

ASIA PACIFIC CONFERENCE ON LOCALISATION OF AID
JAKARTA

COUNTRY-LEVEL FINANCING SOLUTIONS FOR LOCAL ACTORS

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Introduction

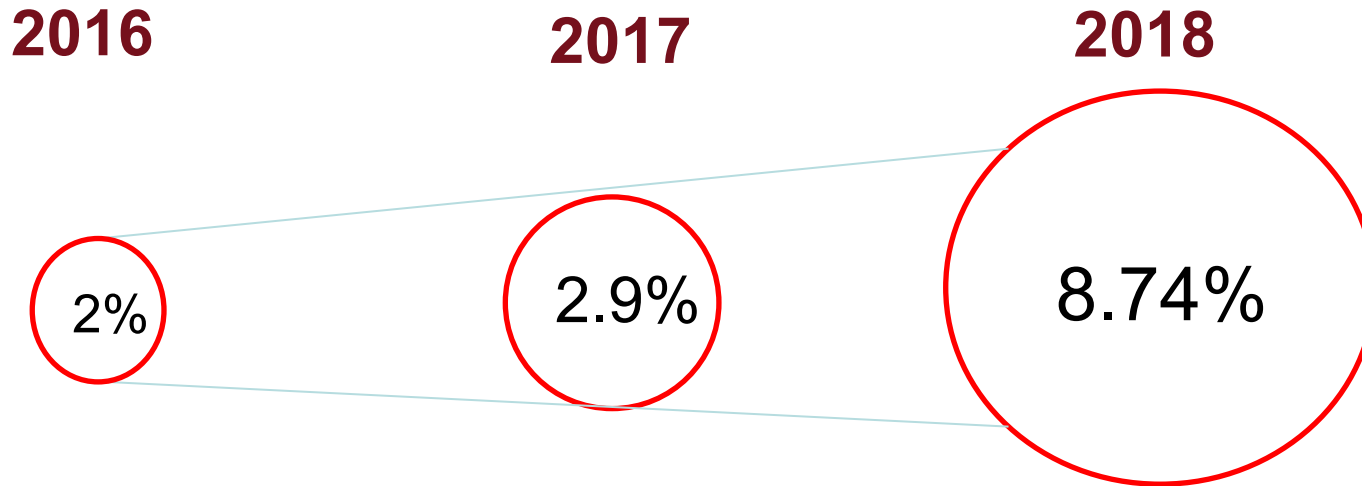
- IFRC is currently carrying out research on country-level financial solutions for local actors
- The objectives of the research are:
 - i) To identify good practices and opportunities on country level financing within the framework of the Grand Bargain localization commitment to provide funding more directly to local and national responders*
 - ii) To provide guidance on how to strengthen national and local actors to access greater humanitarian financing*
- A six person team of Owl RE, research consultancy, is currently carrying out research globally and in three countries: Colombia, Ethiopia and Ukraine
- This presentation presents some initial findings as research is still ongoing

Global financial solutions characterized by:

- Lengthy transactions – large number of players take part in the processes
- Established system between donors, INGOs and UN agencies (many pre-selected e.g. DFID Rapid Response Mechanism)
- Fiduciary risk management through multipliers (for financial accountability and reporting)
- Funding to the local and national actors mostly through intermediaries such as UN agencies and INGOs
- Very small amount of financial resources ultimately reach local and national actors

Finding 1

Global funding is increasing slowly but steadily to local and national actors (including National Societies, L/NNGOs and local govt's)

