



# Funding at the sharp end

Investing in national NGO response capacity



This report examines current trends and practices in international humanitarian financing support to southern national non-governmental organisations

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# Preface:

This paper was researched and written at the request of the Caritas Internationalis' Humanitarian Committee as part of the Caritas Confederation commitment to working in development and humanitarian action through a partnership model.

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# Executive summary

International financing for national NGOs is not fit for purpose. It is unpredictable, volatile, difficult to access, insufficient and does not adequately support the strengthening and capacity development of national NGOs that is central to improving preparedness, standing response capacity and resilience to disasters.

Widespread institutional segmentation among international actors leaves little space for supporting organisations and activities – including institutional capacity building and support – in the grey zone between crisis response and development. Where international organisations do take a longer-term and broader approach to working in partnership with national NGOs, they often find this work difficult to fund and in many cases fall back on limited private resources to sustain this important work.

Rhetorical international commitments to support local capacity are in tension with increasing demands for quality, scale, and contractual compliance and risk

management requirements stipulated by donors. This study has found that government donors are unlikely to substantially increase their bilateral funding and capacity to engage with national civil society at recipient country level. Nevertheless there is much that can be done to improve and build upon the existing infrastructure to enable scaling up of financing for national NGOs.

Part of the solution will require national and international actors developing innovative approaches to build trust and manage risk that actively include and promote national NGOs. Fortunately there are emerging examples of good practice and emergent initiatives which could chart a way forward. Partnership is at the heart of the Caritas Confederation's vision and mission, and is a core value in the work of its 164 members present in 200 countries and territories of the world.<sup>1</sup>

International donors and non-government organisations working in

'partnership' with national actors must shift their thinking and their money towards investing in national civil society actors as an end in itself, and not just as a means to an end. Donors will also need to shift towards more flexible multi-use funds which traverse administrative siloes, and in some instances permit a more tolerant and flexible approach to risk management.

Running parallel to these procedural adjustments, at a more fundamental level, international actors must urgently revisit their commitments to build local disaster response capacities and to work in partnership in a principled way which makes equality of local actors in dialogue and response a reality, not just a paper commitment. This cannot be solely the responsibility of humanitarian actors however and will require long-term commitment and investment from development actors as part of their commitments to invest in disaster resilient development.

1 The Caritas Partnership. A Caritas Internationalis Handbook for Reflection and Action, Tipografia Instituto Salesiano, Rome, October 2003. <http://www3.caritas.org/upload/par/partnership.qxd1.pdf>

# Recommendations

**International and national actors need to collectively identify opportunities for financing local capacity for preparedness and response through new and modified existing mechanisms, and they will need to find new approaches to ensuring robust risk management, which does not exclude national NGOs from funding opportunities.**

## 1. Initiate a global dialogue on investing in national response capacity

In the lead-up to the proposed 2016 World Humanitarian Summit, national and international humanitarian actors should engage in a global dialogue to agree a shared vision for the global humanitarian system of the future where local governments and authorities, national NGOs and civil society are put at the centre with the international community supporting as necessary. This should include identifying practical solutions to resourcing and enabling national actors to take their place at the decision-making table and to respond to crises as equal partners in the collective response. Donors should include commitments to increase their support to national NGOs (a) directly and (b) through international partners with annual targets.

## 2. Identify opportunities and mechanisms to scale up funding to national NGOs

*Greater priority should be given to international NGOs implementing through national partners – best is direct funding of local NGOs, 2nd best is international NGOs working with local partners*

Aspire to remove direct implementation by international NGOs.

### *Design and table new funding mechanisms which bridge the humanitarian-development divide*

Donors should consider the feasibility of creating a new mechanism to channel contributions from a range of humanitarian and other donors (institutional and private) through which to scale up investments in national response capacity as an important long-term investment in emergency preparedness and response capacity. This could take the form of a global capacity fund managed at the regional level.

### *Develop new internal financing funds and streams for longer-term organisational support to national NGOs*

NGOs and UN agencies should look to develop internal and inter-agency pooled funds and specific grants to finance national NGO organisational support and capacity building.

### *Develop umbrella grants and funds via international NGOs to replicate benefits of pooled funds beyond their current geographical remit*

Bilateral donors should work with their NGO partners to develop context-specific umbrella grants and funds, such as the OFDA RAPID Fund in Pakistan.

Where Humanitarian Coordinators identify country-level needs for developing national response capacity, CHF could work to encourage international NGOs to develop proposals for umbrella grants for national NGO capacity-building and rapid response.

### *Invest in new collective approaches to risk management*

Recent innovations in the DRC and Somalia CHF indicate that alternative approaches to project audits, based on ex-ante capacity and risk assessments can provide a range of potential benefits for prospective funding

partners, including streamlining processes and improving cost-efficiency of existing accountability measures.<sup>2</sup> If coupled with investments to support organisational development on areas of identified weakness, this could be a highly enabling approach to risk management and would also provide a more objective basis for organisational selection of members and partners and a shared blue-print bench-marking capacity-investment needs.

## 3. Remove barriers to access from existing humanitarian funding streams

### *Provide access to information about funding opportunities*

Donors of all types must take immediate steps to publicise funding opportunities where national NGOs will see them and allow reasonable time-frames where possible to allow national NGOs a fair chance to apply. Donors should also translate documentation, including guidelines and contracts, into appropriate working languages and where possible allow flexibility in minimum grant sizes for national NGOs. Where this is not possible, they should encourage consortium applications which include national NGOs.

### *Simplify, reform and harmonise UN contracting processes*

UN agencies should continue to improve their individual contracting processes to improve access and more favourable terms for national NGOs. They should also work collectively to harmonise administrative approaches and coordinate longer-term strategic partnering and capacity-building across UN agencies.

Country-based pooled humanitarian fund managers should look to adjust outstanding procedural requirements which

still represent barriers to access for national NGOs including increasing flexibility around mandatory audits, expediting liquidation of final payments and allowing flexibility on minimum grant sizes.

### ***Support national NGOs to take advantage of funding opportunities and take their seat at the table when setting humanitarian priorities***

UN OCHA should invest in staffing capacity at country level to (a) allow a more systematic and planned approach to coaching and supporting national NGOs to access country-level pooled funds and (b) support national NGOs to participate in key coordination and decision-making forums and exercises including humanitarian country teams, cluster coordination, pooled fund advisory groups, coordinated needs assessments and humanitarian action plan development. (c) meetings should be operated in local languages in order to facilitate participation of local NGOs.

## **4. Build trust and equal partnership**

### ***Increase transparency around resource transfers to national NGOs***

A radical and community-wide shift in approach towards transparency is needed in order to build trust, accountability and efficiency of investments channelled to national actors via international intermediaries. All donors, including UN agencies and international NGOs who act as funding intermediaries, should publish transparently to the IATI standard, their onward disbursements in real-time. Donors will need to encourage and indeed require their funding partners to do so.

### ***Develop common standards of financial accountability***

Where funding recipients work in partnership, they should be held accountable against their commitments to work in a principled way. To that end, donors and their partners will need to collectively agree common criteria against which funding recipients should report and be assessed.

Where international partners do not work in partnership, they should explain in what ways they are realising their commitment to build their response on local capacity.

### ***Support initiatives to map and verify national response capacity***

There is a major gap in national NGOs' ability to demonstrate their capability to funders. The DRC and Somalia CHF examples of ex-ante risk assessment have huge potential to operate as a de-facto capacity mapping and verification process at recipient country level.

Building on the Somalia capacity and risk assessment experience, and as part of their remit to coordinate emergency preparedness and response, OCHA should actively encourage this to become a priority issue for the sector. OCHA should urgently investigate the feasibility and level of donor support needed to replicate a similarly robust and objective approach to capacity-assessment and mapping, and should work with others in the sector to support them to undertake this work.

# Introduction

This paper is an exercise in mapping out some of the issues at stake in scaling up financing to build local capacity through national civil society actors.<sup>3</sup> In tabling recommendations, we aim to highlight the collective commitments of different sectors of the humanitarian system to support local capacity and to ensure that national civil society actors are at the centre of global policy debate.

Local response capacity matters far more than many international actors prefer to acknowledge. Among a wide range of comparative advantages, local actors, be they the crisis-affected communities, civil society actors or governments, are usually the first to respond, and the most likely to be able to access populations that internationals cannot reach; they are far more likely to remain and support recovery and to be accountable to the disaster-affected populations.

International humanitarian response should follow the principle of subsidiarity not substitution as enshrined in Catholic

Social Teaching: our default position should be to build humanitarian response on the capacities of those closest to those communities affected including communities themselves, local civil society and government.<sup>4</sup> Such an approach is consistent with humanitarian principles and with commitments outlined in the Principles of Partnership, agreed in 2007, which recognise the importance of diversity and a division of labour built on the comparative advantages of a range of actors.

The current international humanitarian financing system is a far cry from supporting response built on local capacities and is heavily biased towards channelling funds towards and thereby reinforcing and privileging the voice and influence of international actors.

This report attempts to trace financing flows through the international humanitarian system – with limited success – in order to build a picture of where national NGOs access international funds and in what quantities. The report also

identifies some of the barriers and difficulties national NGOs face in accessing funding through international NGOs, UN agencies, pooled humanitarian funds and bilateral donors.

In researching the report we have consulted with donors, UN agencies, international NGOs, policy experts and more to the point, national Caritas member organisations and national and regional NGOs, through an online survey which elicited 195 responses from national organisations across 43 countries.

The purpose of this research aims to identify practical actions that can be taken to facilitate a shift towards a *global* humanitarian system where international humanitarian financing is recalibrated to enable rather than exclude national NGOs and where the purpose of financing local capacity is not only to meet immediate needs, but ultimately to render the need for international response to disasters exceptional.

3 A note on terminology: this report uses the terms southern NGOs and national NGOs interchangeably. We recognise the large variety of civil society actors involved in humanitarian action many of which may not fit neatly into this terminology, for example national Caritas member organisations would not describe themselves as NGOs, rather as being part of civil society, as being Catholic Church-inspired organisations or as being part of the Catholic Church. For the purposes of this report, the term also encompasses NGOs with a regional remit and NGOs that are based in disaster-affected countries, which are not in the global South, for example Syria.

4 The Inter-Agency Standing Committee for example references the principle of subsidiarity among its Key Principles stating that 'Decisions will be taken at the lowest appropriate level'. <http://www.humanitarianinfo.org/iasc/pageloader.aspx?page=content-about-default>

# 1. The changing global policy environment

The participation of national civil society in international humanitarian dialogue and its access to international financial resources has typically been limited and often mediated through international actors. But attitudes towards the importance of national civil society actors are changing and we may hopefully be entering an era in which the possibilities for reconfiguring relationships and dynamics are opening up.

## Pragmatism in the face of escalating disasters

The incidence and impact of disasters and the growth in humanitarian needs is out-pacing the capacity of the international humanitarian system to respond. There is increasing recognition among traditional humanitarian actors that they will not be able to meet the challenges of the future without working together with a broader range of actors. An 'all hands on deck' approach may be seen in the recent shift in emphasis in dialogue around partnerships whereby international humanitarian actors are reflecting on how to build their working relationships with a much broader range of public and private actors. Moreover, many of the growing number of natural disasters are small-scale and are unlikely to register on the radar of international humanitarian response actors. Realistically we can expect a large and growing proportion of future disaster response to be undertaken by local and national actors.

## Emphasis on preparedness and resilience

Linked to the recognition that disasters are an increasingly likely fact of life is a growing acceptance of the idea that the risk of disasters needs to be actively managed. Governments and international actors have therefore begun to place an increasing emphasis – at least in policy – on investing

in emergency preparedness and in building resilience to future disasters.

Building local capacity to prepare for, respond to and build resilience to disasters is recognised as fundamental to this shift. However, organisational structures and financing flows have yet to adapt to support this emerging conceptual consensus.

## Evolving nuance in the global aid consensus on working through local systems

The leading intellectual frameworks of the Millennium Development Goals (MDGs) and the later Aid Effectiveness agenda have respectively prioritised the importance of technical sectoral responses, in which NGOs often played the role of contracted service providers, and the importance of local ownership, primarily focused on the state.

