

Leveraging Investment for Local Actor Capacity Strengthening Across the Humanitarian-Development-Peace Nexus

Introduction

Central to the humanitarian sector discourse for a more locally-led response that has span over several decades are the issues on capacity and financing.

The 2016 World Humanitarian Summit (WHS) and the resulting Grand Bargain reform agenda called for responses that are ‘as local as possible, as international as necessary’, with a commitment from major donors and aid agencies to ‘invest in the capacity of local and national responders’ and provide at least 25 per cent of funding to local organisations ‘as directly as possible’.

While various initiatives are being undertaken and many aid agencies report substantial progress in actioning on the Grand Bargain (GB) Localisation commitments, transformative and systemic changes remain limited and some conceptual debates linger on. Direct funding to local and national actors has not risen substantially over last three years and remains well below the target set out for 2020¹. The 2020 GB Independent Report notes that ‘investments in signatories in strengthening the capacities of local partners remained largely static, with the same core group of aid organisations continuing their work in this area, but with no, or only limited, increase in support from donors.’

The series of demonstrator country missions and regional consultations organised by the GB Localisation Workstream in 2018-2019 highlighted the divergent views and competing interests of the different stakeholder groups on how to move the localisation agenda forward, particularly the commitments around capacity strengthening and financing. Local actors believed that the dominant framing of capacity strengthening in the humanitarian sector is a uni-directional transfer of capacity from international actors to local actors, with the latter expected to prove their capacity to the former in order to be able to access resources and roles in decision-making platforms. Moreover, capacity is often defined largely as ability to satisfy donors’ requirements related to finance and reporting and less in terms of institutional competencies, including the ability to provide rapid and effective assistance. The biggest issue perhaps is that strategic and systemic capacity strengthening takes time and resources but most of the current available support specifically humanitarian funding are by its nature short-term, life-saving or service-delivery focused and project-based. For some donors it is effectively impossible to fund institutional capacity building of local actors with humanitarian funds, due to their legal setup.

¹ Analysis of UN OCHA FTS data by Development Initiatives suggests a decrease in volume and as a proportion of total funding from 3.5% in 2018 to 2.1% in 2019. Factoring in the contributions to ‘anonymized NGOs’ and the subsequent categorisation made for organisations receiving humanitarian aid, OCHA FTS data analysis as of May 2020

Localisation and the Nexus Approach

The humanitarian-development-peace nexus² (HDPN) concept is a continuation of long running efforts in the humanitarian and development fields, such as disaster risk reduction (DRR), linking relief rehabilitation and development (LRRD); the resilience agenda; and the embedding of conflict sensitivity across responses.

In the Grand Bargain, a commitment was made by signatories to ‘**enhance engagement between humanitarian and development actors**’ that is about ‘**working collaboratively across institutional boundaries on the basis of comparative advantage**’.

There are differing definitions, terms and understanding by different actors of the nexus approach. Existing HDPN literature and best practice point to a consensus around the characteristics of nexus programming that is context-driven, highly localised and non-linear (Alcayna T. 2019; F. de Wolf and O. Wilkinson 2019, IASC 2020). Its aims commonly make reference to **collaboration, coherence, complementarity, comparative advantages, and collective outcomes** towards ‘reducing overall vulnerability and the number of unmet needs, strengthening risk management capacities and addressing root causes of conflict’ (ICVA 2017, OECD DAC 2020, IASC 2020).

Discussions on the nexus, however, have largely taken place within the UN, and **guidance on how to implement the nexus still has to be translated into practice**. Current nexus discussions including within the Grand Bargain often emphasise the need to build State resilience and work with State actors while the contribution of local civil society or attention to local community engagement and accountability is often neglected (M. Thomas 2019, Charter for Change 2020, KIIs).

The local is a natural place for working beyond the silos as crisis-affected populations tend not to operate with the same distinctions between sectors (Barakat and Milton 2020) and very often local actors do not work with the distinctions of ‘humanitarian’ and ‘development’ (Alcayna T. 2019, KIIs). As frontline responders they have a better understanding of the local context and are better placed to link and operationalise the nexus to address both short- and longer-term needs and objectives as they are present before, during and after the crisis. Community-led DRR action plans for example, can contribute to transformational long-term change (Oxfam 2020) while diverse contributions of (local) women responders to

indicate funding to local and national actors in 2019 is at 2.7%, up from 2.1% in 2018.

