witnessing a growing, albeit late, recognition that local and national organizations play a pivotal and **cost effective role** in emergency response.

The one-year anniversary of the Grand Bargain agreement marked a time to take stock and as many at the Grand Bargain annual meeting in June 2017 stated *it's our chance to renew our commitment, to assess progress and chart the way forward.*

However a key obstacle, one year on, has been a repeated call to turn commitments into reality on the ground!

In the run up, to the one year anniversary, in May 2017, the Somalia NGO Consortium (SNC), in collaboration with the Rift Valley Institute, the Centre for Humanitarian Change and NEAR Network, with support from the Humanitarian Leadership Academy, convened a workshop in Nairobi, with Local NGOs from Somalia/Somaliland, Donors, UN agencies and INGOs on commitments and the realities of 'Aid localization' in Somalia.

One key action, agreed from the workshop, was the need to take forward **the development of this Policy Brief**, to build on the research and discourse over the last years, on a determined target on 'unrestricted' or 'un-earmarked' funding, as one of the stated aims, of the Grand Bargain. A working group of members and representatives of the NEAR Network and SNC, was established to take this forward, with the NEAR Network, supported the commissioning of the Policy Briefs.

The purpose of this policy brief is to present highlights of the historical and current practice and discourse, within the humanitarian sector and to forward a key recommendation on a necessary move towards a stated **10% unrestricted finance commitment**, as an essential component of the current 25% Grand Bargain funding target. This as a clear **approach to maximize organisational 'capacity strengthening'** to support the effectiveness of localized humanitarian action.

Approach and results

This policy brief contributes to an ongoing effort by the humanitarian sector to build the future of increased localized humanitarian action and in its approach employed a number of standard research methods, including:

Document review: the research included a review of current literature on localization, in particular on financing, organizational capacity and sustainability.

Key informant interviews (KII): Key Informant interviews and group Skype discussions, were conducted in June and July 2017.

The direction of travel for the humanitarian sector has repeatedly emphasized the need for an increased localized approach. Over the years L/NGOs funding and related practices has been the subject of many reviews, reports, articles, etc. Much of the historical accounts, analyses, findings and proposed recommendations, from these sources - especially those issued in recent years, continue to be relevant today, in that there is an **important need to reform humanitarian financing practices and that unrestricted financing allocations are critical for an organizations development.**

Local and national humanitarian actors are known to have only received approx. 0.2% - 2% direct funding of the overall global humanitarian response financing; this seems to have slightly increased, in 2016-2017, due to initiatives to account for and to realize commitments, post the World Humanitarian Summit.

However overall, the current reporting and tracking of funding flows to national and local actors is limited, in terms of quality, consistency and depth of detail, given the importance.

...figures would indicate that Syrian NGOs received more direct funding than other national and local responders elsewhere in the world, the level of direct funding is still just 1% of all available funding....

*While UN/INGO counterparts received the bulk of the funding, and then subcontracted their Syrian "partners" to implement much of the actual assistance, Syrian humanitarian actors were found to be much **less likely to obtain overheads**. Frequently they were not even able to recover the full costs of the relief activities they implement on behalf of donors and their so-called partners. A standard 7% overhead coverage for Syrian NGOs, which is usual for international actors, was only allowed in a few cases such as the OCHA managed Humanitarian Pool Fund*

http://www.local2global.info/wp-content/uploads/L2GP_funding_Syria_May_2016.pdf

Any analysis of the funding flows to local humanitarian actors is linked with the discourse about the nature of the funding relationship. It is crucially linked to how these funding flows, enable local and national capacity to be strengthened, whilst respecting organizational independence, context specific models of development, linked to standards and best practice, with the journey determined and owned by local and national actors/organizations themselves.

As noted in a report by Local 2 Global. *'Besides the incomplete nature of the available information on funding flows, there is also hardly any structured and systematic information **on the structure and quality of the funding and collaboration 'relationship...** UN agencies have been criticized that their collaboration with local actors is "primarily contractual", and characterized by time strict bureaucratic procedures. For instance, UNHCR does not allow overhead costs for the L/NNGOs they are working with, contrary to UNHCR's practice towards INGOs. A similar critique has repeatedly been voiced against donors and INGOs as well. (http://www.local2global.info/wp-content/uploads/l2gp_local_funding_final_250515.pdf)*