In consultations for the successors to the MDGs, and the Sustainable Development Goals (SDGs), however, civil society groups from developing countries are playing a prominent role in shaping the agenda.<sup>7</sup> In a CAFOD consultation with 104 representatives from civil society organisations in 27 developing countries in 2012, the desire for people in the global South to play their part in shaping the post-MDG settlement was clear: 'The most frequently expressed opinion of respondents was a desire to see North and South work in partnership to develop a new framework – rather than having one or the other take the lead.'<sup>8</sup>

As the Aid Effectiveness agenda has evolved and matured, it has increasingly shifted towards a more balanced understanding of the role of civil society in achieving development. The 2008 Accra Agenda for Action calls for donors to deepen their engagement with civil society and the 2012 High Level Panel meeting in Busan included a commitment to

## Principles of Partnership

The diversity of the humanitarian community is an asset if we build on our comparative advantages and complement each other's contributions. Local capacity is one of the main assets to enhance and on which to build. Whenever possible, humanitarian organizations should strive to make it an integral part in emergency response. Language and cultural barriers must be overcome.

Source: Principles of Partnership<sup>6</sup>

'modernise, deepen and broaden our co-operation, involving state and non-state actors that wish to shape an agenda that has until recently been dominated by a narrower group of development actors.'<sup>9</sup>

In short, the global aid consensus has shifted towards a 'whole of society' approach, which clearly recognises the important role of non-state actors, including the private sector and civil society.

## Changing global humanitarian norms

Within the humanitarian community, a similar shift towards increased recognition of the contribution of a more diverse community of actors had been building.

The 'Principles of Partnership' (see Annex 1) agreed at the Global Humanitarian Platform in 2007 is a statement of commitment towards working in partnership in humanitarian action based on equality, transparency, a results oriented approach, responsibility and complementarity. With particular relevance for national NGOs, the Principles of Partnership acknowledge the value in

## Principles of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Response Programmes

- 6 We shall attempt to build disaster response on local capacities.
- 8 Relief aid must strive to reduce future vulnerabilities to disaster as well as meeting basic needs.

Source: International Red Cross Red Crescent Code of Conduct<sup>5</sup>

## UN Secretary-General's Five Year Action Agenda, 2012:

*Enhancing collaboration among humanitarian organizations, particularly from the global South, at the local, national and regional levels, to strengthen community resilience and emergency response, and establishing a monitoring system to assess progress on the implementation of preparedness measures.*

building on the comparative advantages of a range of actors and recognises local capacity as being one of the main assets we should seek to enhance.

Although there has been a hiatus in global leadership and mobilisation behind the Principles of Partnership in the intervening years, there are now indications of a revival in high-level policy commitments to working in partnership with local and national actors.

In 2012, for example, the UN Secretary General identified enhanced collaboration

between international actors and actors from the global South towards improved resilience, preparedness and emergency response as one of his priorities in his Five Year Action Agenda.<sup>10</sup>

### Shifting global power dynamics and the growing influence of Southern NGOs

National civil society actors are increasingly a force to be reckoned with. A recent mapping of global humanitarian capacity identified around 2,800 national NGOs and

community-based organisations with documented links to the international humanitarian community working across 140 countries.<sup>11</sup>

In the future demands for inclusion in global debate and national-level priority setting will increasingly come from civil societies of developing countries themselves. In Asia and Latin America, NGOs and CBOs already frequently work in networks to engage with and influence national and international policy dialogue.<sup>12</sup> Economic growth and opportunities for social mobilisation, communication and fundraising via communication technologies in many developing countries is likely to increase opportunities for civil society groups to prosper.

Despite growing interest at the global policy level in scaling up support to national NGOs, and the potential for civil society groups in the global South to engage with and influence responses to disasters and disaster risk, the reality however is still very different. International policy is replete with fine rhetorical commitments but real political commitment and practical action are urgently needed to ensure that the distribution of resources and influence match the spirit of these commitments.

5 <http://www.icrc.org/eng/assets/files/publications/icrc-002-1067.pdf>

6 <http://www.globalhumanitarianplatform.org/pop.html> (see also Annex 1)

7 President Ellen Johnson Sirleaf of Liberia, one of the three co-chairs of the UN High Level Panel (HLP) of Eminent Persons to advise on the post-2015 UN development framework, has been quoted as saying for example: "at my meeting with fellow leaders in Addis, I will let them know that the successor agenda to the MDGs cannot be hatched from the ivory tower. It has to come from engaging the people from the grassroots. I really believe in this"

8 CAFOD, (2012), '100 Voices: Southern perspectives on what should come after the MDGs', <http://www.cafod.org.uk/Media/Files/Resources/Policy/100-Voices>

9 Busan Partnership for Effective Development Co-operation, Fourth High Level Forum on Aid Effectiveness, 2011 <http://www.oecd.org/dac/effectiveness/49650173.pdf>

10 [http://www.un.org/sg/priorities/sg\\_agenda\\_2012.pdf](http://www.un.org/sg/priorities/sg_agenda_2012.pdf)

11 Taylor et al. 2012

12 See for example national networks connected to the Global Network for Disaster Reduction <http://www.globalnetwork-dr.org/home.html>

## 2. National NGO experiences of international financing

It goes almost without saying that national NGOs are an extremely diverse community and of course their views could never be expressed singularly, nor do we claim to speak on their behalf. The opinions expressed here are drawn from an online survey carried out in April–May 2013 in which 195 representatives of national NGOs and Caritas member organisations from 43 countries took part and while this is not a statistically representative sample or an expression of consensus, many of the findings and individual responses provide critical insights from national perspectives and some very clear recommendations.

Survey respondents consulted described a variety of practical and political obstacles in their efforts to access international financing for humanitarian action. They also overwhelmingly felt that it had become more difficult to access international funding in the last three years.

Among practical obstacles identified by national members and partners consulted, access to information about funding opportunities is a major problem. National members and partners reported that they are often simply not aware of funding opportunities and that deadlines are too short by the time they have found out about an opportunity. This puts them at a major and completely unnecessary competitive disadvantage. The need to comply with the priorities and regulations of international funders were also noted as challenging.

Competition with other organisations was also noted as problematic and several important dynamics were highlighted.

Firstly, southern national organisations feel out-competed by international NGOs and unfairly disadvantaged because application criteria and processes are geared towards the language and organisational cultures of international actors. Many survey respondents reported that as new and/or

grass-roots organisations, they could not access funding because they lacked information and connections, and because they could not meet the entry criteria to demonstrate prior performance (see box below).

Related to this sense of being disadvantaged within the international funding systems, southern national organisations described feeling that international funders do not trust them to manage funds effectively and with proper accountability. Moreover, they also described lacking the capacity and opportunities to prove their worth. Many bilateral donors meanwhile (as described in section 3.1 below) lack the capacity to evaluate national partner capacity. Bridging

this communication gap and addressing the lack of trust is one of the major challenges to be addressed in scaling up financing to national organisations.

**The second set of concerns raised by national organisations in relation to competition with international actors concerns a range of more worrying exclusionary dynamics whereby international actors were in some cases perceived as intentionally displacing and/or dominating partnership relationships for their own financial gain and profile.**

Finally, several national organisations noted that the modus operandi of international humanitarian actors may have unintended negative consequences for

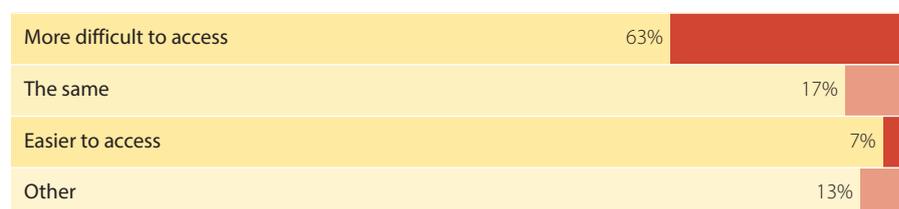


Figure 1: Based on your experience, how has the accessibility of international funding changed in the last three years? Source: "Funding at the sharp end" survey of southern national organisations April – May 2013

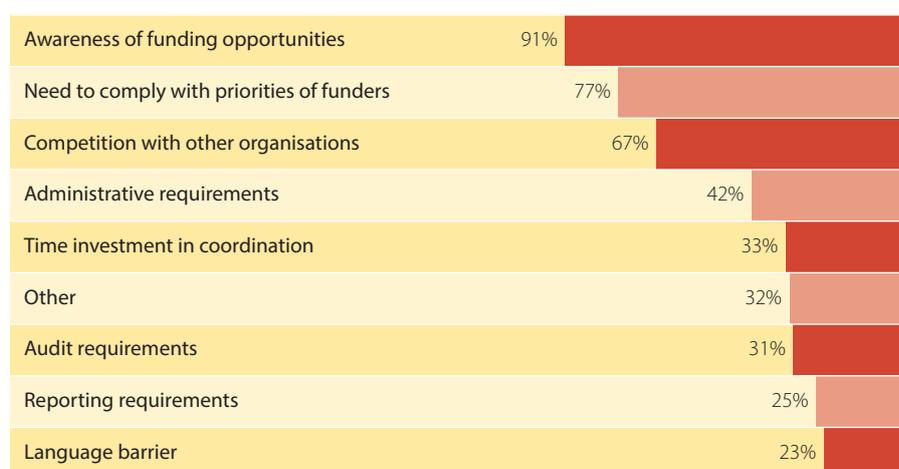


Figure 2: What are some of the most challenging aspects of accessing international funding? Source: "Funding at the sharp end" survey of southern national organisations April – May 2013

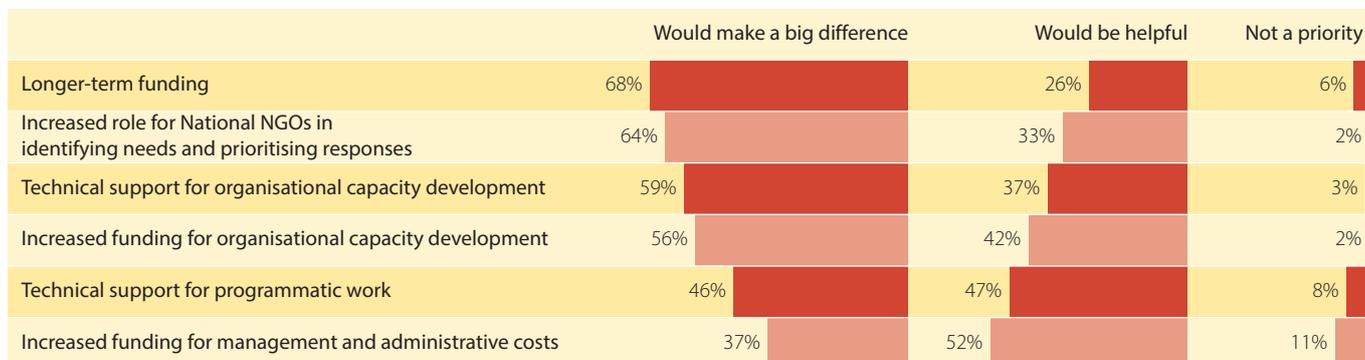


Figure 3: How could international actors change the way they fund and work with national organisations to better support them to prepare for, respond to and build resilience to disasters? Source: "Funding at the sharp end" survey of southern national organisations April – May 2013

### Perspectives on competition with international NGOs:

*'International NGOs are competing with local NGOs – there is a huge number of international NGOs, and they are working at grass root level, therefore opportunities for local NGOs are becoming less day by day.'*

**National NGO representative, Pakistan**

*'The stakes are raised so high that international organizations with well-established systems easily out-compete the National NGOs.'*

**National NGO representative, Kenya**

*'Use national NGOs' capacities and experiences instead of bringing international NGOs to compete with them and "steal" their experienced and successful personnel.'*

**National NGO representative, Lebanon**

*'Regulate in all countries the installation of "international" organizations. These facilities should promote the development and professionalization of national organizations and not overwhelm and replace them or treat them as subsidiaries.'*

**National NGO representative, Burkina Faso**

Source: "Funding at the sharp end" survey of southern national organisations April – May 2013

national civil society actors. In particular international organisations hiring their best staff was noted as being a major challenge.

Perhaps the most significant unintended negative consequence, however, does not relate to competition, but the effects of short-term nature of humanitarian funding.

The stop-start nature of much of the funding for national organisations is highly detrimental to sustainability and

organisational development. While NGOs are busy chasing new contracts and focussing on delivery when they do receive funding, they have very little opportunity or resources to invest in their strategic and organisational development, including developing a more broad-based funding base. International actors may have some cushioning from the organisational impacts of short-term funding through having a

diversified donor base, core funding support and private funding streams, but few national NGOs have such luxuries. In addition, chasing short-term funding to ensure survival can have corrosive effects on national NGO accountability towards the populations they serve. A chameleon-like approach to securing funding, adapting service offerings and ways of working to suit the priorities of donors and focusing on upward accountability can at its worst distort NGOs into rent-seeking entities.<sup>13</sup>

In identifying priorities for change, national members and partners overwhelmingly cited the need for longer-term funding (see figure 3). As one NGO representative from Côte d'Ivoire explained: *'Because we experienced a period of acute crisis, funds were fairly easy to access for small quick-impact programmes of 3–6 months. But now more than a year after the crisis, there are virtually no funds available for the critical period of transition.'*

Perhaps most sobering, the need to be included in identifying needs and prioritising responses was the second highest priority for change reported by survey respondents.

