Work stream 2: More support and funding tools for local and national responders

Workshop Report

Introduction:

On 21 February 2017, the IFRC and Swiss Government, as co-conveners of Grand Bargain Work Stream 2: "More support and funding tools for local and national responders" hosted a workshop in Geneva to support the implementation of the Grand Bargain commitments under this Work stream[1].

The workshop was structured on the basis of the four areas of work and commitments endorsed by the signatories under Work stream 2:

Funding:
- (2.2) Understand better and work to remove or reduce barriers that prevent organisations and donors from partnering with local and national responders in order to lessen their administrative burden

- (2.4) Achieve by 2020 a global, aggregated target of at least 25 per cent of humanitarian funding to local and national responders as directly as possible to improve outcomes for affected people and reduce transactional costs

- (2.6) Make greater use of funding tools which increase and improve assistance delivered by local and national responders, such as UN-led country-based pooled funds (CBPF), IFRC Disaster Relief Emergency Fund (DREF) and NGO- led and other pooled funds

Measurement:
- (2.5) Develop, with the Inter-Agency Standing Committee (IASC), and apply a 'localisation' marker to measure direct and indirect funding to local and national responders

Coordination:
- (2.3) Support and complement national coordination mechanisms where they exist and include local and national responders in international coordination mechanisms as appropriate and in keeping with humanitarian principles.

Capacity Strengthening:
- (2.1) Increase and support multi-year investment in the institutional capacities of local and national responders, including preparedness, response and coordination capacities, especially in fragile contexts and where communities are vulnerable to armed conflicts, disasters, recurrent outbreaks and the effects of climate change. We should achieve this through collaboration with development partners and incorporate capacity strengthening in partnership agreements.

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[1] Work stream 2 is one of 10 work streams under the Grand Bargain, an agreement announced at the World Humanitarian Summit on 23 May 2016. It consists of ten work streams in centered around efforts to improve the efficiency and effectiveness of humanitarian aid. To date 51 donors and aid organizations have signed on to the commitments.

Purpose and Participation:

The workshop brought together nearly 60 participants from over 40 organizations to discuss solutions to implementing the commitments in Work stream 2. Participants included both signatories and non-signatories, including from donors, UN agencies, International Red Cross and Red Crescent Movement, INGOs, and local and national responders. Local and national organizations were well represented in the discussions, with roughly 30% of participants representing local and national orgs from the Americas, Middle East, Africa, and Asia/Pacific.

The purpose of the meeting was three-fold:

- **Ensure coordination of key initiatives on localization:** Following the Grand Bargain, there is a significant amount of momentum in the humanitarian sector on localization, with a number of significant initiatives launched or planned. It is therefore necessary for key stakeholders in the agenda to come together to coordinate their activities, reduce duplication in their work, and realize synergies in their efforts.
- **Drive consensus on key concepts:** While there are many different visions of localization, and views on what it should be, there is a need for conceptual clarity and agreement on definitional issues. This is key in order to track progress, and also in order for the agenda to maintain credibility.
- **Increase the voice of local and national responders:** In large part, the voice of local actors has been missing in the Grand Bargain discussions. In order for the process to be effective and have any legitimacy, the voices of local and national responders are critical for this work stream.

Mapping initiative:

In advance of the meeting, Humanitarian Outcomes (Adele Harmer, Sorcha O'Callaghan) undertook a rapid mapping of initiatives on localization in the humanitarian sector. This was limited to actions at a multi-country or multi-organizational level, during which over 30 organizations were interviewed. Sorcha O'Callaghan presented the outcomes of the mapping to the group. It was stressed that this mapping was only a start and is intended to be a live document that can be constantly updated and of use to the entire work stream. Participants were asked to provide further input, using the standard template of the mapping initiative.

The broad findings of the mapping were organized into the four areas of commitments in the work stream described in the introduction. Overall the conclusions of the mapping initiatives were recognition of the huge scale, ambition, and challenge that the localization agenda poses, with significant potential for change. It's among the most challenging areas of work in the Grand Bargain, and gets at the heart of the business model of the sector. There is a significant concern about the lack of local and national representation in the discussions, and the degree to which their wishes, needs and opinions are taken into account. It was further noted that as the Grand Bargain was signed less than a year ago, it was necessary to have patience before assessing its ability to deliver change across the humanitarian sector.

The specific findings under the four areas are summarized below:

Funding:

- Lack of clarity on whether the ongoing work and/or commitments made would lead to altered donor behaviour, but there was a considerable level of donor interest in localization.

