

ALNAP

Essential briefings for humanitarian decision-makers

A more localised aid system: current status discourse

Localisation is a ubiquitous term within the aid system to refer to an ambitious and broad ranging policy agenda meant to correct historical exclusion of local actors by increasing their power and funding in humanitarian response. It has been a bumpy road localising the aid system despite high-level rhetoric and commitments.

Localisation requires international organisations to confront a heady mix of complex challenges including their internal risk thresholds, partnering processes and systems, and fiduciary growth demands. In practice, localisation may put international organisations at odds with their own incentive structures and success measures, in a climate of stiff competition over scarce resources.

Donors face other hurdles, ranging from legislative restrictions, to risk appetites, to the impossibility of vetting and funding hundreds of smaller organisations and their own accountability to taxpayers.

Many local groups, however, are becoming vocal and assertive in demanding power and independence. And the international system is taking steps to correct its exclusionary nature.

Disappointingly, much of the change is yet to be felt on the ground – in recent emergencies such as Ukraine and Pakistan – and ongoing inequalities persist. But the intention for reform is there, and progress – slow as it may be – is being made with new policies, changes to funding practices, on the ground pilots and tough internal conversations about changing aid's business model.

There is still little generalisable and empirical evidence pointing to how to shift the system to be more locally led. What is certain is that it requires strong political will from donors and humanitarian actors. Importantly, the humanitarian sector is still unclear, and has yet to develop consistent analysis and understanding about the intended outcomes and the ultimate impacts of localisation.

Direct, quality funding flows to local and national organisations is still the primary way the system measures progress on localisation commitments.

- Despite some smaller agencies and donors revising partnership policies and practices to be more favourable to local organisations, direct funding flows to them remain a small fraction of aid financing, varying between 1.2% to 3.3% of all funding over 2018-21.
- COVID-19 didn't prove to be the tipping point it could have been in getting money in the hands of local partners. While local and national organisations were at the forefront of delivering the response, just 2% of the funding went directly to them.
- Ukraine has been referred to as a textbook case of the unfulfilled promises of localisation. According to research by Humanitarian Outcomes, local and national organisations had received only around 1% of direct humanitarian funding by the anniversary of the Russian invasion, but are shouldering the most risk and burden of compliance requirements.
- A handful of donors, United Nations agencies, international non-governmental organisations (INGOs) and the IFRC (International Federation of Red Cross and Red Crescent Societies) agreed to develop individual roadmaps with milestones to reach 25% funding to local organisations. These are set to be published by the end of 2023.

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Country-based pool funds (CBPF) have been the most effective means of getting funding directly to local actors while also managing the risk concerns of international groups.

- In 2022, 27% of the global CBPF fund went directly to local and national actors.
- The country-based pooled fund in Ukraine, partly made up for the low direct funding to national NGOs there. Now the world's largest CBPF at \$327 million, it doubled its allocation to local organisations to 33% at the end of 2022.
- But UN CBPFs make up only 10% of overall humanitarian funding and exist in less than half of countries with humanitarian response plans.
- Several pool fund models exist, including those managed by the NEAR Network, START fund and UK Foreign, Commonwealth and Development Office (FCDO)/Danish Refugee Council, which prioritise funding to local partners and have built-in flexibility that UN-led funds don't always have.

When it comes to quality, long-term, flexible funding, agencies are at various stages of progress. The common subcontracting model means local groups hold most of the risk responsibility but don't have the funding to cover basic administrative costs.

- Indirect cost recovery (ICR) or overhead costs continue to be a stumbling block to quality funding. According to recent research by ODI, there is no standardised ICR policy across the sector – some split these costs with local partners equally, others provide a set percentage, while others give a proportional or even negotiated share.
- Typically ICR provisions stop at the first level intermediary, without reaching smaller local actors implementing on the ground.
- For recent crises like Ukraine, organisations have put forward a number of equitable partnership draft proposals which call for, among other things, mandating fair overhead cost recovery for all sub-grantees.

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While donors' legislative requirements and lack of strategic direction have impeded localisation efforts, some big donors are making changes to policies and practices that could push through greater change.