Including representatives of the national NGO community routinely in needs assessments and prioritisation processes

## 2. National NGO experiences of international financing

including consolidated appeals and similar humanitarian action plans, as well as participating in pooled funding allocation processes would help to ameliorate this situation. Indeed increasing NGO participation in humanitarian country team processes is a commitment of the IASC Transformative Agenda. However, as our survey illustrates, national organisations may need a variety of technical and financial support to develop their ability to participate in these exercises and to free

them up from their daily programme responsibilities.

Investing in longer-term support to sustain standing response capacity will be a huge challenge and one that cannot be addressed through humanitarian financing streams alone. Moreover, grass-roots and national organisations rarely deliver purely humanitarian programmes throughout their organisational lifespan and they are more likely than international NGOs to shift and modulate their programming activities to

match the changing needs of the communities in the locations they serve. The capacity of local and national organisations therefore is in the common interest of a range of international actors concerned with humanitarian assistance, disaster risk reduction, building resilience to crises, human rights, peace and security and development. The mechanisms to collectively support the standing capacity of national response actors however do not yet exist.

13 This applies equally of course to international NGOs.

# 3. How do national NGOs access international funding?

Very little funding goes direct from bilateral donors (including governments and the EU institutions) to national NGOs – the majority being passed indirectly via UN agencies, pooled funds and international NGOs.

The figures below are extremely partial and in some cases based on estimates because funding becomes almost impossible to track beyond the first-level recipient. But from this partial assessment, it is fairly certain that UN agencies and international NGOs are the primary channels for international funding to national NGOs.

Among the UN agencies and funds and NGOs considered, NGOs were most likely to pass on a higher share of their total expenditure to national organisations.

The accessibility of these different sources varies considerably from the national NGO perspective. Private donors, international NGOs, Emergency Response Funds (ERFs) and UN agencies were listed by our survey respondents as among the easiest sources of funding to access. Direct funding from bilateral donors, Common Humanitarian Funds (CHFs) and national governments, were listed as the most difficult to access.

## 3.1 Bilateral donors

Bilateral donors provide a very small proportion of total funding to national NGOs directly and in 2012 reported just

US\$28 million in direct funding to national NGOs. Despite policy commitments to support local response capacity, in practice many government donors face legal and policy restrictions – often related to their limited ability to assess the financial controls and capacity of national NGOs – which means that they cannot fund national NGOs directly.<sup>14</sup>

Where donors do contract national NGOs directly, it is typically those donors who have a network of staff physically present in crisis-affected countries able to identify and verify prospective partners. The UK, US and Switzerland for example which do in some instances contract national NGOs directly, have field experts who have the authority

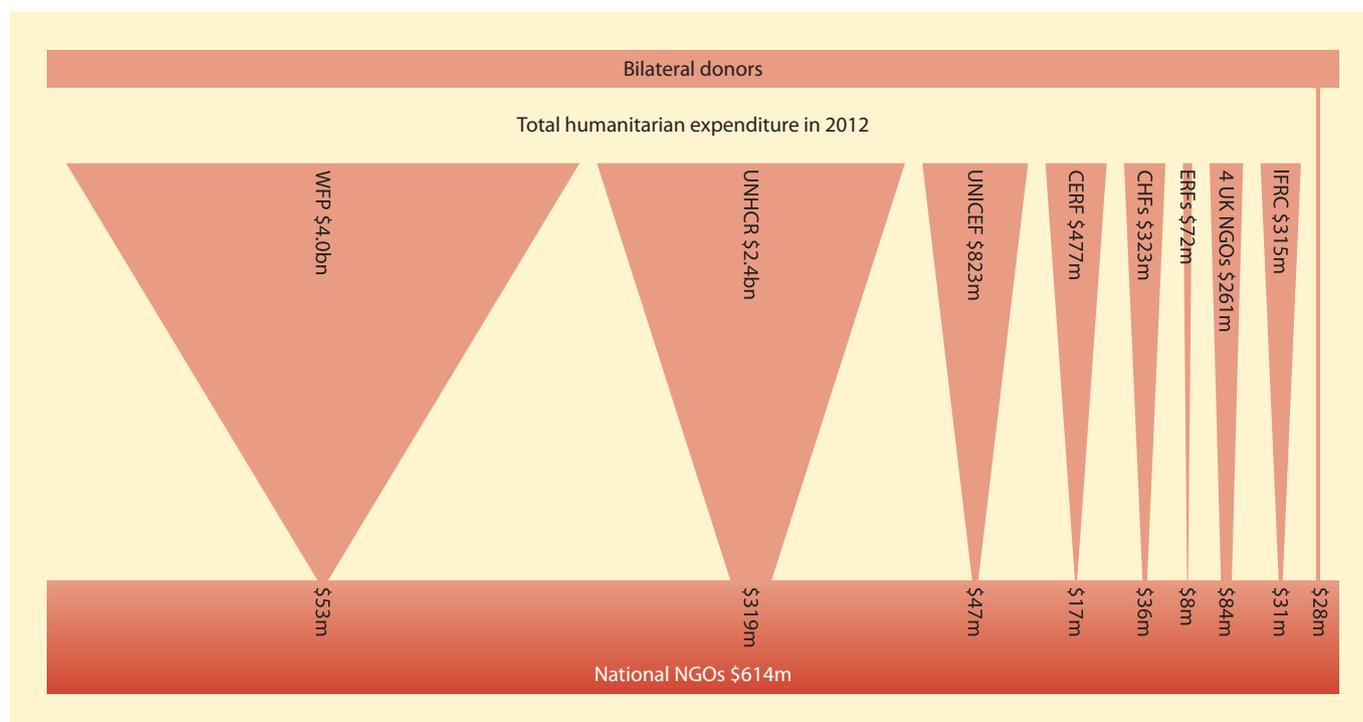


Figure 4: Humanitarian aid funding flows tracked to national NGOs in 2012.

Source: Author's calculations based on UN OCHA Financial Tracking Service (FTS) data; UN Central Emergency Response Fund (CERF) annual RC/HC reports; Emergency Response Fund (ERF) annual reports; data supplied by UNHCR; IFRC annual reports; CAFOD, Christian Aid and Tearfund annual reports; and data provided by Oxfam GB. Note national NGO funding data for WFP and UNICEF is based on a calculation using UN CERF data as a proxy for the share of humanitarian expenditure passed on to national NGOs in 2012 and should therefore be considered an estimate. Data for Christian Aid may include some funding to international partners. The total figure to National NGOs is the sum of all values listed, less CERF funds channelled via WFP, UNHCR and UNICEF, to avoid double-counting. IFRC national societies have in this instance been incorporated under the term 'national NGOs'.

### 3. How do national NGOs access international funding?

and humanitarian expertise to identify and select national NGO partners. Japan and France use their embassy staff to verify and contract national NGO partners. The majority of donors however do not have a sustained field presence.

Moreover, criteria for establishing eligibility for funding have become highly formalised for many donors and include stringent due-diligence checks, often as part of a pre-selection process, and which rely heavily on the ability to demonstrate financial controls via third-party audits. These increasingly formalised processes for managing risk raise the bar for entry to such an extent that many smaller and newer NGOs are simply ineligible to apply for funds.

In addition, in order to rationalise workloads and manage risk, many donors have increasingly looked to reduce their numbers of partnerships, increase the size of grants, and transfer responsibilities for monitoring, demonstrating results and accountability to funding recipients.

Despite a growing recognition among humanitarian donors of the importance of working with national actors, in practice the prospect for increasing direct bilateral funding to national NGOs in this context of 'rationalising' the number of partner

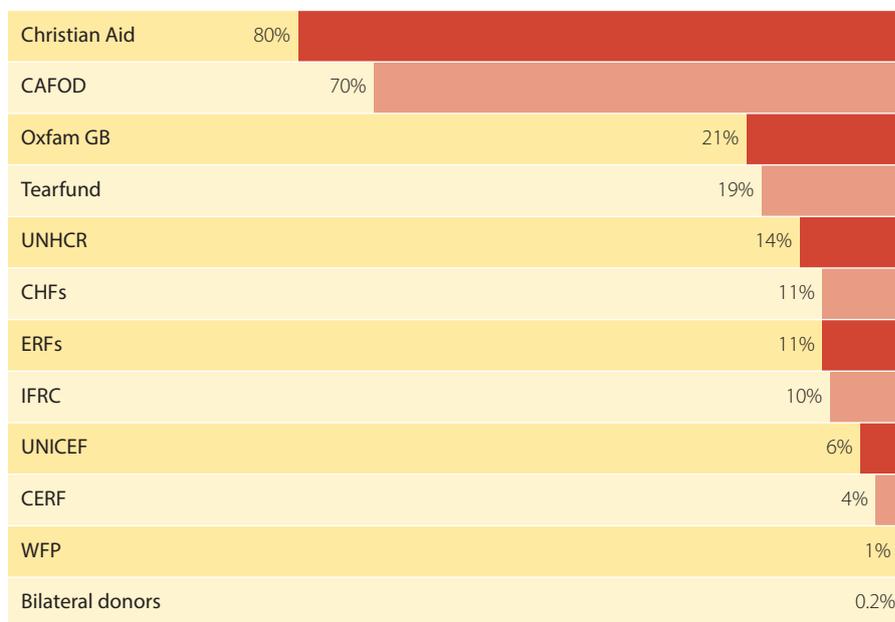


Figure 5: Share of total humanitarian expenditure passed on to national organisations in 2012. Source: As above for figure 4. Note that proportions for UNICEF and WFP are based on proportions of CERF funds channelled through these agencies which were passed on to national NGO implementing partners in 2012.

relationships and enforcing stringent risk management controls does not look promising.

However, in order to balance these countervailing policy directions, donors often consciously channel their bilateral funds through intermediary organisations and mechanisms which do have the field

presence, procedures and institutional capacity to assess, contract and hold national level partners accountable for delivery against funding commitments – primarily UN agencies, UN administered funds and international NGOs.

There are some encouraging examples of bilateral donors developing innovative

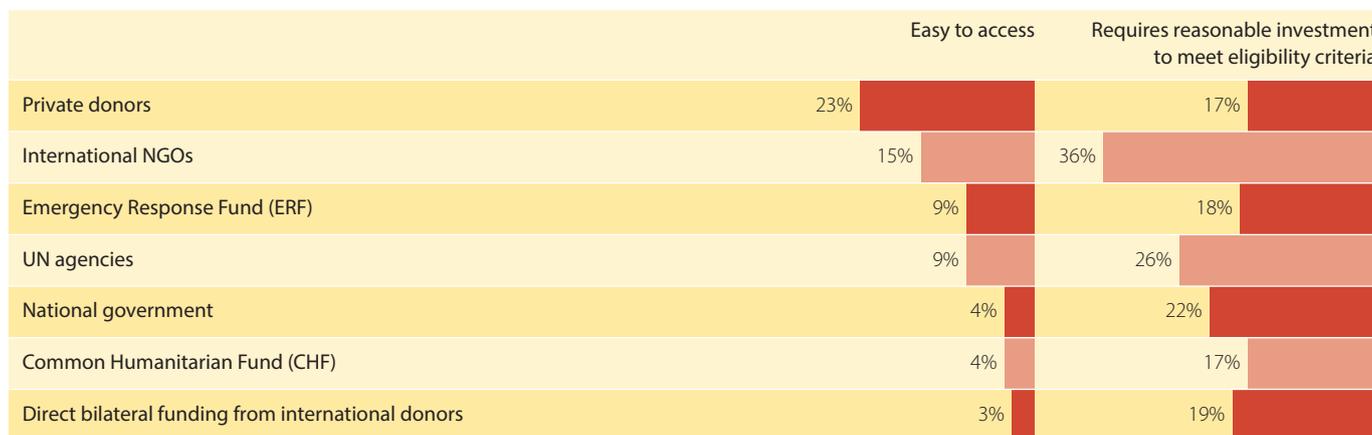


Figure 6: Based on your organisation's experience, how do you rate these funding sources in terms of their accessibility?

