

## Research on Country-level Financing Solutions for Local Actors Terms of Reference

### I. Background and rationale

In May 2016, donors and humanitarian agencies signed the “Grand Bargain”, agreeing to a series of changes in their working practices in order to improve the efficiency and effectiveness of humanitarian aid. Among its provisions are commitments to promote “more support and funding tools to local and national responders.” These “localisation” commitments include promoting more equal partnerships, ensuring better integration with local coordination mechanisms, providing more support for the long-term institutional capacity of local actors, and an aggregate target of 25 per cent of global humanitarian funding to be channelled “as directly as possible” to local and national responders by 2020.

This research project relates mainly to the financing commitment. It is supported by an ECHO-funded project (“*How to Go Local: Delivering on the Grand Bargain*”) and is intended to provide critical background information in support of the development of guidance notes on these topics. The organiser of this project, the International Federation of Red Cross and Red Crescent Societies (IFRC), currently serves alongside the Government of Switzerland as the co-convenor of the Grand Bargain’s “Localization Workstream.”<sup>1</sup>

### Humanitarian financing and localisation

As noted above, Grand Bargain signatories have committed to channel at least 25% of humanitarian funding “as directly as possible” to local and national responders by 2020. Subsequent to the adoption of the Grand Bargain, signatories agreed to definitions for “local and national responders” for purposes of this goal, as well as the meaning of “direct funding”. With regard to the meaning of “direct as possible”, it was agreed to track funds that travelled through no more than a single intermediary as well as pledges to pooled funds that can be directly accessed by local and national actors.<sup>2</sup>

While a number of signatories have taken steps to meet this commitment, progress appears<sup>3</sup> to be quite slow. Drawing on data from OCHA’s Financial Tracking Service, Development Initiative’s Global Humanitarian Assistance Report (2018) shows that for the year 2017, a record US\$27.3 billion was allocated to humanitarian responses reaching people in need. Of this amount, however, 97% was channelled to international actors, including UN agencies and INGOs. Local and national NGOs received just 0.4% directly, a rise of just 0.1% from 2016, while affected state governments received 2.5%. Funding provided to local and national responders directly and through one intermediary accounted for 3.6% (US\$736 million) of total international humanitarian assistance reported to FTS in 2017, up from 2.3% (US\$535 million) in 2016. Meanwhile, as

<sup>1</sup> Information about the plans and activities of the Workstream is available at [https://media.ifrc.org/grand\\_bargain\\_localisation/home/](https://media.ifrc.org/grand_bargain_localisation/home/)

<sup>2</sup> The agreed definitions and categories of measurement are available at <https://bit.ly/2F4Ff3n>

<sup>3</sup> Reporting on progress in this area is still hampered by a lack of specific systems implemented in many donors’ and agencies internal finance mechanisms. The figures reported in OCHA’s FTS are also acknowledged likely to be incomplete.

reported in ALNAP's State of the Humanitarian System Report (2018), UN Country Based Pooled Funds (CBPF) allocated a total of 24% of their grants to local and National NGOs in 2017, but this represented a very small proportion of overall humanitarian funding on the relevant countries.

It is generally understood that increasing the share of funding to local and national responders will save money by cutting the higher costs of delivery by and transaction overhead costs of international organizations and get more funds quickly to front-line responders. Evidence have been generated on how useful if not vital in many humanitarian action that of local responders' knowledge of the context and relevant skills, as wells connections, resources, and experience. Among the remaining key barriers that have been advanced in previous reports and consultations to faster progress on the localisation financing commitments are: (1) eligibility, oversight and reporting requirements that are difficult for local actors to meet, (2) donor capacity gaps in terms of vetting and managing multiple small grants with new partners, (3) the inability or unwillingness of donors and/or intermediary agencies to pass on sufficient "overhead" amounts to local actors, (4) international perceptions about the capacity of "unknown" local actors to perform, (5) project-delivery focused capacity strengthening approaches, and (6) limited influence of local actors over how funding is prioritized or have greater management of funds.<sup>4</sup> Additionally, it has been asserted (anecdotally) that "many donors have legal constraints that prevent direct transfers to national NGOs" (ALNAP 2018) and that domestic legal or policy processes about the receipt of foreign funds are interfering with progress. Restrictions for funding the governments of affected states have also been cited.

Likewise, there have been anecdotal claims of inconsistent approaches to national and local actors between the various country based pooled funds, with some making it easier/more prioritised for local actors to receive funding than others.

Moreover, in past consultations organised by the Grand Bargain Localisation Workstream, both local and international actors have emphasised the importance of strengthening local actors' capacity for domestic resource mobilisation. There also some examples of success stories and good practices on domestic resource mobilization for and by local actors<sup>5</sup> from which others may learn from.

## II. Objectives

This core business of the research project will be:

- To identify good practices and opportunities on country level financing within the framework of the Grand Bargain localization commitment to provide funding more directly to local and national responders
- To provide guidance on how to strengthen national and local actors to access greater humanitarian financing

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<sup>4</sup> See, e.g., *Provision and conditions of core/overhead/indirect costs for local/national humanitarian actors* (IFRC 2018); *As local as possible, as international as necessary Understanding capacity and complementarity in humanitarian action* (ODI 2018); *State of the Humanitarian System* (ALNAP 2018); *Funding on the Sharp End* (CAFOD, 2013), *Funding of National and Humanitarian Actors* (Local to Global Protection, 2015), *Localising the Response* (OECD, 2017), *From Grand Bargain to Beneficiary* (ODI, 2017), *Core Costs Localization Research* (NRC & IFRC, 2017), *Money Talks* (Oxfam, 2018), and *Turning Rhetoric Into Resources* (NEAR Network, 2018).