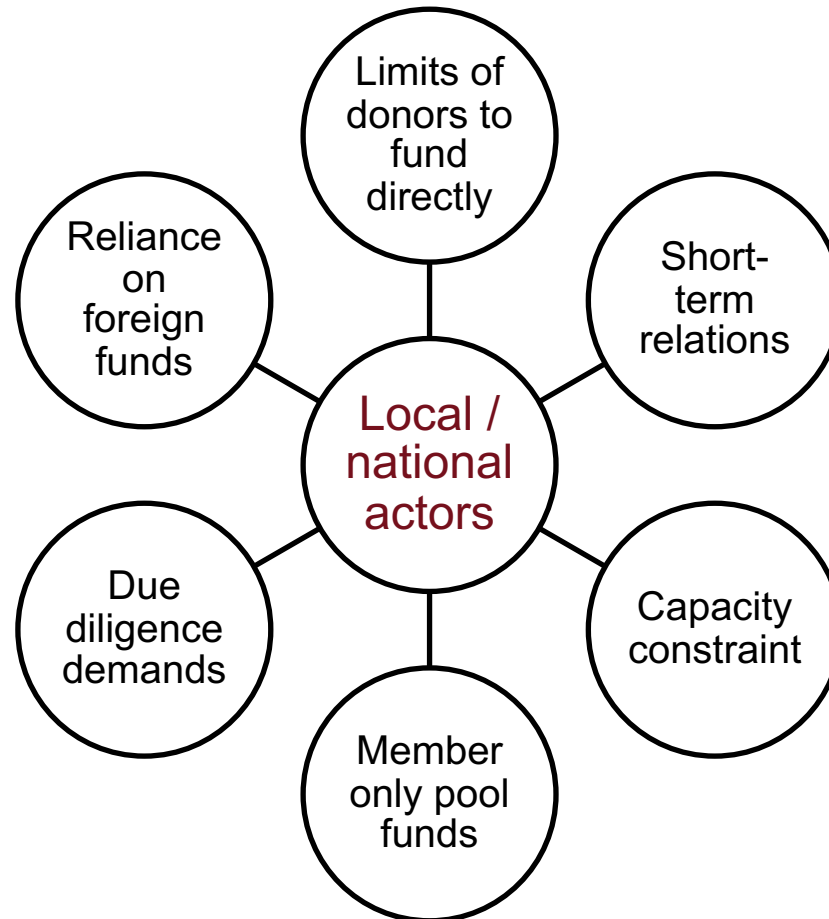


3% - direct funding for local and national non-state actors in 2018

84% - of local/national actor funding went to government agencies in 2018

Finding 2

Barriers continue to exist for local and national actors to access funds



Finding 3

Legal and policy barriers of donors can be overcome

- With exception of EU, no major legal or policy barriers block funding of local and national actors
- More so, practical challenges, perceived risks and administrative burden make direct funding challenging
- Donors, including the EU, rely on intermediaries such as UN agencies, INGOs and pool funds as to indirectly fund local and national actors

Finding 4

Pool funds are a potential and positive funding source although barriers exist

- UN OCHA country-based pool funds (CBPF) distributed 25% of their fund to L/NNGOs in 2018
- Access to CBPF vary from context to context and can be an administrative challenge for local and national actors
- The Start Fund and IFRC's DREF fund play a positive role but are not accessible to non-members: Start Fund has funded mainly INGOs; DREF is for Red Cross Red Crescent National Societies
- Pool funds ultimately play a small role – e.g. CBPF is some 2.8% of total humanitarian funding

Ukraine – feedback from field visit

- Ukraine's humanitarian sector is “new” – since 2014
- Ukraine a big country - 46 Mil. people / 603,000 SQ KM – so coordination is a challenge
- Age /experience of L/NNGOs brings risks for their international partners
- While NNGOs may have direct relations with donors, LNGOs were more implementing partners
- L/NNGOs that are implementing partners with UN/INGOs are totally dependent on this relationship in order to be able to continue to operate

Best practices

1. Funding arrangements that include covering overhead/core costs by default for local and national partners
2. Longer-term and more sustainable partnerships between donors and local and national actors
3. Moving from “implementer” to partner for L/NNGOs
4. Establishing local humanitarian forums
5. Integrating local actors in official coordination mechanisms at the local level
6. Procedures and mechanisms for pool funds are clearly and openly communicated
7. Improving L/NNGO access to pooled funds by their representation on the review panels

Opportunities

1. L/NNGOs calculate a set of justifiable overhead rates to be used in future budget development with partners
2. More efficient decision-making and disbursement processes for local actors
3. Think differently about humanitarian funding sources for L/NNGO
4. Create new structures/consortia/platforms for funding and representing local and national actors
5. Simplifying compliance and due diligence requirements for local and national actors
6. Greater representation of local and national actors in decision-making forums
7. Increased funding and greater coordination and complementarity of various humanitarian pool funds

Questions and discussions

Two points to discuss:

- What needs to be the focus of the guidance note out of the “best practices” and “opportunities”?
- What is missing?

Extra slides

Current global financial solutions

- **Governments:** USA, Germany, UK and EU largest contributors –USA accounts for 1/3 of all government funding. Predominantly delivered through multilateral organizations (especially the UN), and bilateral aid. Grand Bargain government signatories allocated 14.2% of their funding flows to local actors (direct and indirect)
- **Multilateral development banks:** play important role in crises financing e.g. concessionary loans refugee hosting countries. Most multilateral development banks directly fund national governments but not always.
- **Private funding:** 1/4 of all global humanitarian assistance through individuals, corporations, foundations and trusts. Predominantly delivered through NGOs (87%).
- **Remittances:** play an important funding role in crises. 2010 Syria, remittances were equivalent to aid by 29 DAC countries in 2013 and 2014.
- **Pooled funds:** increasingly gaining momentum and provide donors option to pool resources for common and unearmarked emergency response. The main pooled fund, UN OCHA CBPFs constituted only 2.8% of all available humanitarian funding.

Definitions

- The Grand Bargain was an ambitious call to commit at least 25% of internationally-raised funding ‘as directly as possible’ towards national and local actors.
- Definitions:
 - Local and national actors: orgs that are headquartered and operating in their own recipient country and which are not affiliated to an INGO (from fundraising and governance perspective) .
 - ‘As directly as possible’: funding that passes through maximum one intermediary to a second-level recipient.