### 3. How do national NGOs access international funding?

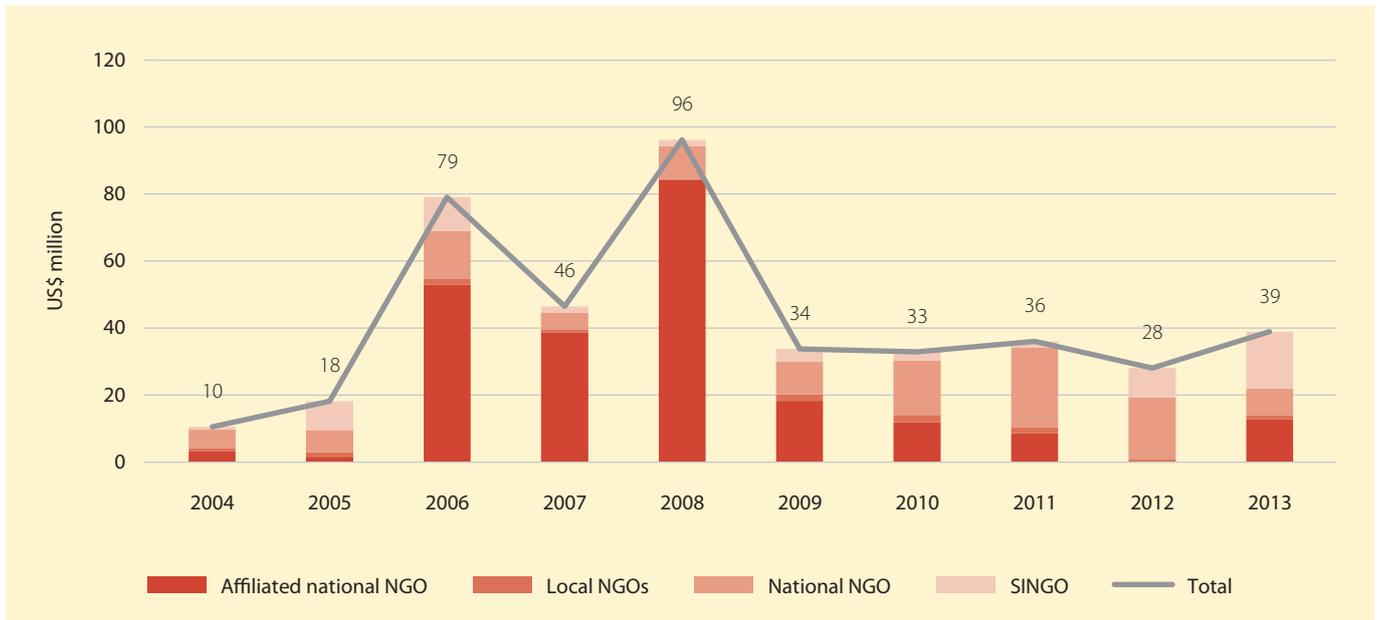


Figure 7: Humanitarian funding from bilateral donors to national NGOs, 2004–2013. Source: Development Initiatives based on UN OCHA FTS

approaches to channelling funding to local actors through strategic international partnerships (see box on page 22 on the OFDA funded RAPID fund managed by Concern in Pakistan). On the whole however, donors entrust large volumes of funds to international organisations with the expectation that they will be passed on to

local actors in appropriate and accountable ways, based largely on trust.

Very few funding recipients are able let alone required to report in systematic or comparable ways on even basic information about the funds they pass on to third-party implementers, the nature of their ‘partnerships’ and indeed the results and

impact of this work. At the most basic level, there is currently no way of determining how much money is passed on to national NGOs via UN agencies, funds and international NGOs and consequently no way of systematically assessing the timeliness and appropriateness of funding, let alone the impact, which could inform

Requires considerable investment to meet eligibility criteria	Difficult to access	Not accessible at all	Not applicable here
19%	25%	13%	3%
22%	19%	7%	2%
21%	30%	13%	9%
25%	30%	7%	3%
13%	38%	15%	6%
18%	37%	12%	12%
16%	41%	15%	6%

Source: “Funding at the sharp end” survey of southern national organisations April – May 2013

### 3. How do national NGOs access international funding?

more efficient and more strategic future investments.

The ability of donor governments to influence how national NGOs access international financing, while considerable, is indirect and currently under-utilised and opportunities to scale up financing are under-developed.

#### Donor approaches to supporting national organisations

##### *USAID Office of Foreign Disaster Assistance (OFDA)*

The US government is the world's largest donor of humanitarian assistance and its investments heavily favour NGOs. In FY 2011, 51% of OFDA's funding was channelled via NGOs. However, many national NGOs struggle to meet the stringent criteria USAID applies in its pre-award audit processes and USAID typically advises national NGOs to partner with international organisations. Sub-contracting to national organisations is not captured within USAID's monitoring systems.

USAID does however have an alternative route to accessing direct funding for organisations who do not meet its eligibility criteria, via fixed obligation grants (FOGs), which permit greater flexibility in eligibility criteria balanced against greater levels of control in monitoring implementation, disbursement of funds and a ceiling on the amount of funds available.<sup>17</sup>

Not only do FOGs lower the bar for entry in favour of new and small organisations, building the capacity of the recipient organisation may be an explicit objective of the grant. Recipients may be given the opportunity to develop their systems and capacities towards meeting USAID compliance criteria during the grant implementation period and USAID staff in-country are expected to provide active

#### Good Humanitarian Donorship

##### General Principles:

8 Strengthen the capacity of affected countries and local communities to prevent, prepare for, mitigate and respond to humanitarian crises, with the goal of ensuring that governments and local communities are better able to meet their responsibilities and co-ordinate effectively with humanitarian partners.

##### Promoting standards and enhancing implementation:

18 Support mechanisms for contingency planning by humanitarian organisations, including, as appropriate, allocation of funding, to strengthen capacities for response.

Source: 23 Principles and Good Practice of Humanitarian Donorship;<sup>15</sup>

support and guidance to this process. Notably, in lieu of annual audits, grant recipients may be required to permit USAID staff direct access to their financial records.

Between FY 2011 and FY 2013, OFDA provided approximately \$3.25 million in fixed obligation grants, primarily to local NGOs and national Red Cross/Red Crescent Societies.<sup>18</sup>

While OFDA's expenditure via FOGs is small in relation to their overall budget, USAID has expressed a strong commitment to scaling up funding via local partners. As part of USAID's current reform initiatives, the US government has elevated its commitment to 'foster local capacity and ownership of development among governments, NGOs, private sector and citizens'<sup>19</sup> which includes a commitment to spend 30% of its aid through local partners and country government by 2015. USAID's expenditure via local partners (excluding government) grew from 5.7% in 2010 to 7.5% in 2012.

##### *European Commission Humanitarian Aid and Civil Protection (ECHO)*

ECHO is the second-largest donor of official humanitarian financing and is restricted by

legislation to fund only EU-based and legally registered NGOs.<sup>20</sup> ECHO does not systematically track onward financing to national NGOs but 51% of 1,072 operations reviewed over 2011 and 2012 mentioned some involvement of national NGOs.<sup>21</sup>

The Commission's International Audit Service recommended in 2011 that ECHO should evaluate the efficiency and effectiveness of funds channelled through local NGOs with a view to amending this legislation. The subsequent evaluation concluded that basing such a decision on cost-effectiveness is questionable and that in most cases on-going capacity-building is still necessary. The evaluation recommends that ECHO should only fund national NGOs in 'exceptional' cases and that for the majority of potential national NGO partners, 'the current added value provided by the INGO, IO and UN partners (e.g. QA/QC on narrative and financial reporting, financial support, M&E, coordination with donors – in particular demanding ones such as ECHO) is still crucial.'<sup>22</sup>

The EC decided to uphold the existing legislation in 2012, which does not permit direct financing to non-EU NGOs.

ECHO's Enhanced Response Capacity fund in its latest iteration (2011–12) has included activities which 'encourage and provide specific guidance to partners on how to integrate local capacity building in programmes'.<sup>23</sup>

#### **United Kingdom (UK) Department for International Development (DFID)**

The UK was the third largest provider of official humanitarian aid in 2011. The majority of DFID's humanitarian aid is provided to multilateral agencies and funds – and this strategy is likely to continue as the UK government works towards its commitment of maintaining its target of 0.7% gross national income expenditure on aid from 2013.

With this in mind, DFID has conducted two reviews of the effectiveness of its spending via multilateral agencies, which has stimulated greater scrutiny of multilateral performance among the donor community.<sup>24</sup> DFID is working to build alliances among fellow donors to find consensus in priorities for UN reform and to work collaboratively to support reform and

hold multilateral agencies to account. Among the UK's priorities for UN reform are greater accountability for results, transparency and accountability and partnership behaviour.<sup>25</sup>

DFID has several financing channels accessible to NGOs including its new Rapid Response Fund (RRF), programme partnership agreements (PPAs) and its regular humanitarian budget. The RRF is accessible only to pre-selected international NGOs. PPAs are theoretically open to NGOs from any country, but in practice were awarded only to international NGOs in its 2011–14 funding round. While DFID's regular humanitarian budget is theoretically accessible to national NGOs, its due diligence criteria preclude entry for many.

The UK has instituted many policy reforms, new processes and procedures in response to the 2011 Humanitarian Emergency Response Review (HERR) and in addition to a major policy commitment to support resilience to disasters, DFID has specifically committed to 'Invest more in measuring the UK Government's impact and the impact of partners' and to 'Explore with

others the benefits of devising new funding mechanisms for protracted crisis including funding of affected governments'.<sup>26</sup>

To date, DFID has not materially altered its approach to supporting national NGOs in relation to these commitments but is currently commissioning research to derive evidence as to the effectiveness and impact of working through local partners.<sup>27</sup>

#### **3.2 UN agencies**

UN agencies recognise the important role played by national NGOs in their delivery of humanitarian assistance – WFP for instance reports having worked with more than 2,100 NGOs in 2011, 90% of which were local organisations.<sup>28</sup>

Indeed, UN agencies are probably the gate-keepers of the vast majority of international funds available for national NGOs, channelled through sub-grants which are often agreed at recipient country level. UN agencies work with local and national NGOs in a variety of capacities, from coordination, to coordinated approaches to issues of common concern which may involve a memorandum of understanding, but no transfer of resources, and of course partnerships which involve an element of sub-contracting for the delivery of specific goods/services.

It is difficult to say for certain however how much money flows via UN agencies to national NGOs, since many UN agencies do not collate centrally and consequently report these transactions.

UNHCR is one of the few UN agencies working in humanitarian crises which does track and record its funding to national partners. By way of illustration of the scale of funding flows passing via UN agencies, in 2012 the funds passed on through UNHCR (US\$319 million) were four times greater than the sum of all funding to national

#### **EU Consensus on Humanitarian Aid:**

**Art. 53. Local response to coping with humanitarian crisis is a vital component. Local actors are on the front line when disaster strikes suddenly and increasingly also at the core of the humanitarian response in complex emergencies. The EU will examine how best it can offer support to capacity-building activities for sustainable strengthening of local disaster response, and encourage implementing partners in fostering partnership with local organisations in affected communities.**

**In practical terms, this means anticipating disasters, reducing risk exposure, strengthening the resilience of vulnerable communities, using risk transfer mechanisms where appropriate, and strengthening national and international response capacity and leadership. Humanitarians should focus on preparedness, including work to strengthen early warning systems and to boost the capacity of local communities and civil society organisations to respond to crises.**

Source: European Union Consensus on Humanitarian Aid<sup>16</sup>

### 3. How do national NGOs access international funding?

NGOs from bilateral donors (US\$28 million) and country-level pooled humanitarian funds (US\$44 million) combined.

National NGOs received a growing share of UNHCR's total funds passed on to implementing partners increasing from 9% in 2004 to 14% in 2012. Volumes of funds passed on to national NGOs via UNHCR have more than tripled between 2004 and 2012 when they reached US\$319 million.

Across the UN family, however, we know almost nothing about these presumably huge volumes of funds channelled to third-party implementing partners. WFP and FAO are currently institutionally unable to trace funds through to funding recipients as decision making and record-keeping are devolved to country offices and few requirements are made at head-quarters level for this information.<sup>29</sup> UNICEF has recently rolled out a new finance management system which should theoretically make tracking this information possible, but information has yet to be made publicly available.<sup>30</sup>

This lack of basic information poses a major barrier to understanding the timeliness, effective targeting and value-for-money of resources channelled via UN agencies and is in direct contradiction with the 2007 Principles of Partnership, which advise that 'Communications and transparency, including financial transparency, increase the level of trust among organizations.'