² Initially referred to as the Humanitarian Development Nexus, Secretary General Antonio Guterres in December 2016 then introduced the ‘sustaining peace’ element to the nexus, thereby creating the triple nexus of humanitarian-development-peace.

protection programming extends beyond protection outcomes to contribute to a more effective, wider humanitarian response and longer-term women's rights and social justice aims (CARE 2018, UN Women 2020).

The current context of the COVID 19 pandemic brings to focus the critical role of local actors in humanitarian operation and highlights the need for a coherent and joined-up response between humanitarian, development, and peace actors. Localisation has become both a necessity and an opportunity for effectively meeting humanitarian needs and recovery efforts post Covid-19.

Capacity Strengthening – Evidence of Good Practice

A review of a number of previous and ongoing initiatives by aid agencies point to key elements and characteristics of good practices and lessons in capacity strengthening. These can be summarized as follows:

1. Capacity strengthening as a two-way process leading to better complementarity

Capacity strengthening should be a two-way process, whereby international actors also take the opportunity to learn from local actors, including technical skills, operational considerations and a better understanding of the political, social and cultural context. A good capacity strengthening initiative highlights local capacities that exist and builds on complementary capacities and competencies of all actors in the humanitarian ecosystem.

Two strong examples include the [Tearfund's Bridge Builder Model](#) and [Islamic Relief's STRIDE Project](#).

2. Local actors setting the priorities for, and taking full ownership of, any capacity strengthening support and international partners as taking the role of facilitators

Successful capacity strengthening initiatives that are sustained are mostly those where the local actors themselves take responsibility and ownership. Local actors' ownership is built through approaches that respects the principles of partnership and methodologies that are flexible and adaptable to the different contexts and needs of local actors.

Strong examples of this include the [SHAPE Framework](#) and [CAFOD's Humanitarian Capacity Strengthening \(HCS\)](#)

Capacity strengthening is a deliberate process that supports the ability of organisations and networks to institutionalise new or improved systems and structures, and individuals and groups to acquire knowledge, skills, or attitudes which are necessary to function effectively to achieve goals and work towards sustainability and self-reliance.³

³ Definition proposed by the GB Localisation Workstream under Core Commitment 2a, Increase and support multi-year investments in the institutional capacities of local and national responders, including

3. Working with a wide range of stakeholders and applying a holistic approach to achieve the envisioned change

Strong examples of this include [Oxfam's Empowering Local and National Humanitarian Actors \(ELNHA\)](#) and the [Nigeria INGO Forum Promoting Local Response Capacity and Partnership Initiative \(PLRCAP\)](#)

4. Capacity strengthening is a long journey and needs to be supported by multi-year, predictable and flexible funding.

Longer time horizons are needed in order to match the ambitions of organisational capacity strengthening and for outcomes to be sustained. Longer timeframes allow local partners to embed and roll out newly developed policies, plans, or practices; gives space to apply and learn from mistakes; allows for sufficient inception time; and can enable local partners to shift from being solely recipients of capacity strengthening support to also supporting others.

A strong example of this is the [IFRC/ICRC National Society Investment Alliance \(NSIA\)](#).

Capacity Strengthening: Evidence of Change

Beyond the output level results (number of trainings conducted, staff trained, organisational policies and systems put in place, etc) there is also some evidence on how investments on capacity strengthening have made organisations become stronger and how these have impacted on the effectiveness of work across the disaster continuum.

Changes in capacity in terms of systems and processes, fundraising, and conducting needs assessments and their emergency preparedness levels are documented in projects such as from the various projects under the DFID-funded Disasters and Emergencies Programme (DEPP), Oxfam's ELNHA project, CAFOD's Humanitarian Capacity Strengthening Programme, Tearfund's Bridge Builders project, Mercy Corps' Investing in Syrian Humanitarian Action (ISHA) pilot project, Islamic Relief's Strengthening Response Capacity and Institutional Development for Excellence (STRIDE) project, and Catholic Relief Services' ongoing EMPOWER and Response programmes, to name a few. These changes have in turn resulted to local organisations becoming eligible for UN pooled funding, success in securing emergency response funds, and representation or leadership roles in humanitarian coordination and decision-making bodies.