- Strong emphasis on pooled funding as a key to the localization agenda. This was true both of donors, local and national responders, and international aid organizations.
- Important to link initiatives on funding with other work streams of the Grand Bargain, particularly harmonized reporting.

Capacity:
- Large amount of dynamism, planned initiatives, and potential innovation.
- Evidence of increased investment within the International Red Cross and Red Crescent Movement on capacity building.
- Increased engagement between UN and INGO partners on capacity building.
- Initiatives are focussed on local civil society rather than affected states.
- Unclear how involved local and national responders themselves had been in planning these initiatives.

Coordination:
- Less information was available, but likely due to having not interviewed focal points in key organizations responsible for coordination.
- Focus on moving away from standard coordination models, increasing coordination in local language, and increasing meaningful participation of local actors and the role of governments in coordination mechanisms.
- Lack of clear decision making structure and lack of representation of all stakeholders in IASC decision making structures was cited.

Measurement:
- Work is underway on a localization marker in the IASC HF TT.
- Key definitional issues – including defining the terms "local and national responder" and "as directly as possible" – still require consensus. Co-conveners will propose a definition to signatories.

After a brief discussion that touched on a wide range of issues – four sessions were held where participants broke into working groups to discuss issues of funding, coordination, capacity, and measurement. The discussions are summarized below.

Discussions on funding

Common themes:

The issue of funding came up repeatedly in all sessions, and was seen by many to be at the heart of the Work stream. This is reflected in the Grand Bargain itself, as 50% of the commitments in Work stream 2 address funding challenges. While there was much discussion of the 25% target and means to achieve it, one overarching theme throughout the discussion was local and national responders' desire for independence. Many local actors felt that the primary benefit of more direct partnership with donors would be greater autonomy, and this was also reflected in the strong call for greater investment in their core capacities.

Linked to this was a discussion on domestic resource mobilization. Matching opportunities and engaging the local private sector were also suggested and some participants noted that the majority of their funds were raised in the Global South. Competition between international and national actors over fundraising in emerging economies was also an issue raised by local and national responders. Participants discussed the development of national pooled funds, and other

localized funding models, and the need to provide donors with an array of options for implementing localization. Consortia-based funding models were raised across the discussions groups as a possible model, with new consortia being led by a strong local NGO instead of an INGO.

There was a strong emphasis in this discussion on the quality of funding, and participants cautioned an exclusive focus on the quantity of funds transferred to local actors. Flexibility funding to cover overheads and staff costs was identified as a priority in this context. Many donors and international aid organizations do not provide funding to local actors for these costs, although local and national responders need this support to ensure organizational sustainability as much as any other humanitarian organization. This was connected to concerns overall volume of funding available for humanitarian response, given current and likely future constraints, and the importance of minimizing losses in transaction costs. Many sought greater transparency around transaction costs, including what those costs supported. Many donors and aid organizations were pushed to acknowledge whether or not they supported the overheads of local and national responders, and if not, they were encouraged to make progress towards doing so.

The intrinsic link between overheads and capacity building was repeatedly highlighted, and discussed at length during the capacity session. Participants also talked about the importance of funding at the preparedness stage in order to ensure appropriate surge capacity.

Pooled funds and UN-CBPFs were also a topic of discussion. Many saw pooled funds as an ideal channel for funding local and national responders, as it allowed "direct as possible funding" with strong financial accountability. However, it was also noted that this should not be seen as a "shortcut", as localization was not the primary objective of the pooled funds that exist in the sector. In addition, local actors face barriers to accessing pooled funds, and the UN-CBPFs, while representing 700 million dollars in funding globally, make up only 5% of total funding for humanitarian response linked to the HRPs in the 18 countries in which they exist.

Specific challenges:

The primary constraints faced by local actors receiving more funding are of three types. The first is connected to their ability to access funds due to various barriers. These included awareness of opportunities, language barriers, difficult grant application processes, onerous screening processes, and protection of donor relationships by international actors.

The second was around capacity to implement – absorption capacity, internal systems including around accountability, staff qualifications, onerous donor specific requirements such as reporting etc. Local and national responders highlighted the challenges of continuing operations when funds are dispersed slowly, or withdrawn, causing operations to cease as they lack the reserves to continue the programme.

The third major category of constraints was linked to the ability and willingness of donors to provide funding to local actors. Challenges highlighted by participants included:
- An absence of field based donor staff, despite presence at country capital, and the fact that not all donors deploy humanitarian expert personnel;
- Inability for donors to manage multiple small grants;
- Legal barriers in partnership agreements; and
- A lack of trust, connected to fears around risk and accountability.