UN agency partnership approaches have been subject to substantial criticism, from NGO partners – who often feel that partnerships are primarily contractual and that navigating UN bureaucratic procedures is excessively time and effort intensive – and notably in independent evaluations of the UN CERF.

The 2008 UN CERF evaluation noted inconsistencies and widespread feelings of unfairness reported by NGOs in UN agency practices with respect to overhead costs, noting that 'UN agencies routinely expect NGOs to implement their programmes without allowing them to charge a reasonable overhead.' The Evaluation

recommended that an agreement be reached at the IASC level to standardise overhead charges for NGOs in receipt of CERF funds.<sup>31</sup>

International NGOs with access to a more diverse funding base may be able to effectively subsidise UN grants, which do not in effect cover the real costs of managing and administering funds. National NGOs typically have a far narrower resource base and limited opportunity to sustain their on-going operational costs with more generous sources of financing. While national NGOs arguably have lower overhead costs in any case since they do not bear off-shore head-quarters costs and salaries are often much lower, the minimal level of support costs offered by many NGOs is not conducive to investing in organisational capacity and many national NGOs depending on UN funding find themselves locked into a pattern of focusing on delivery, unable to support strategic engagement in coordination or improvement of systems and processes.

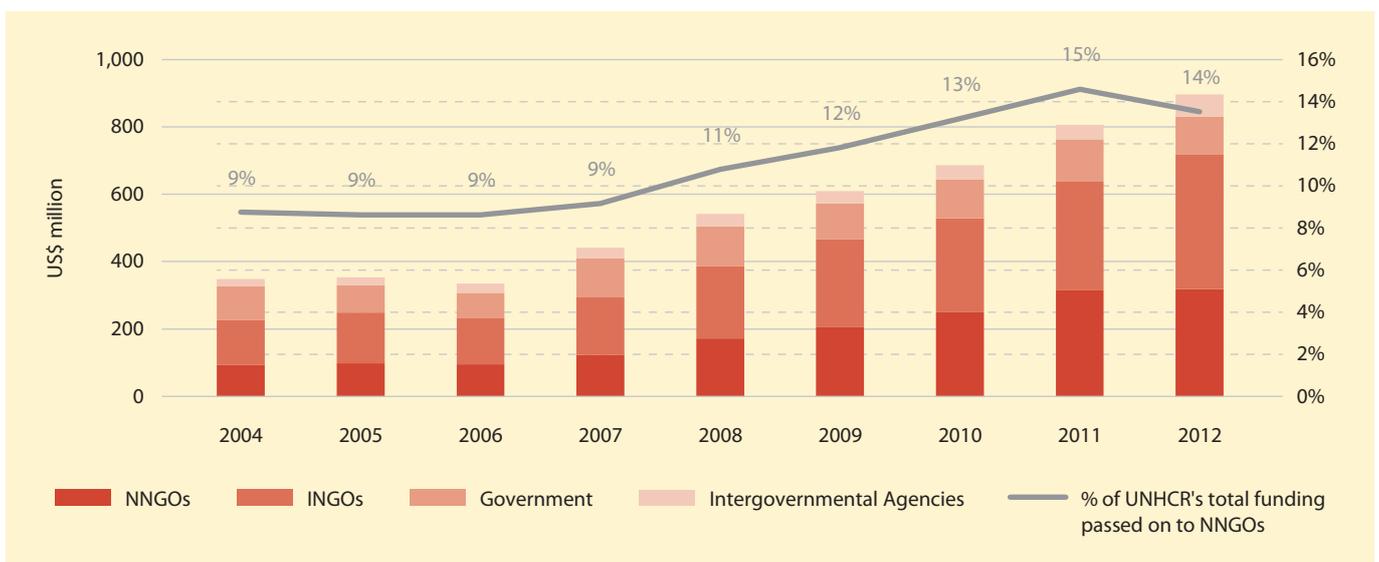


Figure 8: Funds passed from UNHCR to implementing partners, 2004–2012\*

Source: UNHCR.\*Note that figures for 2012 are provisional and that not all of the spending reflected here will be for humanitarian programmes.

**“The notion of ‘international NGO’ and ‘national NGO’ is a strong discriminatory criteria. The criteria used for example by UNHCR for not paying office expenses for the ‘national’ NGOs is very discriminatory. They perform the same activities and results and are denied project management support.”**

**National NGO representative, Burkina Faso**

Several UN agencies have adjusted their policies on overheads – UNICEF now for example applies a flat 7% across all NGO partners and WFP pays a rate proportionate to the tonnage of food handled irrespective of the category of partners. But not all agencies permit national NGOs to charge overhead costs and there is a lack of consistency across agencies as to reasonable allowable overhead costs. UNHCR for example permits only international organisations head-quartered in another country to charge up to 5% in overhead costs.<sup>32</sup>

Both the 2008 evaluation and the later 2011 five-year evaluation of the CERF highlighted major problems in the timeliness of onward disbursements of funds to NGOs and called for mandatory reporting of disbursements, which the CERF has succeeded in achieving via annual RC/HC reports. Delays in disbursements are of course not restricted to CERF funds but reflect wider institutional bureaucratic constraints many UN agencies face.<sup>33</sup> These can have profound effects on national NGOs which often do not have the resources to pre-finance, putting them at a competitive disadvantage with those international organisations that do, as well as having a negative impact on cash-flow management.

The most recent UN CERF evaluation recommended that the CERF Secretariat seek to launch a discussion in the IASC Sub-Working Group on Humanitarian

Financing on a potential review of agency sub-granting procedures. In the event, agencies showed limited support for this initiative citing on-going reforms and improvements of their partnership arrangements.<sup>34</sup>

Indeed UNICEF, WFP and FAO are substantially reviewing the spirit and content of their partnership arrangements with NGOs. UNICEF updated its programme cooperation agreements (PCAs) in 2012<sup>35</sup> which includes the possibility for forming partnerships specifically for capacity strengthening; FAO is reportedly also discussing how to improve their contractual tools for establishing partnerships alongside a radical proposed change in the way FAO works with national partners which was approved by their Governing Bodies in April 2013 and which includes a proposed fund for national capacity building,<sup>36</sup> and WFP was due to roll out revised templates for field level agreements (FLAs) in early 2013.<sup>37</sup> But the likely implications of these changes for NGO partners (at least in the case of WFP and FAO) are not yet clear and there remains no comprehensive approach to contractual partnership agreements shared across agencies.

Within several UN agencies there is a clear impetus for change and there is huge potential to recalibrate and harmonise partner capacity and risk assessments and contracting processes across UN agencies and funds to both simplify these processes

for applicants, and to reduce transaction for contracting agencies. But reform is currently restricted to reviews of internal processes rather than a more transformative harmonisation across the UN agency family. Indeed history clearly demonstrates that reform and harmonisation of UN business practices is no simple matter and has proved extremely disappointing at the global level to date.<sup>38</sup>

Progress in rolling out the Harmonised Approach to Cash Transfers (HACT) for example has been notably discouraging. The HACT is a common approach to identifying, assessing and transferring funds for cash transfer programming shared across UNDP, UNFPA, UNICEF and WFP. It was developed with the intention of reducing transaction costs through minimising the various UN procedures and rules UN partners were obliged to comply with. Participating agencies undertake common assessments and assurance activities and share an approach to risk management as well as using common forms and procedures for requesting and reporting on the use of cash. The HACT ought to allow a prospective partner cleared by one agency to be contracted by any of the participating agencies.

A 2012 audit of the HACT however found that six years after its introduction, corporate governance arrangements were ‘unsatisfactory’ and only two out of more than 150 countries tracked were consistently using the approach.<sup>39</sup> The capacity of UN country staff to ensure effective risk management controls have also in practice been insufficient and resulted in some perverse situations where the ‘harmonised’ approach continues to operate alongside and in addition to regular agency systems and controls. And it would appear that the disincentives to investing in coherent approaches for those charged with

### 3. How do national NGOs access international funding?

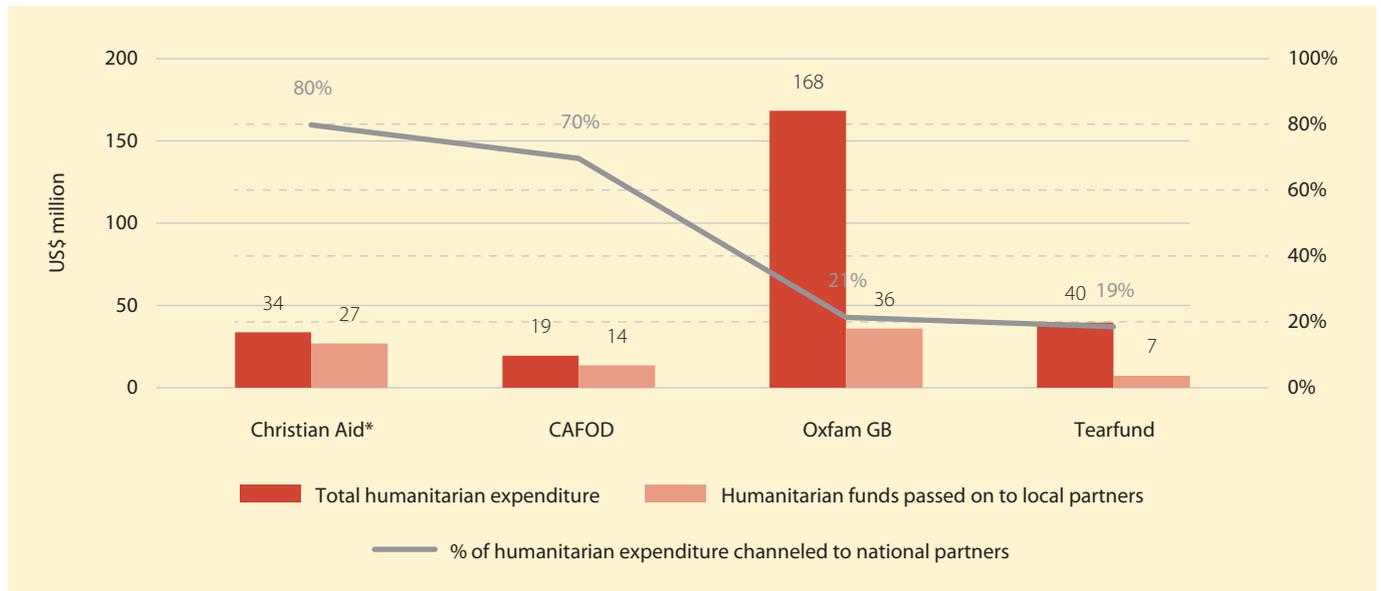


Figure 9: Funds expended on disaster response activities by four UK NGOs in 2012. Source: CAFOD, Tearfund and Christian Aid annual reports and data supplied by Oxfam GB. \*Note that figures for Christian Aid may include some funds passed on to international as well as national partners.

implementing them outweigh the potential benefits, which would accrue to the UN's partners. The laudable intentions of the HACT have to date stumbled in the face of agency resistance and practical difficulties in implementation.

The latest round of reform and business harmonisation guidance is contained within the UN Quadrennial Comprehensive Policy Review (QCPR) resolution adopted by the General Assembly in December 2012 and provides the framework for the operational activities of the UN for the period 2013–2016. The QCPR notes the need to invest in national capacity at all levels in 'transitional' contexts and calls on donors to provide more rapid and flexible financing for prevention, resilience, preparedness, response and the transition from relief to development.<sup>40</sup>

Simultaneously, there is a gathering impetus for substantial programmatic reform with several of the leading UN agencies involved in humanitarian response, which are undergoing an institutional-level

sea-change in their understandings of the nature of humanitarian crises and consequently their programmatic responses. This paradigm change includes their approaches to working in partnership with local and national actors. UNICEF, for example, is undergoing a conceptual shift in emphasis from humanitarian response towards humanitarian action which involves moving towards 'risk-informed' programming. WFP is at the beginning of an institutional shift away from supply-driven responses to food crises and towards long-term solutions to hunger.<sup>41</sup> FAO's 2012 'Strategic Thinking Process' meanwhile reasserted 'CSOs as one of FAO's key allies in its fight against hunger, malnutrition and poverty.'<sup>42</sup>

While these developments present opportunities, donor support for them in practice is uncertain. Financing for preparedness and investing in capacity-building is notoriously difficult to secure and currently both WFP and UNICEF have reported relying on private and core

funding to finance these activities. UN agencies have recently however experienced a consistent reduction in their core funding contributions with the UN reporting a reduction of the core funding share of its total development-related funding from 33% in 2007 to 30% in 2010. UNICEF noted a decline of 7% in its core funding between 2011 and 2012. It is likely that reductions in core funding are linked to Member State frustrations at the lack of progress in achieving cost-savings and efficiency gains.