In an INTRAC briefing paper on the models of INGO sustainability, states; *'The balance between **restricted and unrestricted funds** seems to me to be at the heart of any debate about the financial sustainability of any NGO or civil society organisation. An overdependence on restricted funds is an indicator of potential unsustainability....'* INTRAC Briefing paper 41 - Models of INGO Sustainability: Balancing Restricted and Unrestricted Funding

An OECD report 17, reflecting on UN financing, notes concerns for UN agencies on the necessity for UN agencies to ensure unrestricted/core finance. The report states that an approach to earmarking increases costs on both sides. The report goes on to recommend that donors should consider increasing UN core funding and that *'non-core resources now constitute over 70 per cent of the total funding of most UNDS entities'*. This indicates that 30% of overall costs for the UN are core or unrestricted.

http://www.un.org/en/ecosoc/qcpr/pdf/ie_muttukumar paper_funding.pdf

It is the investment made by Northern national governments in their civil society organizations that has allowed these organizations to become professional aid organizations. It is through multi-year guaranteed partnership frameworks where each NGO (or UN) can expect to get funding from their national governments for operational and program expenses. We in the south have never had this investment nor will we ever have this from our own governments or any other group. Therefore, donors and tax payers need to be more risk willing as we will not achieve the level of professionalization that northern NGOs have achieved in the past 50 years without some challenges along the way.

Degan Ali. ADESO

As noted, it is clearly recognized that funding for INGOs and UN agencies, has historically and continues to be a mix of restricted and unrestricted resources. Donor agencies and international actors, continue to argue, this necessity, to ensure their own organizational capacity, sustainability and innovation. The trend however has been to move towards increasing earmarked funding, however the position of the Grand Bargain has been to reduce this trend. Much of the current discourse since the World Humanitarian Summit and the years before has focused on increasing local capacity and the importance of unrestricted funding. This brief, calls for this to now be an action and redress the historical imbalance between local/national actors and international actors as a critical requirement to enable independent organizational capacity strengthening, with a collective local and National actor commitment and target.

‘Local actors have the best understanding of the context and acceptance by the people in need of assistance and protection. Yet, despite recent developments - including the commitments made during the recent World Humanitarian Summit and Grand Bargain - local actors still only receive approximately 2% of all humanitarian funds. They also struggle to be treated as strategic and equal partners by international actors. On the other side, critics raise concerns over the inability of local actors to operate in a principled manner as well as fulfill due diligence and quality ‘requirements’

<http://www.deliveraidbetter.org/pages/learning/delivery-and-access/localisation-of-humanitarian-response>

However, as much as it is recognized that for any agency to ensure due diligence and quality ‘requirements’ as well as organization sustainability and strengthening, requires unrestricted investment, this is currently left to international agencies discretion, within ‘partnerships’ with local and national actors. This discretion, even when not within a current tight funding environment, historically has resulted in no or at best limited commitment, with currently limited incentive to change.

‘International actors’ rhetoric of building humanitarian local capacity are in many cases empty of real content and reduced to a set of trainings and instrumentalisation of local NGOs which are subcontracted as implementers particularly in the most risky areas.....’ Oxfam 2015 - A Fresh Analysis of the Humanitarian System in Somaliland, Puntland and South Central Somalia: <http://policy-practice.oxfam.org.uk/publications/a-fresh-analysis-of-the-humanitarian-system-in-somaliland-puntland-and-south-ce-550993>

And as noted in the **Charter for Change (C4): From commitments to action Progress Report 2016-2017 – June 2017**: *‘Being able to support partner organisations with “adequate” administrative support is particularly challenging..... most agencies reported lacking a clear or consistent approach to the issue, citing differences*

in country contexts and in the nature of projects and programmes, making it difficult to define a specific organisational policy on this issue. Such practices by INGOs do not contribute to higher levels of transparency between INGOs and their partners.....'

Additionally in the C4C report, noting upcoming actions in 2017/8, the main upcoming focus is on how International NGOs will organize the provision of capacity building support, but does not answer the consistent messaging in documentation produced or the increasing call by local and national actors in setting a clear target for unrestricted support.