- Numerous donors and international agencies have further refined and operationalised their Grand Bargain localisation commitments. In October 2022, five of the largest INGOs operating in Ukraine signed the *Pledge for Change*, which commits signatories to 'allocate more resources to help local and national organizations take the lead' across global operations. Then donors issued a *Donor Statement on Supporting Locally Led Development* to 'shift and share power to ensure local actors have ownership over and can meaningfully and equitably engage' in relief and recovery efforts.
- The USA has taken a vocal and leading role, committing to giving 50% of all funding to programmes which 'place local communities in the lead' by 2030. To date, 10.5% of their funding goes directly to national and local organisations. While ahead of the rest of the sector, this is still far from their 25% commitment by 2025.
- The European Union has followed, with Guidance in March 2023 focusing on Promoting Equitable Partnerships with local responders in humanitarian settings.
- In Ukraine, neither USAID nor the Directorate General of ECHO (European Commission Humanitarian Aid Office) have provided direct grants to national NGOs.
- Many other donors are in the process of inspecting and changing their grantmaking models to align with the localisation agenda.

Donor caution around risk drives much of the hesitancy around funding for localisation. Yet donors and intermediaries have yet to fund appropriate risk mitigation measures.

- Overhead costs such as security and financial management to mitigate fiduciary risks have not been supported to the extent that they would meet risk thresholds of many donors.
- Risk-sharing models are being piloted, most recently in Ukraine. These include agreeing to acceptable levels of residual risk between locals and internationals, with positive benefits.
- The literature predominantly focuses on the risks to international actors when partnering with local actors, rather than vice versa, raising issues of power imbalances.

Capacity gaps are often cited as reasons for poor funding towards local groups, yet capacity strengthening efforts so far are insufficient.

- Over 63% of local actors surveyed in the State of the Humanitarian System (SOHS) practitioner survey said the quality of support for local actors' leadership and capacity was either 'poor' or 'fair'.
- Capacity strengthening efforts focus on local actors' ability to meet international standards – mainly administrative and compliance procedures – which are out of touch with what local organisations define as capacity.
- Evidence around capacity strengthening overall shows these efforts tend to be unidirectional – from international to local, without recognising the capacity of locals. They are also ad hoc, inadequate, uncoordinated, short-term and are primarily oriented towards meeting donor requirements.

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- The literature also points out that international actors' capacity strengthening efforts may even contribute to undermining local capacity through the 'poaching' of local staff and other practices.

While local organisations are increasingly present in the formal coordination system, the decision-making and leadership roles remain dominated by international perspectives, leading some to question whether the inclusion is tokenistic.

- A 2021 Inter-Agency Standing Committee (IASC) mapping of more than 2,400 coordination structures in 29 humanitarian operations found local and national organisations were present in 80% of Humanitarian Country Teams (HCTs), but accounted for only 9% of the HCT leadership.
- In places where there has been an international presence for years, these trends are entrenched. In Yemen, for example, a localisation baseline survey, carried out by Yemeni organisations, found that despite an active civil society, their meaningful participation in leadership and decision-making fora was lacking.

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- In other places where the international system has recently scaled, such as Ukraine, old patterns persist. According to research by Refugees International, a limited number of Ukrainians do participate in international mechanisms like the HCT, but still lack meaningful decision making roles. Local and national organisations have thus chosen to coordinate amongst themselves, creating parallel coordination systems.
- The forthcoming ALNAP COVID-19 evaluation synthesis reinforces the notion that there has been a minimal shift in decision-making power, leadership positions within coordination mechanisms or even sustained changes in more flexible funding during the COVID-19 pandemic.

Donors have legitimate concerns of corruption and use of funding – both for international and local organisations. The due diligence requirements built around those concerns is a persistent barrier to localisation, but some organisations are finding innovative workarounds and donors are simplifying procedures.

- Some local and national organisations, fed up by the burdensome requirements of the international system, are turning more to philanthropy or to private fundraising. The Bangladesh Civil Society Process fundraises outside the international system altogether, to develop sustainable and locally accountable civil society, without the restrictions imposed by international donors.
- The START Network has piloted a tiered system for due diligence and related funding caps. An external review finds even simplified approaches to due diligence and risk assessment requirements still place the burden on local and national organisations to meet international standards before being considered an 'equal partner'.
- Disasters and Emergency Committee (DEC) have simplified their vetting procedures and developed a due diligence passporting system for their Ukraine response, where vetting of a national or local partner carried out by one member could be used by others. Only three of its members have used the approach.

- National organisations are also trying to find ways to simplify processes for their community-based partners. The Centre for Disaster Preparedness, a national organisation in the Philippines, has negotiated a simplified due diligence process with USAID for their Community Solidarity Fund, which gives small grants to community-based groups. The organisation accepts video proposals, complementing this with 'get-to-know your partner' calls as necessary.