Despite high-level commitments to reformed business practices and calls to donors for support, the ability of UN agencies to fulfil their growing policy commitments to strategic partnerships with national civil society actors are yet to be matched with appropriate tools and funding and UN agencies have work to do to restore donor confidence in their ability to administer flexible core financing judiciously and efficiently.

In addition, a far more radical rethink of how agencies work individually and

*collectively* with national civil society actors may be needed to bring transformative change to the ways in which the UN family supports investments in local capacity to scale up and respond to disasters, including how they collectively map and assess local capacity and how they work together to finance and support and monitor progress in the development of local response capacity.

#### 3.3 International NGOs and the International Federation of the Red Cross and Red Crescent Societies

From the perspective of national organisations participating in the survey, working in partnership with international NGOs provides them with their most important and accessible source of international financing. International NGOs however suffer from the same lack of transparency as UN agencies when it comes to publicly reporting volumes of funds passed on to national partners and the overall volumes of funds passed on are currently impossible to ascertain.

International NGOs are extremely diverse in mandate and approach and fall anywhere along a spectrum of working exclusively through local partners to pure direct implementation. The UK NGOs participating in this research alone demonstrate wide variety in partnership approaches and in the proportion of their humanitarian expenditure passed on to local partners.

Not only do we know little about the volumes of funds passed on we know little about the terms on which funds are sub-contracted to national NGOs via international NGOs, the timeliness of funding disbursements and other realities, working practices and their implications for their national partners. In short, there appear

to be no consistent external benchmarks against which organisations are monitored or held to account for the terms on which they contract and ways in which they work with national NGOs and there is very little publicly available information beyond high-level policy statements.

However, international NGOs are more likely and better institutionally adapted in many cases than bilateral donors, UN agencies and funds to sustain longer-term relationships with their national partners and to engage in capacity-building as a strategic goal in itself. Many international NGOs are 'mixed mandate' working across a range of humanitarian, recovery and development issues. Such organisations may be institutionally well adapted to sustaining longer-term partnerships with national NGOs and indeed many have developed sophisticated policies, tool-kits and approaches to working in partnership.

Tearfund for example takes a relatively long-term approach looking to establish partnerships of up to six years and within this time they will provide tailored organisational capacity-building alongside provision of grants to take organisations on a 'journey to enable them to realise their own capacity'. Notably, Tearfund's approach emphasises non-dependence on financial support from Tearfund and an end point at which their partners are expected to achieve some degree of independence. After working with Tearfund for a number of years, Heal Africa in DRC for example is now able to access funding from alternative sources.

One of our members, CAFOD, is investing time and private funds in a strategic, focused approach to capacity building, and is currently in the start-up phase of a two-year pilot Humanitarian Capacity Development Programme in 10 countries. A team of regional capacity development officers will provide up to 15 self-selected partners with

in-depth support across a range of areas fundamental to effective humanitarian work, including funding and coordination. The programme design is based on emergency preparedness planning to understand what the organisation needs humanitarian capacity for and a capacity self-assessment to identify their strengths and weaknesses. CAFOD's capacity self-assessment framework aims to enable organisations to identify practical steps to strengthen their capacity by setting out the attributes of good humanitarian work along a scale of increasing complexity.

Sustaining longer-term funding and capacity-building relationships with national partners is extremely difficult to finance through regular humanitarian funding resources and NGOs consulted during this research described relying on their private resources to sustain this work. Concern in Pakistan for example funded an ambitious partner capacity mapping exercise across disaster-prone districts to identify potential stand-by partners for emergency responses, providing the selected organisations with two-week trainings in systems (including finance, logistics and human resource management) and programming skills (including needs assessments and report writing) before signing a memorandum of understanding to work in partnership in event of a disaster. Concern financed this initiative from 2003 up to 2007 with its own private resources, until Concern's private income dropped off following the global financial and economic crisis from 2008.<sup>43</sup>

International NGOs in some instances exploit their comparative advantages in accessing funding to support their work with national partners. In Somalia, for example, Care and NRC have formed a consortium with Somali national NGOs and submitted a project to the UN Work Plan to support capacity-building activities for Somali NGOs.<sup>44</sup>

### 3. How do national NGOs access international funding?

The **RAPID fund in Pakistan**, managed by Concern and funded by USAID's Office of Foreign Disaster Assistance (OFDA) has provided assistance to over two million people in conflict and flood-affected areas through 130 grants since 2009, largely via Pakistani national NGOs. The purpose of the fund is to channel funds for emergency response to local organisations, but the longer-term objective is to build the capacity and systems of local NGOs to deliver humanitarian assistance and development programmes and enable them to secure, manage and account for funds from other donors in the future.

Concern as the fund manager issues calls for proposals, assesses and provides feedback on applications, verifies the capacity of partners, contracts, disburses funds and provides a range of practical support, advice and monitoring throughout the implementation period. Not only does Concern tailor its service to the needs of national NGOs, provide a high-level of practical support and an effective monitoring services, it has also proved a highly efficient disbursement mechanism. The typical response time on proposals is two weeks. The typical liquidation time for final fund disbursements after receipt of final reports is 2–4 weeks.

In some instances, international NGOs have worked with donors to develop creative solutions to channel funds to national NGOs through administering umbrella grants and funds (see box).

These models remain exceptional and are undoubtedly challenging from the perspective of the international NGO. This model may be an indicator however of new modes of humanitarian programming in which international NGOs are less likely to deliver services and commodities to affected populations themselves but where their technical expertise and experience may be employed more in the role of mediator between international funders and national implementers, providing technical assistance, quality and accountability assurance.<sup>45</sup>

Competition between national and international NGOs is clearly a point of concern for national NGOs, as our survey for this report evidenced. The lack of transparency in contractual relationships and around resource transfers contributes to this lack of trust.

In addition to this, understanding the respective capacities and comparative advantages of different actors is fundamental to achieving a rational division of labour and equitable distribution of resources. The default assumption that national NGOs are in need of capacity-building is somewhat contentious and certainly not always correct. National NGOs may require schooling in the arts of

compliance with donor requirements, but they will in most instances have important capacities and comparative advantages. Yet in most contexts, international actors have a poor understanding of NGO response capacity, and no shared vision of where they would like it to be.

The IFRC has recently developed an approach to assessing and verifying national society capacity as they work towards the goal of having strong sustainable country-level societies. The new organizational capacity assessment and certification (OCAC) process includes self-assessment and peer review against capacity criteria and operates alongside standard accountability processes including regular audits. Monitoring and strategically supporting partners as they progress towards capacity bench marks is possible within the IFRC context of relatively secure and predictable financing and a long-term commitment to their national society partners.

There is currently however no equivalent community-wide approach to identifying capacities and gaps that could enable international organisations to make informed choices about partner selection, the need for capacity-investments, and baseline against

**The Start Fund** is a multi-donor pooled fund which is managed by NGOs, for NGOs. The Start Fund aims to complement existing funding mechanisms by making funding directly available to NGOs within 72 hours. This will allow NGOs to respond quickly to low-profile, small-medium scale and underfunded emergencies. In the first phase the Start Fund will operate through the Start Network globally, which consists of close to 7000 organisations, many of which are local or national partners. The Start Fund design is based on a two-year pilot of the Consortium of British Humanitarian Agencies, which proved the speed, effectiveness and efficiency of the fund.<sup>46</sup> Moreover, during this pilot, more than half of the grants went to local and national NGOs in the network. In the future the Start Network will operate through a decentralised model, with national funds allowing local and national NGOs direct access to this civil society fund.

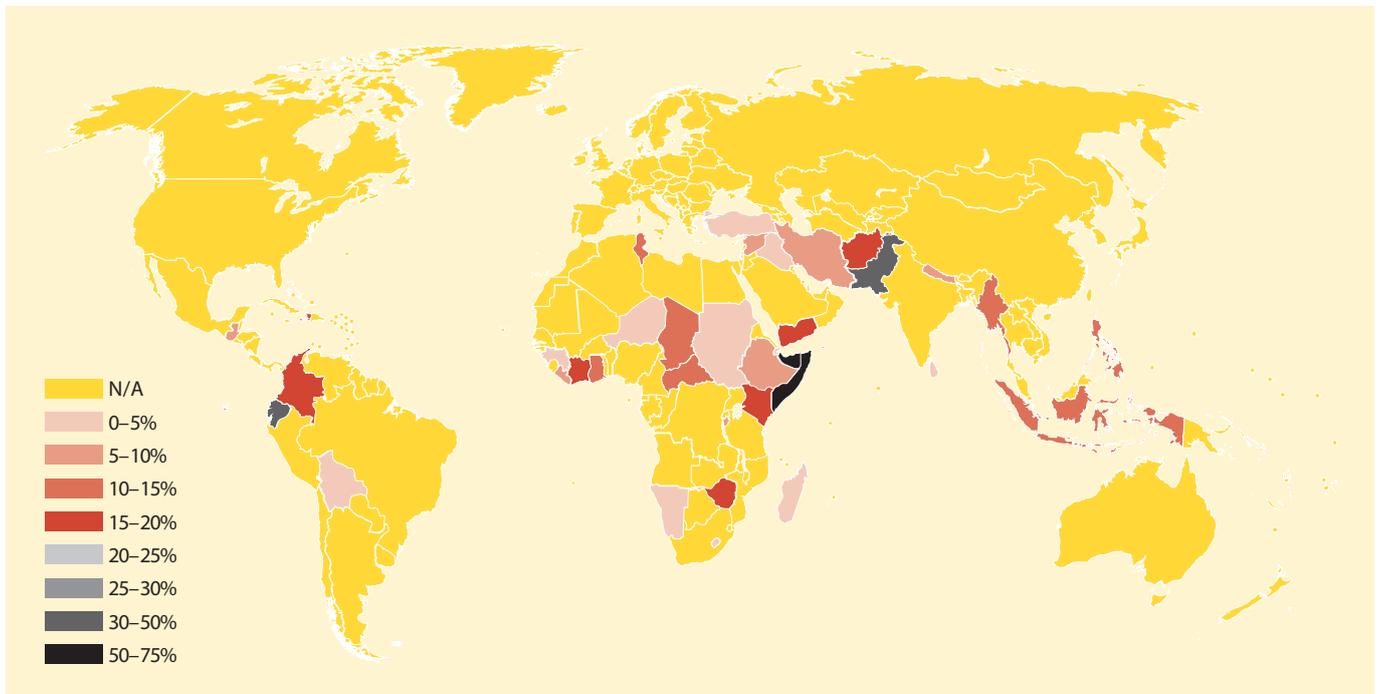


Figure 10: Geographic distribution of funding to national NGOs via pooled humanitarian funds (% of total funds passed on to national NGOs via CHF, ERFs and the CERF in 2011). Source: UN OCHA ERF annual reports, UN CERF RC/HC annual reports and author’s calculations based on UN OCHA Financial Tracking Service data. Note that CHF and ERF data does not take into account funds passed on to national NGOs via UN agencies and CHF, ERF and CERF data does not take into account funds passed on to national NGOs via international NGOs.

which to assess progress towards building a robust national capacity to respond to crises.

### 3.4 Pooled humanitarian funds

Pooled humanitarian funds provide an important pathway to international funding for national NGOs, greatly boosted by the emphasis on financing in the UN’s humanitarian reform agenda.<sup>47</sup> By 2011, 5% of international humanitarian aid financing from governments and private donors was channelled via pooled funds at the global level (the Central Emergency Response Fund (CERF)) and at affected-country level (common humanitarian funds (CHFs) and emergency response funds ERFs). In 2012, national NGOs received US\$44 million via country-level pooled humanitarian funds and a further US\$17 million in CERF funds passed on through UN agencies.

Country-level pooled humanitarian funds in particular provide donors with a mechanism through which they can direct funds to specific crises where they may have no physical presence themselves, and where trusted partners – including OCHA, the pooled fund administrative agents and pooled fund advisory boards - assume responsibility for identifying and assessing the organisational capacity of funding recipients. This enables donors to reach a far wider range of partners than they would otherwise be able.

While pooled humanitarian funds represent an important step towards a more level-playing field for national actors in accessing international humanitarian funding, a number of practical administrative barriers remain which prevent optimal access to funds for national actors.

In many of the contexts in which OCHA manages country-based pooled funds, they are typically long-lived. In several cases (Indonesia, DRC and Somalia), ERFs and CHFs have been in continuous operation for more than a decade.