Good practices:

Participants noted that there were already some good practices that could be learnt from and implemented more widely. The START fund was one example where 40-50% apparently goes directly from the fund to local actors and there are specific national NGO funding windows.

The Charter for Change (signed onto by 29 INGOs) also requires a number practices that support various aspects of localization agenda, including increased fundraising support, transparency in reporting, sharing overheads and a commitment not to recruit their staff.

Some donors had higher percentages going directly to local actors, although this varied by region and by donor. Efforts to build trust between local actors and donors had included secondments and multi-year partnerships.

In terms of pooled funds, in some circumstances local NGOs are part of UN-CBPF governance, however local NGOs who had played this role noted they had felt like a minority voice with little influence over decision making and allocation of funding.

Concrete suggestions:
- Specific commitment from donors and international aid organizations to fund overheads and support costs of their implementing partners, with clear criteria for this to occur.
- Non-state signatories to identify precisely which percentage of the funding receives goes to local actors directly, so as to allow state signatories a global view of their funding's contribution to the 25%.
- Donors to ask for better partnership behaviours, such as those outlined in the charter for change, of international aid organizations vis-à-vis their implementing partners.
- Aid organizations and donors to commit to greater transparency and articulating value add at each level of the transaction change.
- Creation of matching arrangement between local and national NGOs, bi-lateral donors, and domestic private sector.
- Focus on consortiums of national actors for direct funding, as donors will find it challenging to partner with many national NGOs.
- Establishment of locally managed and led pooled fund mechanisms, certified and managed by international accounting firms.
- Greater publicization of funding opportunities in local language.
- INGOs to introduce long-term local and national partners to their back donors, and advise donors on organizations with strong capacity.
- Review and clarify which donor requirements are creating the greatest challenges for local actors, and how these could change.
- More research and evaluation of different funding models to develop the evidence base.
- Ensure that local actors receive overheads included in grants or implementing partnerships.

Discussions on Capacity

Common themes:

The issue of capacity was a cross cutting theme throughout the day. Local actors stressed that this needs to be a priority and shared responsibility for all actors – for local actors, for donors, for international organizations. There was a call for a shift in the understanding of the concept, including re-defining the qualities that are seen as important, as well as valuing the capacities which local actors have and internationals do not (language, cultural understanding, presence etc.). There was a call for a change in the approach capacity strengthening and to focus more on

this being a 2-way process with bilateral exchanges and mutual learning. A related challenge was that the international community was often unaware of the local capacity and needs to do a thorough mapping before coming into a given crisis and presuming that no capacity existed or is totally overwhelmed.

The connection to funding was stressed repeatedly. **NNGOs felt they were stuck in a paradox– they wouldn't receive funding unless they had a certain level of capacity, but they couldn't get to that level without funding**. Concerns were raised that many local actors, despite having a higher need for capacity building were receiving the lowest overheads of all actors in the implementation chain. A number of participants reiterated that local actors are not one homogenous group but have varying strengths and weaknesses and levels of capacity so the starting point and needs can be very different. In addition, capacity will also have different requirements at different stages of the programme cycle. There was a clear overlap between humanitarian and development actor roles when it came to capacity building, in particular in advance of or after a crisis. As such development actors need to be part of the conversation and the humanitarian actors can also learn from them.

Specific challenges:

Funding for capacity building was the primary challenge identified – there is little funding for capacity building that exists, and what does exist is not often of the right type (flexible) and duration (multi-year). International organizations felt funding was getting less flexible so it was harder to include capacity building costs.

Capacity building has also sometimes been done poorly – focusing on a specific project or specific individuals rather than an institution as a whole. This results in staff leaving once their capacity is built, and often efforts have done more harm than good with international actors undermining the organizational development of local and national responders. At the same time capacity building activities might detract from time needed to meet urgent needs, and so timing was identified as a key issue.

Barriers to capacity are often context specific – having the ability to write reports during a major crisis for example was seen as a challenge. Staff security would obviously create further challenges and often the basics, such as functioning internet, might not be present in a given country. Coordination of capacity building initiatives was often poor, with international actors focused on addressing their priorities, often competing with other international actors instead of responding to the local actors' needs.

Good practices:

 A number of organizations outlined their experiences of good practices with a number of common themes. There was agreement that capacity building should be designed and led by the local actor. The group also discussed the value of peer support, the need to focus on operational or institutional capacity building, and of support taking place over a sustained period of time. Other important issues included whole of organization capacity building and succession plans as well as the importance of human contact, and trust.