Some qualitative evidence of improved speed, efficiency and inclusiveness of emergency response has also been reported as well as shifts in attitudes, behaviour and practice. Available evidence, however, remains limited and mainly anecdotal. The lack of commitment and investment to monitoring and evaluating the impact of capacity strengthening programmes means there continues to be little evidence of what has worked or failed and why.

preparedness, response and coordination, Core Commitment Indicators and Results Indicator (December 2019).

Current Financing Landscape and Prospects

The pandemic is placing additional demands on a strained humanitarian system and also eroding the capacity of government and institutions to respond, with the risk that already limited resources of humanitarian and development finance could decline further and faster. The Global Humanitarian Assistance Report for 2020 reports that humanitarian assistance dropped for the first time since 2012.⁴ Signatories to the Grand Bargain are off track to meet a number of key commitments including the ‘as directly as possible’ funding target to local actors that has dropped from 3.5% in 2018 to 2.1% in 2019 and unearmarked funding to nine UN agencies dropped for the fifth consecutive year.

Specific to meeting the GB commitment on investments for local actor’s institutional capacity strengthening, the 2020 Annual Independent Report (AIR) notes that ‘many donors seemed unclear as to what actions this commitment required of them, with most reporting broadly on their multi-year funding to any downstream partner or on the volume of funds they provide to local actors, rather than specifically how these funds support long term capacity strengthening.’ The report also notes ‘the lack of diversity in investment approaches has limited the kind of institutional strengthening programmes that can be undertaken, and those international organisations that have engaged in targeted capacity strengthening programmes report no increase in funding from institutional donors for this work – despite this issue being highlighted in the AIR 2019.’

Across the nexus, some developments and opportunities to leverage funding to support institutional capacity strengthening of local actors can be found around:

1. DAC Nexus Recommendation⁵

The OECD DAC Recommendation on the HDP Nexus highlights the importance of strengthening national and local capacities by (1) prioritizing funding to local organisations that are already present when crises occur; (2) incentivizing international actors to also invest in local capacities and ensure, wherever possible, local actors are an integral part of their response with the ultimate goal to gradually end dependence on humanitarian assistance by fostering self-reliance and resilience, and; (3) where appropriate, prioritising working with local and international partners who have the flexibility to adapt programming as the context changes and will sustain their engagement until

local capabilities are sufficient to ensure people’s survival, dignity, security and human rights.

2. Nexus ready financing mechanisms⁶

Efforts are also underway to develop the building blocks of ‘nexus ready’ financing instruments and mechanisms. Emerging practices of Sweden, Denmark and the UK, for example, demonstrate a willingness to make funding mechanisms more flexible and predictable through the use of resilience funds, flexible mid-year funding allocations, and long-term framework agreements for trusted, vetted implementing partners.

3. Local2030: Localizing the SDGs

Outside of the Grand Bargain and humanitarian sector, Local2030 focuses on localizing development that ‘takes into account subnational contexts in the achievement of the 2030 Agenda, from the setting of goals and targets, to determining the means of implementation and using indicators to measure and monitor progress. This concept has evolved from ‘implementation of goals at the local level, by sub-national actors, in particular by local and regional governments’ to ‘a process to empower all local stakeholders, aimed at making sustainable development more responsive, and therefore, relevant to local needs and aspirations.’

4. Locally-led adaptation action

The Global Commission on Adaptation calls on organisations to consider roles each one can play in ensuring a more equitable approach to adaptation. The Commission has supported the development of a set of principles on how to strengthen locally-led adaptation. The Commission now invites any organisation to endorse these principles that are geared towards action around increasing financing to the local level, changing the processes and capacities required to access funds by local stakeholders, or shifting internal institutional arrangements to better integrate local priorities. As of January 2021, over 40 organisations have endorsed these principles, committing to make changes and strengthening existing efforts to meet this urgent adaptation agenda.