The Grand Bargain processes, in the run up to the annual meeting, had commissioned research, to assess 'field' perspectives on the Grand Bargain. Reports, prepared by Ground Truth Solutions, looked at 'local partner' perceptions in Afghanistan, Haiti, and Lebanon. A message, in all three reports were criticism (or the least positive perceptions) about the support they receive to strengthen the management, leadership and financial skills of their organisation, the assistance they receive for strengthening the capacity for ensuring long-term planning capabilities and financial security, as well as the financial support offered to help cover core costs and how flexible the financial support from their partners is to changing contexts on the ground. <http://groundtruthsolutions.org/2017/06/19/field-perspective-grand-bargain/>

This briefing paper argues, that there is a necessity to address the consistent message, voice and call of local actors, on organisations sustainability, longer term professional capacity development and ensure independence, ownership, flexibility and choice of contextual relevant support.

There is a need to change the existing power and control of international actors of national and local own organizations capacity development. By ensuring unrestricted funding is a priority, of all actors and to harmonise the allocations already in place for international actors, with a clear target of unrestricted funding, to be monitored by a collective and clear commitment to local actors.

We know the benefits local actors can bring, and we also know how important it is that they receive un-earmarked funding, not only for operations, but also to strengthen their capacity.

It is imperative to ensure legitimacy of the humanitarian sector, in its stated aims of investment in local action, to increase trust, independence and empowerment of context specific, long term capacity and solutions.

There is a realistic opportunity for change and to realise commitments made on increasing financing and capacity strengthening combined, by way of a call to action by Humanitarian Donors, UN and INGO to ensure all financing mechanisms currently being explored, commits to ensuring a 10% unrestricted investment.

The current analysis suggests that targets, galvanizes a stronger collective commitment, especially where current practice suggests this is not collectively in place. The 10% call, is recommended based on the average unrestricted allocations already in place, within the sector.

This paper has highlighted some of the current practice and issues on capacity development and unrestricted financing within the Humanitarian sector for local and national NGOs, which have been dependent on external conditional funding for most of its history. This dependency and pattern of

relationship between LNNGOs, UN and INGOs systems is still in place. Local NGOs are accused of lacking accountability and quality in delivery, according to international standards. This does not match with the level of risk that local actors are requested to assume or the recognition of the work. (<http://policy-practice.oxfam.org.uk/publications/a-fresh-analysis-of-the-humanitarian-system-in-somaliland-puntland-and-south-ce-550993>)

As stated, with the Charter for Change annual 2017 report, there is a huge commitment to change systems and approaches to work better with and through local actors. By stating this, the signatories do not underestimate the challenges and barriers identified by many organisations both within their own institutions and within the wider humanitarian sector. It is encouraging to note that there has been significant progress on the part of signatories and they remain determined to drive this progress further, and to address the barriers at all levels which have prevented national and local actors from playing a more central and recognized role in humanitarian action.'

This is a clear call to collectively listen but also to act!

Conclusion and recommendations:

This policy paper is a genuine call for equity and justice.

UN agencies and northern NGOs provide zero or limited and discretionary unrestricted funding to a local NGO, with no clear collective target, while receiving unrestricted funding to fund their operational costs.

While the narrative is that local and national actors don't have capacity and there is a risk but the ability to control and develop capacity is undermined by not paying unrestricted and overhead expenses to strengthen capacity.

However there are opportunities to address this imbalance, as mechanisms for increased funding and capacity strengthening to support local actors, are being realized, to respond to the Grand Bargain commitments,

In conclusion, and while supporting the direction of the Grand Bargain commitments, for increased funding and capacity building for local actors, the findings in this briefing note suggest the **following recommendations;**

- Grand Bargain Signatories to provide a clear target **of a 10% overhead rate** and appropriate staff allocation in commitments and mechanisms to allow local organizations to invest in the capacity of their organizations. If there is serious commitment to capacity strengthening and thus the reduction of risk associated in increasing financing to local organizations, then it is essential that an unrestricted rate be provided to local organizations.
- **At least 5% of the budget allocated to local and national NGOs** should be for investments in administrative costs and emergency preparedness. Long term investment in the emergency capacity of local and national organizations needs to be seen as a key part of delivery of services or goods to affected people.

- Encourage a **mindset change** from an over-cautious risk aversion, toward listening to local actors, work in true partnership with LNNGOs and that donors take measures to incentivize their own partners to provide an unrestricted, administration and emergency preparedness allocation and work in true partnership with local and national actors.
- All actors, that are dispersing funds, including local actors should **track and transparently report annually** on the percentage of unrestricted financing and how much has directly reached communities in need. Concrete targets, implementation and monitoring plans need to be established to ensure that commitments move beyond rhetoric and become a reality.

The above should be approached not as challenges but instead as an opportunity to build a more equitable and inclusive humanitarian architecture that is better able to support affected communities.