Some INGOs talked of commitments around capacity building that they were being held to account for, as a means to ensure this was done properly. For example, under the *Charter for Change*, INGOs committed to fund overheads, support capacity building and avoid poaching staff from local actors, whilst others said capacity building was a key component of their work that they had to report on each year. Donors also mentioned their work supporting new capacity building

approaches. Building coalitions and consortia was also raised as a good practice, maximising the impact of different initiatives. Multiyear core funding was seen as essential to developing sustainable organisational capacity.

Concrete Suggestions:

The group came up with a number of specific concrete suggestions on how to ensure more systematic and better quality sustainable capacity building:

- Donors and international humanitarian actors could establish a local capacity building fund, that would focus on local actors and in particular on national consortia. This would be locally led with local actors deciding which initiatives should be prioritized.

- All actors need to improve transparency and traceability, including what is spent on capacity building. Rather than including this in "administrative" costs or "overheads", capacity strengthening should be its own specific budget line and should be prioritized.

- Donors and international humanitarian organisations could agree to a "capacity subsidy" whereby local actors receive higher overheads or a specific percentage of any grant which was to be used for capacity building (e.g. 10% of each project for capacity building). This should be flexible and provided over a number of years so that it can, for example, be used before, during, and after a crisis.

- National actors should have a multiyear capacity building strategy for themselves where they identify their priorities and funding needs and then articulate these needs to donors who would agree to fund pieces of it (to ensure coherence of capacity building from multiple donors).

- Where there are strong local actors present, donors and other international actors should be considering working with locally lead consortia and channelling funding through a trusted local actor instead of an international actor.

- Capacity needs to be built at the preparedness stage, so donors should invest in a preparedness fund. At the preparedness stage, it will be important to map what capacities exist and then invest in capacity development, with a particular focus on crisis prone (chronic or cyclical) contexts.

- Donors should incentivize good partnership behaviour from their grant recipients, so that UN Agencies and INGOs adopt best practices in capacity support, including funding overheads and core costs of local actors.

- Consider cost efficient models of capacity support such as supporting local and national NGO coalitions, cost sharing centres, and/or shared capacity for reporting and administration.

- One way to assuage the concerns of donors regarding accountability of local actors would submitting joint proposals made by one INGO and one NNGO.

Discussions on coordination

Common themes:

Lack of balance was raised by local actors who felt that often there were no local actors in a given forum, or they were so outnumbered that it was hard to contribute. There is a minimal number of local actors on HCTs or SAGs, although the quantitative engagement (on paper) was seen as less important than the qualitative engagement in reality. It was clear that even when present local actors were rarely asked to speak or felt it was hard to contribute or be listened to.

Language was another concern. Valuable contributions were often missed due to a lack of common language or poor translations. Furthermore, when local actors did turn up, language barriers meant they didn't fully understand what was happening.

Local actors often expressed that their belief that international coordination mechanisms had little to offer them, focusing on reporting obligations rather than the issues of concern to affected populations.

Risks of all kinds were raised as a cross-cutting issue with little progress on risk sharing and coordinated risk management.

The group recognised there were a variety of local, national, and international coordination systems in existence in a given context, and that these various forms of coordination often did not speak to or understand each other. Coordination needs vary based on context and what is and is not already in place.

Specific challenges:

A number of specific challenges were highlighted. A key barrier to local actor participation is language, and another is the physical accessibility of meetings held. Coordination meetings often happen far away from operations, where most local and national responders work. The variety of different coordination models was also seen as a challenge, particularly in refugee coordination scenarios where multiple parallel systems, bodies, and processes make it extremely challenging for local actors to productively engage.

A further challenge for local and national responders is that they felt that cluster coordination meetings were often more about UN processes, reporting, and documents than they were about meeting the needs of affected people. It was further recognized that HCs are ultimately responsible for the UN coordination system in country, and that it was important to have them as part of these Work stream 2 discussions. A final challenge was the lack of resources that local and national responders have to engage in coordination meetings, which is linked to a larger point seen throughout the day about the need to fund the core costs of local actors.

Good practices:

Quality engagement was seen as being about balance in representation, being invited to speak early on in the conversation and being listened to and views taken seriously. Co-chairing was seen as a good practice so that local actors could also influence the agenda and ensuring local voices were heard.

Concrete Suggestions:

- More balance in HCTs: 4UN, 4 INGO, 4 NNGO.