5. Quality funding

Part of the commitments for a radical scale up of quality funding is around ‘expanding the scope of ambitions beyond the types of flexible and multi-year funding envisaged in the Grand Bargain, to enhance the predictability, flexibility and timeliness of the full spectrum of funding.’ The scale up of efforts also includes actions to ‘broker practical solutions to address donor accountability and visibility concerns as well as to identify barriers in cascading quality funding to frontline responders.’⁷

⁴ Development Initiatives (2020), Global Humanitarian Assistance Report 2020, <https://devinit.org/resources/global-humanitarian-assistance-report-2020/>

⁵ OECD, DAC Recommendation on the Humanitarian-Development-Peace Nexus, OECD/LEGAL/5019

⁶ OECD (2020), Financing Across the Humanitarian Development Nexus, INCAF Financing for Stability

⁷ Grand Bargain Enhanced Quality Funding Workstream, Quality Funding: How to reach critical mass, June 2020

6. Overhead/Indirect Costs

Adequate overhead/indirect support costs pay for the costs of risk management and compliance requirements as well as support local organisations to remain financially stable and retain staff. Partnership and funding policy changes have been made by a number of agencies to address this issue on overhead costs. Examples include : (1) allocating a standard 4% of grants to local partners as indirect support (UNHCR); (2) allowing up to 7% of budgets to be dedicated to programme support costs (CBPF); (3) allowing second line of Non-Project Attributable Costs (NPAC) between 10% to 14% to local/national NGO subgrantees/implementing partners (DFID-RRF), and (4) establishing guidance to design and implement an indirect cost recovery system and making crucial links to an organisation's funding strategy and accountability (IFRC Guidelines for National Society Costing Policy).

7. Domestic resource mobilisation

While opportunities to raise funds for humanitarian action domestically is maybe limited in many crisis-affected countries and not sufficient or sometimes not ideal to support the costs of long-term institutional capacity strengthening, funds raised can be useful for local actors from kick starting an emergency response to maintaining and sustaining operations. It also adds to the experience and track record of local actors to secure bigger and more quality funding in the future.

Support for capacity strengthening of local actors can also come in the form of providing an equal playing field and or sharing skills on resource mobilization and ideally, leaving the domestic funding resources to local actors.

Maximising Opportunities and Addressing Barriers

Various studies, programme evaluations, and lengthy discussions have produced lessons and good practices as well as some evidence on the impact of long-term support for capacity strengthening of local actors. There is still a long way to go, however, towards recognition of local actor's capacity and support to strengthen it either through direct and better quality funding or investment in capacity strengthening. Strengthening the synergies between localisation and the nexus approach and using this to leverage investment across the nexus to support long-term institutional capacity strengthening of local actors can be a big step forward.

In conclusion, below are suggested **key considerations to maximise opportunities and address remaining barriers**:

1. Investment in institutional capacity strengthening of local actors should **build on existing evidence of good practice** and on how these initiatives have contributed to improved emergency preparedness, effective response and resilience building. It is important to continue documenting and emphasising what is working, sharing good practices as well as **learning from problematic ones**. To further strengthen the business case of localisation, it is also important to demonstrate evidence of local actors' impact, promote their

self-organisation, and support common action and alliances.

2. While localisation and nexus discussions have progressed, **the biggest disincentive to change remains in the way the humanitarian system and actors are organised**. The emerging lessons from the ongoing **COVID19 pandemic have highlighted these issues** and made localisation both a necessity and a reality. It remains to be seen, however, if it can catalyze transformative change or if the positive changes it has brought can be sustained.
3. The **goal of localisation as articulated within the Grand Bargain is shared across the nexus – humanitarian, development, peace, climate**. Investments in the long-term institutional capacity strengthening of local actors whether they be humanitarian or multi-mandate organisations could benefit in many ways the different nexus strands.
4. **Institutional capacity strengthening is a long journey** and oftentimes the outcomes and impact are difficult to measure. Apart from stand-alone projects or programmes, support for institutional capacity strengthening of local actors can also come in the form of adequate support for overhead costs, providing multi-year and flexible funding, and support for domestic resource mobilisation.
5. **Capacity strengthening can be a useful approach to risk management** for donors and aid agencies working across the humanitarian-development-peace nexus. De-risking is not good enough and not viable. Donors have to enter a relationship with local actors closer to a genuine partnership where ideally, institutional capacity strengthening of local actors/partners become an objective of the partnership itself.
6. The **voice and influence of local and national organisations need to be amplified** in the conversations and planning on the nexus and quality funding at the global, regional and country levels as these themes have direct links/synergies on and support the localisation agenda. Building/Strengthening their capacities and resources to be able to meaningfully engage in these fora should be a component of the institutional capacity strengthening support provided to them.