<sup>5</sup> See, *Turning Rhetoric Into Resources* (NEAR Network, 2018)

Specifically, it will examine:

1. current humanitarian financing solutions used by local actors
2. the legal and policy enabling and restricting factors – both in donor states and within affected states – for direct or greater direct donor funding to local actors
3. country-based pooled funds, including, but not limited to, the UN’s CBPF, and how they serve the purpose of localization
4. learnings and opportunities on domestic resource mobilization

### III. Research framework and methodology

The research will include desk research, telephone stakeholder interviews with donors and agency headquarter officials and three in-country case studies (including group and individual interviews). The desk research will collect and synthesize findings from existing reports and consultations relevant to the four main research questions. The country case studies will examine, through detailed contextual analysis, each of these focus areas. While still to be confirmed, the countries preliminarily selected for these case studies are Colombia, Ukraine and Ethiopia.

With reference to the third objective (on pooled funds), research will be coordinated with a project currently underway and coordinated by the Norwegian Refugee Council focused on the synergies between the Grand Bargain commitments and CBPF operations as well as with OCHA’s planned global evaluation of the CBPF, to ensure there is no duplication.

Main research questions:

1. Humanitarian financing solutions
  - a. According to the relevant stakeholders, what factors actually informed decision-making on financing local and national actors in the case study countries?
  - b. How were risks related to funding for local and national actors mitigated in the case study countries?
  - c. What are the most common perceptions as to the advantages and risks of increased direct funding for local and national responders?
  - d. To what degree does existing evidence support these perceptions?
2. Regulatory issues
  - a. To what degree do existing laws and policies in each of the major donor countries support or impede funding to national and local actors?
  - b. Which states have changed their laws or policies to address such barriers and what has their experience been after the changes?
  - c. In what ways do affected states’ regulatory environments (including disaster and NGO laws among others) enable or restrict funding to national and local actors?
  - d. How can local actors be better supported by other agencies to address regulatory issues?
3. Pooled funds
  - a. What are the existing country-based pooled funds that are accessible to local actors and to what extent have these been effective from the perspective of localization?
  - b. What are the remaining barriers on local actors’ increased access to pooled funds and how are these being addressed?

4. Domestic resource mobilization
  - a. What are the existing opportunities and threats to domestic resource mobilization?
  - b. In what ways can international actors support local actors on this?

The following data collection methods will be employed with details and over-all research design and framework to be finalized as part of the inception report.

1. Desk review of literature, laws and policies – summary of existing evidence of good practices, learning, and knowledge on localization financing models (pre and post Grand Bargain) as well as relevant laws and policies
2. Case study surveys to be conducted at the first part of the study to capture main research questions
3. Key informant interviews at global level and in the three country case study locations
4. Focus group discussions and workshops in the case study locations

The research approach will endeavour to “walk the talk” of localization. The Steering Committee that will be formed to oversee the research will include local actor members of the Workstream. The literature review will include diverse resources and recommendations will be sought from local actors on whether there are any essential resources or documents that should be included. National researchers with support from the global lead researcher will carry out the country-based research projects and they will have extensive inputs in the research design and methodology.

The draft report will be presented for validation in the Global Localization Workstream meeting scheduled in September 2019 in Brussels. Apart from the research report, the final output will be a draft guidance note for use by the localization workstream.

#### IV. Timeline and deliverables

Date/Month	Output
January/February 2019	Recruitment of consultant/s
2 <sup>nd</sup> week of March 2019	Inception report including case study template and survey questions
3 <sup>rd</sup> to 4 <sup>th</sup> week of March 2019	Literature review
March to April 2019	Key informant interviews (donor and agency Headquarters)
April to May 2019	Country case study research undertaken
June 2019	Draft report including the global literature review and outcomes of interviews at headquarters
September 2019	Presentation at workshop to be held in Brussels (including findings from the country case studies and incorporating revisions following the comments from the Steering Committee)

30 September 2019	Final research report and draft guidance note
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This consultancy will be managed by the IFRC Policy and Diplomacy team, in particular the Senior Officer, Localization with oversight and support by a Steering Group to be selected from the localization workstream and research group.

**Note the following schedule of payment**

The consultant will be paid in three instalments:

- An interim invoice of 10% at delivery of final draft of the inception report (invoiced on or before 30 March 2019)
- A second invoice of 40 % at delivery of the draft report (invoiced on or before 30 June 2019)
- A third and final invoice of 50% at delivery of the very final product, after incorporating feedback and comments from IFRC (invoiced on or before 30 September 2019)

V. Required Profile of Consultants/Consultancy Agency

The consultants to be appointed will need to have substantial experience in humanitarian aid research, particularly on financing and or localization as well as demonstrate delivering well edited research and research reports. We will have preference for consultants who have used an approach of a localized research process from the design of the detailed methodology to carrying out the research.