Given their long-standing presence and often multiple demands for different types of funding in protracted crises (including emergency preparedness, disaster risk reduction and in some instances basic service provision) in practice pooled humanitarian funds often informally support far more than immediate life-saving assistance.

It is currently far from clear whether pooled humanitarian funds should and are appropriately designed to support a wider remit of activities – including longer-term support and capacity-building for national NGOs – by design rather than default. And

### 3. How do national NGOs access international funding?

while country-level pooled humanitarian funds have undoubtedly improved access to humanitarian funding for national NGOs where they are present, their limited geographical remit means pooled humanitarian funds could only ever provide a very partial solution to increasing access to financing for national NGOs.

#### Emergency Response Funds

Emergency Response Funds (ERFs) predominantly channel funding to NGOs, both national and international,<sup>48</sup> and are an important source of funding for national NGOs in countries where they are active.

In 2014, there are 10 active ERFs in Colombia, Democratic Republic of the Congo (DRC), Ethiopia, Haiti, Myanmar, Pakistan, State of Palestine, Syria, Yemen and Zimbabwe (Indonesia, Kenya, and Uganda retain carried-over funds, but have received no new contributions and made no allocations in 2014). In 2010, national NGOs received US\$25 million, 33% of the total funds disbursed through ERFs. Historic data for trend analysis are not publicly available. However, a 2007 evaluation of OCHA ERFs indicates that from their inception up to 2006, national NGOs received just 3% of the total funds disbursed.<sup>49</sup> Based on these two sets of data therefore, the volumes and

shares of the total ERF funds received by national NGOs have grown considerably. Their share of the total fell however to 19% (US\$ 19 million) in 2011 and 11% (US\$ 7 million) in 2012.

The proportion of funds channelled to national NGOs varies considerably across contexts, with DRC and Indonesia providing more than 50% of funds to national NGOs in 2012 compared with Syria, which provided just 5% to national actors.

Consistent with its stated purpose to provide short-term gap filling emergency response funding, ERFs fund time-limited specific emergency response actions and pre-suppose a level of prior investment in



Figure 11: Life-span of country-level pooled humanitarian funds to date. Source: Based on Development Initiatives 2011 and the UN OCHA website

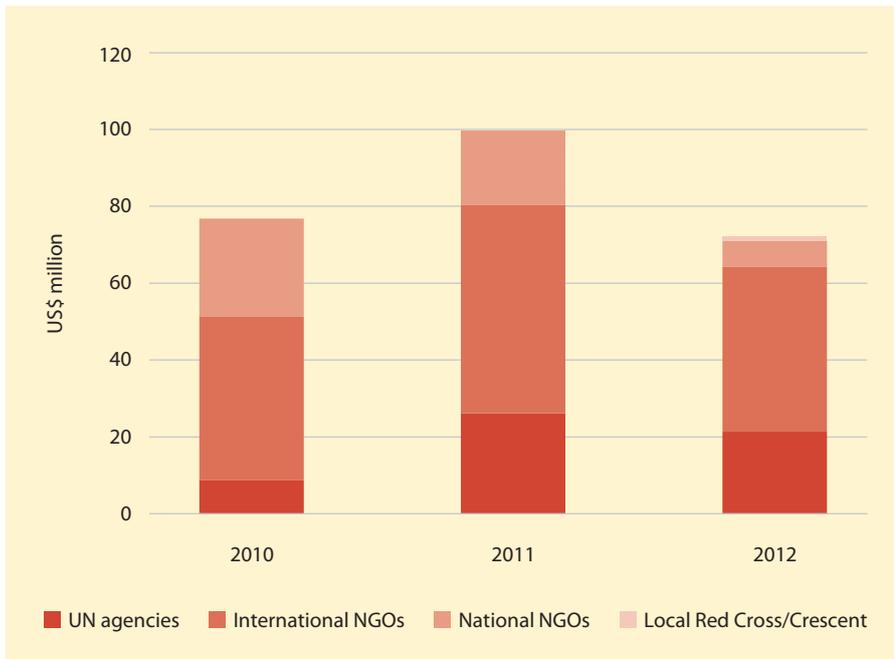


Figure 12: Funds channelled to national NGOs via the ERFs by recipient type.

Source: UN OCHA ERF annual reports

organisational development and capacity. ERF grant sizes are typically small and for projects lasting up to six months and each contract awarded must be audited.<sup>50</sup>

ERFs vary considerably in their interpretation of their mandate according to the crisis needs and in relation to other funding sources. In DRC for example, the ERF (which is funded by and exists alongside a much larger CHF) further focused its mandate towards meeting emergency life-saving needs, limiting project duration to just three months and restricted grant sizes to between US\$ 10,000 and US\$ 250,000.<sup>51</sup> Meanwhile the ERF in Indonesia, following priorities of the funds' single donor and the Indonesian government, has prioritised disaster risk reduction (DRR)<sup>52</sup> and emergency preparedness. In Colombia, in response to increased demands for funding for emergency preparedness and DRR, the ERF Advisory Board has agreed in principle that

each proposal may include up to 10% of costs directed towards DRR.

A number of administrative and procedural issues present unnecessary barriers for national NGOs including that guidelines and contracts are not translated into the major working languages of national NGOs (including Spanish, French and Arabic). Slow disbursement rates of final instalments of payments have in some extreme cases in Colombia, led to the near bankruptcy of some organisations.<sup>53</sup> And overall, slow proposal approval processes (more than 60 days in some cases) continue to be problematic for any partner without pre-financing capacity and in relation to the ability of the fund to truly serve as an 'emergency response' mechanism.

Despite OCHA's contention that 'ERFs predominantly fund NGOs and actively support local NGO capacity-building',<sup>54</sup> in reality, due to the very short-term nature of the funding, the necessity for activities to

focus on projects designed to meet critical gaps, and the restrictions placed on allowable costs, ERF funding by mandate and design does not enable organisations to build their institutional capacity in a broad or sustainable fashion.

Moreover, supporting local NGO capacity-building is not listed among the purpose of ERFs suggesting that it is perhaps considered a welcome but incidental outcome, or that OCHA considers channelling funds directly to local NGOs as synonymous with capacity-building. In practice, OCHA's direct capacity-building support typically takes the form of discretionary ad hoc support from ERF managers in country to assist national NGOs through the application process.<sup>55</sup>

### Common Humanitarian Funds

Common Humanitarian Funds (CHFs) are currently active in Afghanistan, the Democratic Republic of the Congo (DRC), Somalia, South Sudan, Sudan and the Central African Republic (CAR).

CHFs have allowed national NGOs to access funding and participate in coordination to a much higher degree than is possible where CHFs do not exist and the share of CHF funding received by national NGOs has progressively grown from just 1% of total funds in 2006 to 11% since 2011.

CHFs vary considerably but grant sizes are typically larger than ERFs with expenditure eligibility periods running across a calendar year. In some cases minimum grant sizes have been adjusted to permit smaller awards for national NGOs. In Sudan, however, the minimum is US\$ 200,000.<sup>56</sup>

CHFs are accessible to UN agencies and NGOs, though their emphasis varies considerably. In DRC, the Humanitarian Coordinator (HC) has concentrated CHF

3. How do national NGOs access international funding?

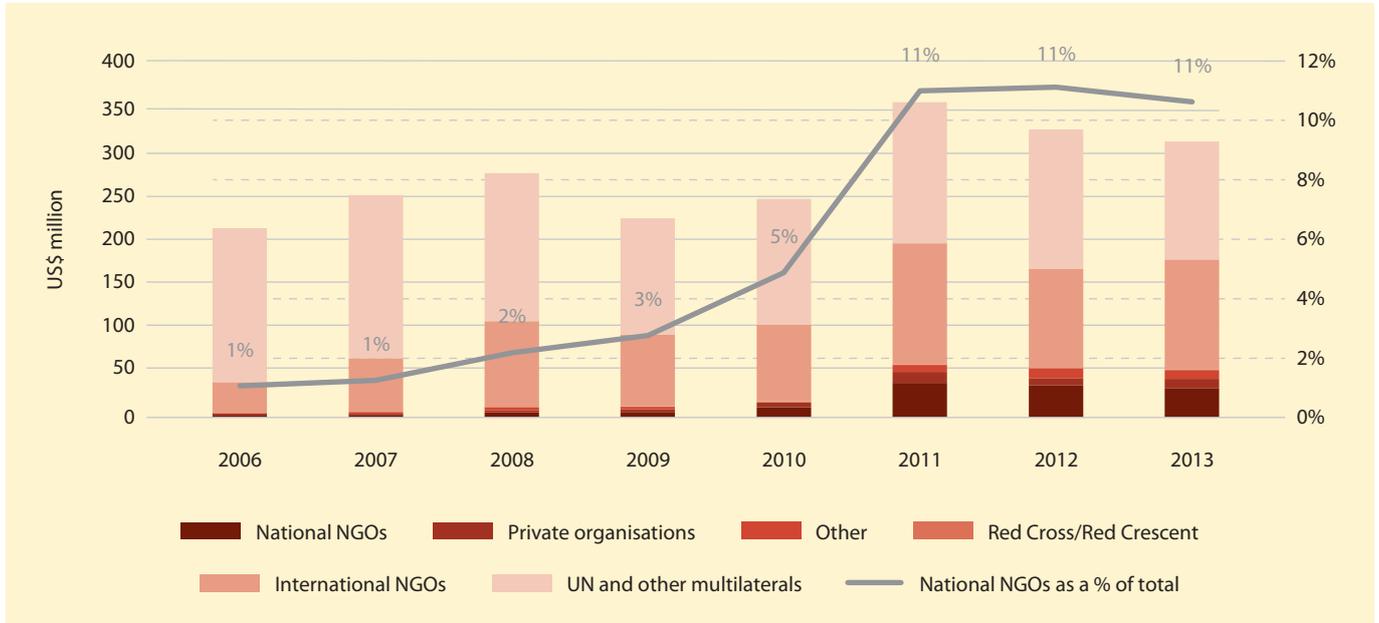


Figure 13: CHF funding by recipient type, 2006–2013. Source: Development Initiatives based on UN OCHA FTS data

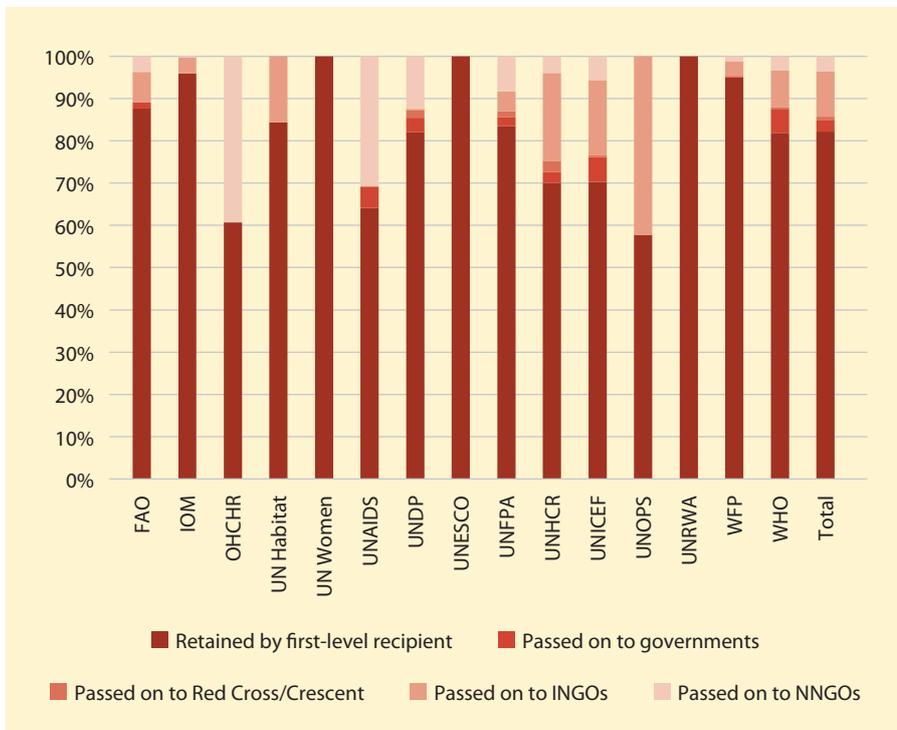


Figure 14: Proportion of CERF funds retained and passed on to implementing partners in 2012. Source: UN CERF RC/HC reports

funds in favour of NGOs by covering UN needs with CERF funds. National NGOs access CHF funds both directly and indirectly via international NGOs and UN agencies. This practice of ‘pass-through’ funding from first-level recipients is controversial because in some cases sub-grants may not permit certain support costs, such as salary costs.<sup>57</sup> The volumes of funds retained by first-level recipients is not transparently declared and is a source of mistrust and potentially a major site of inefficiency. However, UN OCHA reports that it actively encourages HCs and cluster-level coordinators to ensure that the first preference for CHF funds is to fund NGOs directly.

