

Localisation of Humanitarian Financing: Policy options for the Grand Bargain for bi-lateral donors

One of the strongest calls coming out of the World Humanitarian Summit consultations has been for the localisation of humanitarian aid. This is also reflected in *Important to Fail* the report of the UN Secretary General's High Level Panel on Humanitarian Financing. This briefing paper makes policy suggestions to increasing financing to national and local actors under two broad headings: firstly, options to provide incentives to encourage organisations which receive donor funding to increase their financial support to national actors and secondly options to support the creation of an enabling environment:

We recognise that for a variety of reasons large bi-lateral donors are unlikely to be able to directly fund national actors to the scale which would be needed to significantly shift humanitarian response towards a much more localised delivery model. However there are significant ways in which donors can promote, incentivise and support localisation of humanitarian aid to enable a more appropriate, effective, efficient and connected response which is locally led and locally delivered.

The UN Secretary General in his *Agenda for Humanity* specifically calls for humanitarian actors to 'develop concrete targets to increase direct and predictable financing to national and local actors'. CAFOD considers the negotiations over the Grand Bargain is the place to do this and recommends setting this target at 20% by 2020, **for implementing agencies, - UN and INGOs**. This figure is already exceeded by a large number of the more partnership focused INGOs, and UNHCR recently pledged to achieve it by 2020. We should not expend further time or energy discussing what is an appropriate figure, as any figure arguably could be described as arbitrary, rather we should show goodwill by committing ourselves to a target which would facilitate progress towards achieving localisation of humanitarian financing, and then work towards achieving it. The target for donors should be to increase the percentage of their humanitarian aid that goes to national governments and national NGOs year-on-year. This would set a positive direction of travel, whilst recognising donor constraints.

- **Incentivise recipients of humanitarian financing to increase their own financial support to national actors:** Although we accept that donors cannot reach anywhere near the current target of 20% of humanitarian funding directly to national actors by 2020, implementing agencies,-UN and INGOs - can do so, and donors should work with their grantees to ensure this target is met through incentives.
 - Introduce a 'localisation marker' for recipients of donor humanitarian funding, and make passing funding to local and national actors part of wider funding contracts and institutional agreements, so recipient agencies would have to meet certain targets of pass-through funding to local and national actors, or justify with presentation of extenuating circumstances why this is not possible.
 - The target of 20% funding passed to local actors should apply equally to UN agencies and INGOs. Of the UN agencies, only UNHCR reports how much of its funds it passes to national actors.
 - Donors should ensure that UN agencies' and INGOs' financial management systems can track funds passed to third-party implementing partners, and that these figures are published in a transparent and accessible manner.
 - Incentivise funding recipients to document and publish their resource transfers to southern-based actors, including what percentage of their humanitarian spend they allocate to capacity building for national and local actors.
 - All funds passed to national actors should be reported according to the Global Humanitarian Assistance report definitions of categories of NGOs¹.
 - Overheads: there are widespread discrepancies in what UN agencies pay to national NGOs for overheads. UNICEF pays a standard 7% across all NGO partners and WFP pays a rate per tonnage of food handled regardless of the category of partner. In contrast UNHCR only permits NGOs headquartered in another country to charge 7% overheads, thereby effectively penalising and discriminating against

¹ <http://devinit.org/#!/post/global-humanitarian-assistance-report-2015-2>

national NGOs. These practices are discriminatory against national NGOs and arguably undermine their potential for growth and sustainability.

- Humanitarian Framework agreements: Donors should use their framework, or humanitarian block grants to INGOs and UN agencies to ensure there is a focus on capacity building and working with national actors.
- Charter4Change: The Charter, (www.charter4change.org) commits signatories to change their organisational ways of working so that southern-based national actors can play a more prominent role in humanitarian response. It provides the broader framework for an enabling environment for the localisation of humanitarian funding. Donors should consider encouraging INGOs to sign the Charter and to work towards implementing its commitments. They can do this by holding their grantees to account on implementing these changes: for example that organisations which receive donor funds should channel at least 20% of their overall humanitarian funding directly to national actors by a target date, should transparently report how much they pass to national actors and should set aside specific funds for capacity support.
- Half of the Start Fund goes to local actors and it reaches them more quickly than any other mechanism. Donors should replicate or support the Start Fund.
- **Support the creation of an enabling environment:** To achieve sustainable change, the context in which national actors deliver humanitarian assistance must be such that enable local actors to be firmly centre-stage in terms of decision making in relation to preparedness and disaster response. In this regard, CAFOD makes the following proposals:
 - Donors should use their positions on UN agency donor support groups or executive boards to ensure agencies develop a strategic approach to working with and supporting national actors. This should include investment in staffing capacity at a country-level who are specifically tasked to working with local actors. This would enable a more systematic and planned approach to coaching and supporting national NGOs to access funds, participate in coordination and policy fora and to report funding to FTS and IATI.
 - Initiatives to strengthen humanitarian leadership should be encouraged to focus on promoting national actors and have clearly identified deliverables.
 - Incentivise system-wide approaches to assessments and reporting. Examples of initiatives already under way relate to standardised partner capacity assessments so that local actors applying for one set of funding do not need to undergo time-consuming and duplicated processes with a multiplicity of potential funders. This should build on the work already done with the IASC humanitarian financing task team, and on initiatives by START and by ICVA. Another example is the use of the Core Humanitarian Standard (CHS) with the DEC recently announcing that it would abandon its DECAF accountability framework to use the CHS framework.
 - All GDH donors should introduce multi-year financing for complex and protracted emergencies and to incentivise their own grantees to do likewise. This would enable local actors to retain staff, and ensure greater programme, and organisational stability and quality.
 - Identify ways of reducing transaction costs and the number of links in the chain between the first fund recipient and the beneficiary, for example by using the targets discussed above, so that both UN agencies and INGOs which receive humanitarian grants are encouraged to pass a percentage of money directly to national and local actors rather than channelling it through 'middle organisations'.
 - Encourage and incentivise recipients of humanitarian funds to report transparently and in real-time to FTS and IATI.
 - Donors should individually, or in coordination, pilot direct funding support to an appropriately representative national consortium of national NGOs in one or two countries. This would test the modalities, risks, benefits and challenges of direct funding to NNGOs in a small ring-fenced context to learn lessons for the purpose of replication.
 - Donors to the UN-managed Country Based Pooled Funds should ensure that a far greater percentage of the funds (currently at 16%) be granted to national NGOs. (CBPFs are one of the few mechanisms channelling money directly to national organisations).