- More local actors in cluster Strategic Advisory Groups.

- Local co-chairs of clusters or sub clusters and for the local level bodies to hold meetings in local language.

- Combine the localization conversation with the yearly cluster architecture review process.

- Architecture review to include the global architecture, consider revisiting cluster leads and looking at this through the lens of localization.

- Translating key documents, reports, and meetings into the local language.

- A serious effort at scenario and contingency planning on what coordination should look like in contexts that are at high-risk of emergency. Such a mapping should include: risk mapping, mapping existing laws and policies, government coordination bodies, communication processes, national consortia and actors, and the capacity of local and national responders.

- Establish a preparedness fund for national actors and focus on support to national NGO consortium so that there are strong partners to engage in coordination platforms.

Discussions on measurement

The discussion in this session focused on means to track direct and indirect funding, definitions of local and national responders, defining "as directly as possible" and the possible development of a localization marker. The discussion on each issue is summarized below:

Tracking direct and indirect funding:

It was noted that the intent of the Grand Bargain commitment 2.5 is to track direct and indirect funding so as to reduce transaction costs and therefore free more means for relief: it is not to create a heavy bureaucratic system. Those present during the Grand Bargain discussions noted that many donors and organizations did not consider the current baseline data on funding for local actors reliable. Many cited the importance of tracking direct and indirect funding in order to clearer situation of the current picture on localization, and many others also cited that it was important to track the qualitative aspects of financing as well. The OECD and OCHA-FTS made presentations outlining recent and planned updates to their tracking systems. With the update of the OECD channel codes in June, direct financing to local actors will be able to be counted. OCHA-FTS highlighted that its new systems should be able to produce the raw data to analyze pass through financing as well. However, both instruments rely on agreed definitions to be able to track, code, and analyze funds. Furthermore, many international actors (both donors and aid organizations) highlighted challenges faced by their existing systems to track transaction chains and funding. Donors in particular highlighted the need to resolve this, as they were keen understand the nature, value, and cost of each level of the transaction chain.

Defining local and national responders:

A detailed discussion was had on the definitions of local and national responders. Strong work is underway under the IASC HF TT and the OECD, and development initiatives has produced a draft paper on definitions. A number of differences of opinion continue to prevent consensus on the definitions – namely 1) whether "localized" versions of International NGOs count as local and national responders, and 2) whether southern NGOs working outside their national borders count as local NGOs. An interesting issue was also raised as to whether NGOs working in "cross-border" operations such as those in Syria and Somalia are local and national responders in that context.

Defining "as directly as possible":

A detailed discussion was also had on this issue of defining "as directly as possible". Local and national responders were very clear that the focus should not be on measuring the status quo, and it was equally if not more important to track "direct funding" as it was to track "as directly as possible" funding. Another issue was raised re: in-kind contributions, and whether they can be counted towards the 25% target. Some objected to the inclusion of in-kind, arguing that it incentivized treating local actors as sub-contractors rather than partners. Others felt this opposite way, arguing that in-kind contributions have a value and therefore should be counted. Still others urged a distinction between types of in-kind contributions, as commodities and personal and

technical assistance are vastly different things. There was also a long discussion on the number of transactions appropriate to be counted in "as directly as possible".

It was repeatedly noted that the definitions should be agreed by the Grand Bargain Annual Meeting in June to maintain the credibility of the agenda, as not being able to agree definitions one year after the conclusion of the Grand Bargain would reflect poorly on the process. Co-conveners have announced they would make a proposal to all signatories by spring – a proposal informed by the workshops and work done by various players.

Development of a localization marker:

The Grand Bargain contains a commitment to "Develop a localization marker", to be used for tracking direct and indirect funding and thereby reducing transaction costs overall. After careful technical consideration, it has been made clear that a marker is not the ideal tool to reach the goal stated in the commitment, and as discussed in the above sections, other existing or updated mechanisms will be able to achieve this objective. A marker is better suited to incentivize policy change, and therefore the investment in developing a marker could be appropriate only if: 1) the marker was reframed as a policy marker, and 2) the marker was a blended version of a tracker and policy marker. It was noted that the objective of the commitment was largely to track funding, and that the signatories would not have agreed to the development of a policy marker. At the same time, many highlighted the need to measure, address, and incentivize the quality aspects of localization.

Next steps:
- Co-conveners to consult with IASC HF TT, GHD, and the OECD.
- Co-conveners to consult signatories on outstanding definitional issues prior to ECOSOC.
- Co-conveners to facilitate continued coordination and promotion of the work stream efforts.