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- The Ukraine crisis has raised the 'programme criticality' principle – where donors should be prepared to accept higher levels of risk when needs are critical. But the crisis has proven how difficult this is – as fiscal compliance standards remain inflexible and high, incompatible with a rapid response.

While progress has been patchy, the discourse is still evolving, with a number of lingering questions for the aid system.

- **Is localisation in danger of becoming a box-tick exercise without true shifts of power?** Research has found international agencies are pressured to work with and through local partners and thus shop for those who can meet their compliance requirements instead of removing these barriers that prevent them from partnering. This risks a cementing of the subcontracting relationship without really shifting to the underlying intent of more equitable partnerships.
- **Who is 'local?'** There has been recent debate about what constitutes a local or national civil society organisation. Is a Southern-based affiliate of an international federation, with an independent board and identity still truly local? The concern is that organisations with ties to international groups – regardless of how independent they might be on the ground – still have a leg up when it comes to fundraising and reputation and could cannibalise funding opportunities for civil society organisations without the same global links.
- **Is localisation about equity or effectiveness?** Much of the literature promotes localisation not only as a way to address the power imbalances within aid, but also as a way towards a more relevant, timely and more cost effective response. The literature also points to localisation delivering greater resilience, sustainability and links with development – improved accountability to affected people. However, current evidence to back these assumptions is weak. The sector has also yet to define the intended outcomes of a localised approach and still lacks ways to measure its impacts.
- **Scalability of locally-led work?** A growing number of organisations are promoting the survivor and community-led response approach, which allows those affected to determine how resources are invested and to take an active role in that delivery. These micro-grants cut across nexus silos and the response-to-recovery continuum. The value of this approach lies in the flexibility and contextualisation of the response, sometimes even within a village. However, the approach has raised questions about scalability within the existing institutional structures of the international aid system.
- **Government role in localising responses?** A more locally-led approach depends on strong and open civil society. But across the world, civic space – seen as the right to peaceful assembly, association and expression – is in decline, even in countries with long democratic traditions. The latest *Civics Monitor* finds that of the 197 countries it tracks, over 80% are in the narrowed, obstructed, repressed or closed categories, and just 3.2% of the world's population currently lives in countries with open civic space. Repressive, corrupt and/or weak government structures may limit the humanitarian space for both local and international actors.
- **Is localisation at odds with humanitarian principles?** In Ukraine, aid groups are reconciling bedrock humanitarian principles like neutrality and impartiality in a context where local groups may not see a difference between humanitarian and military assistance. The international sector has pivoted to a rhetoric of solidarity, rather than one of upholding neutrality and impartiality. Yet it raises questions as to whether these exceptions made for Ukraine, would apply elsewhere. Several INGOs tried to find workarounds, which isn't the case in other countries.

- **Is localisation a cop-out, sidestepping more fundamental problems of inequity in aid?** To some, a more radical approach, one that tackles the colonial roots of aid is needed. The localisation discourse is primarily being had among international actors, further entrenching the power imbalance. Some say localisation only scratches the surface and dodges more uncomfortable conversations about colonial legacies, inequity and racism. Without addressing those, there are low expectations that the localisation discourse will result in meaningful change.

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But some groups are confronting these issues. DA Consulting, a Somali-based group, has developed a framework to guide NGOs through changes to their finances, programming, and executive leadership.

The Start Network has launched its own anti-racist and decolonial framework which involves managing risk differently, providing interpretation at events and defining success from the affected community's point of view. Oxfam's Decolonial Partnership Strategy is another example of an international organisation taking steps to promote a more equitable partnership arrangement. Oxfam is one of five other international organisations who signed onto the Pledge for Change last year to improve equitable partnerships – for example, directly implementing only when there isn't enough national or local capacity to meet needs, promoting authentic storytelling not associated with the 'white gaze' and putting an end to language that portrays aid recipients as helpless victims, and influencing wider systematic changes in aid.

ABOUT EXplain

The greatest learning challenge for our sector is less about capturing lessons and experiences, but creating spaces for humanitarians to absorb and act on what is already known.

Operational decision makers – at all levels – are often the people with the least time to engage with vital new learning and evidence.

That's why ALNAP is piloting new approaches to communicating knowledge tailored to the needs, expectations and preferences of the busiest humanitarians.

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EXplain is an optimal mix of focused presentations, discussion and sharing of perspectives, with a range of high-quality supporting materials. It gives senior operational leaders a better understanding of what's out there and what they really need to know.

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