In practice, CHF funding does not provide a predictable and flexible enough source of funding to exclusively support activities and recipients tend to use CHF funding as a supplement to bilateral funding.<sup>58</sup> National NGOs who do not have a diverse funding base including direct bilateral funding are

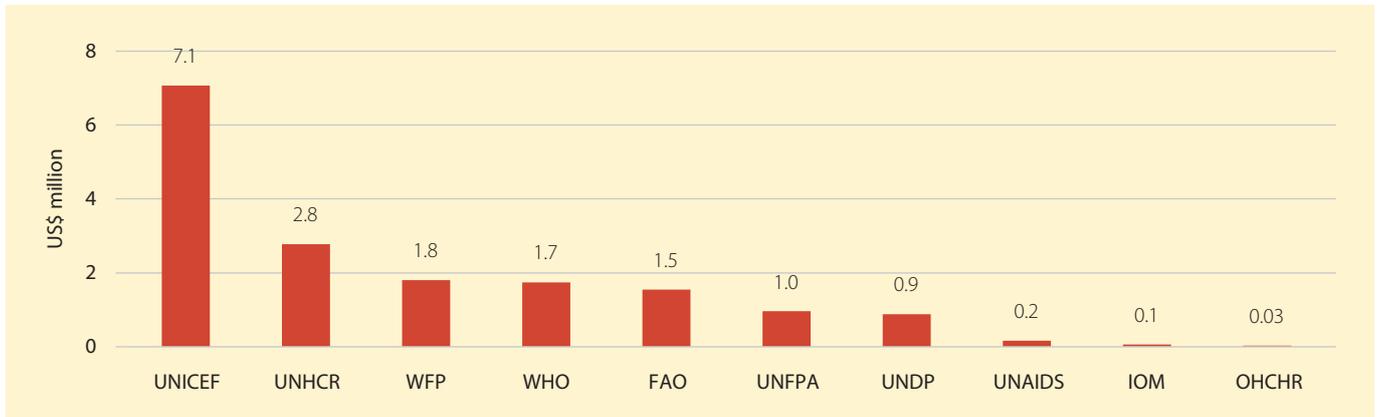


Figure 15: UN CERF funds passed on to national NGOs via UN agencies in 2012. Source: UN CERF UN CERF RC/HC reports

naturally at a disadvantage and must typically accept the unpredictability and restrictive nature of allowable costs without being able to temper these effects with more predictable bilateral funds. While innovations exist at country level (see box on page 33 on approaches to ex ante or advance risk and capacity assessment in the DRC and Somalia CHF), these have yet to be shared and applied across all CHFs.

### Central Emergency Response Fund

In 2012, the CERF allocated US\$477 million in funding to crises in 47 countries through its rapid response and under-funded emergencies windows.

UN agencies and IOM are the first-level recipients of funding channelled annually

through the UN CERF fund. However, recipient agencies pass on a proportion of this funding to implementing partners including national governments, international NGOs and national NGOs. In 2012, 18% of funds were passed on in this way, with 4% (US\$17 million) of this reaching national NGOs.<sup>59</sup>

There is considerable variation of course among UN agencies in the volumes and proportions of CERF funds received which are passed on as cash grants to implementing partners, related largely to the agency programming models and types of assistance provided.

While the CERF does not fund NGOs directly, it has demonstrated considerable influence in shaping norms and holding UN agencies accountable for funds.

In responding to criticisms in evaluations of the CERF conducted in 2008<sup>60</sup> and 2011<sup>61</sup> concerning the slow onward disbursement rate of funds from UN funding recipients to their implementing partners, the CERF Secretariat enforced mandatory reporting from funding recipients on the dates and volumes of onward disbursements to implementing partners from 2009. To date, this is the only information available across a broad selection of UN agencies which tracks onward transactions to implementing partners and demonstrates an important precedent in demanding higher levels of transparency, which in turn has provided the evidence to hold organisations to account and drive improvements in efficiency.<sup>62</sup>

14 A number of donors fund only NGOs from their own domestic constituencies – for example Norway, Australia and Belgium can only fund NGOs head-quartered in their own country. The EU is legally bound to fund only organisations head-quartered within the EU.

15 <http://www.goodhumanitariananddonorship.org/gns/principles-good-practice-ghd/overview.aspx>

16 [http://ec.europa.eu/echo/files/media/publications/consensus\\_en.pdf](http://ec.europa.eu/echo/files/media/publications/consensus_en.pdf)

17 Payments are not provided in advance but on completion of agreed 'milestones' and maximum grant awards are US\$ 500,000 for non-US-based NGOs. <http://transition.usaid.gov/policy/ads/300/303saj.pdf>

18 USAID pers comm., May 2013

19 See for example USAID Forward Progress Report: <http://www.usaid.gov/USAIDForward>

20 Council Regulation (EC) No 1257/96 of 20 June 1996 concerning Humanitarian Aid

21 Germax, 2013 [http://ec.europa.eu/echo/files/evaluation/2013/LNGO\\_Evaluation.pdf](http://ec.europa.eu/echo/files/evaluation/2013/LNGO_Evaluation.pdf)

22 Ibid.

### 3. How do national NGOs access international funding?

- 23 EC, 2010 [http://ec.europa.eu/echo/files/funding/grants/Enhanced\\_Response\\_Capacity\\_guidelines\\_en.pdf](http://ec.europa.eu/echo/files/funding/grants/Enhanced_Response_Capacity_guidelines_en.pdf)
- 24 The first Multilateral Aid Review was published in 2011 <https://www.gov.uk/government/publications/multilateral-aid-review>. An update to the 'MAR' is due to be published by the end of 2013.
- 25 National Audit Office, 2012 <http://www.nao.org.uk/wp-content/uploads/2012/09/1213594.pdf>
- 26 DFID, 2011, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/67489/hum-emer-resp-rev-uk-gvmt-resp.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67489/hum-emer-resp-rev-uk-gvmt-resp.pdf)
- 27 For example, DFID is funding the IFRC to commission new research on the most effective approaches to building capacity for better disaster risk management, as part of their Humanitarian Innovation and Evidence Strategy.  
<https://www.gov.uk/government/news/dfid-research-building-local-disaster-risk-management-capacity>
- 28 <http://www.wfp.org/about/partners/ngos>
- 29 See WFP's May 2013 'Report of the External Auditor on Working with Cooperating Partners' which notes: 'the present arrangement of having no single centre of responsibility for managing information related to all partners (governments, NGOs, Red Cross and Red Crescent Movement and UN agencies) at HQ is not suited for their effective management.'; With reference to FAO, Markie, 2010 reports that 'Letters of Agreement (LoAs) are a very important modality in emergency support, especially with NGOs for direct delivery of inputs to beneficiaries... There is no separate record of LoAs handled in the field.'
- 30 It is also worth noting that few UN agencies make administrative distinctions between national and international partners and apply the same due diligence and application procedures across the board and therefore it may not be possible within internal monitoring systems to distinguish by category of partner.
- 31 Barber et al., 2008
- 32 UNHCR, 2003, Partnership: An Operations Management Handbook for UNHCR's Partners, <http://www.unhcr.org/4a39f7706.html>
- 33 A 2010 UNICEF evaluation notes for example that 'The majority of those interviewed during this evaluation find the UNICEF bureaucracy cumbersome and unhelpful, and feel that grants are not disbursed in a timely fashion.'
- 34 See the most recent management response to the Five-year evaluation of the CERF, April 2013  
<https://docs.unocha.org/sites/dms/CERF/Five-Year%20Evaluation%20update%20to%20MRP%209%20April%202013.pdf>
- 35 Note that the revision of UNICEF's Programme Cooperation Agreements (PCAs) culminating in 2009 took several years. The most recent revision, signed off in late 2012, however happened much more quickly in response to management concern following negative assessments of UNICEF in CERF evaluations.
- 36 FAO, 2013 <http://www.fao.org/docrep/meeting/027/mf350e.pdf>
- 37 As noted in the WFP Management Response to the Recommendations of the Report of the External Auditor on Working with Cooperating Partners, 27–28 May 2013, [http://www.fao.org/fileadmin/user\\_upload/bodies/Fin\\_Comm/Documents/FC\\_149/en/FC149-8-Add1-E.pdf](http://www.fao.org/fileadmin/user_upload/bodies/Fin_Comm/Documents/FC_149/en/FC149-8-Add1-E.pdf)
- 38 For example, the 2012 Independent Review 'Assessing the Cost and Benefits of Simplifying and Harmonizing Business Practices of UN Entities at the Country Level' concludes: 'Almost 35 years ago, in December 1977, the General Assembly passed a resolution requesting the UN system to achieve maximum uniformity of administrative, financial, personnel and planning procedures, including the establishment of a common procurement system, harmonized budget and programme cycles and a unified personnel system. Since then, the UN system has grown significantly and added a number of organizations, most of which follow their own policies and procedures leading to specific business practices in programme and operations that seem incompatible with other organizations. It seems that every attempt to harmonize business practices across the UN systems was successfully undermined with a considerable energy and commitment to explain why it would not be possible or feasible.' UN, 2012  
[http://www.un.org/esa/coordination/pdf/qcpr\\_2012\\_business\\_operations\\_report-unedited\\_draft-13.06.2012.pdf](http://www.un.org/esa/coordination/pdf/qcpr_2012_business_operations_report-unedited_draft-13.06.2012.pdf)

- 39 UNDP Office of Audit and Investigations/UNFPA Division for Oversight Services, 2012  
<http://www.unfpa.org/webdav/site/global/shared/DOS/Executive%20Summary%20HACTGovernance%20Audit%20FINAL%20Rpt%20No%20%201064%209Nov2012.pdf>
- 40 Resolution adopted by the General Assembly, 67/226. Quadrennial comprehensive policy review of operational activities for development of the United Nations system [http://www.un.org/ga/search/view\\_doc.asp?symbol=A/RES/67/226](http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/67/226)
- 41 See for example Haddad, 2012
- 42 FAO, 2013
- 43 Based on interview conversation with Concern Pakistan staff, May 2013
- 44 This project remained unfunded at 29th May 2013
- 45 A similar shift is likely underway in the role of NGOs with the move towards provision of humanitarian aid in the form of cash transfers
- 46 See the final evaluation by evaluation bureau DARA
- 47 Whereas ERFs have been in existence since 1997, the country-level CHFs were created in 2006 and the UN CERF expanded and upgraded to include a grant facility in 2006 in support of the financing objectives of the UN's Humanitarian Reform agenda
- 48 With the exception of the Ethiopia ERF where domestic legal restrictions prevent national NGOs accessing the fund
- 49 Mowjee and Randel, 2007, the Angola, Indonesia, DRC, Somalia, Ethiopia and Liberia ERFs channelled US\$2.2 million to local NGOs from their inception up to and including 2006, which represents 3.3% of the US\$64.5 million disbursed through these funds.
- 50 'Each project implemented by an NGO must be audited at least once during its lifetime. OCHA hires independent external auditors to review the financial activities of NGO implementing partners,' ERF Guidelines, 9th October 2012, UN OCHA  
[https://ochanet.unocha.org/p/Documents/Global%20ERF%20Guidelines%20\(long%20version\).pdf](https://ochanet.unocha.org/p/Documents/Global%20ERF%20Guidelines%20(long%20version).pdf)
- 51 OCHA/UNDP Joint Humanitarian Financing Unit, 2012 <http://mptf.undp.org/factsheet/fund/HCG10>
- 52 Universalis, 2013b
- 53 The tender process to identify auditors, audit process and sign off of audit reports took more than two years for some 2010 grant recipients in Colombia delaying the payment of the 20% balance of funding. In 2012, reportedly 'Most NNGOs have received clear instructions from their boards to stop working with the ERF; ibid.
- 54 <http://www.unocha.org/what-we-do/humanitarian-financing/emergency-response-funds-erf>
- 55 Some OCHA sub-offices, for example in Colombia, provide a capacity-building and coordination role in support of monitoring, programmatic design and implementation among national NGOs, Germax 2013b
- 56 Cosgrave and Goyder, 2011 [https://ochanet.unocha.org/p/Documents/CHF\\_Sudan\\_Report.pdf](https://ochanet.unocha.org/p/Documents/CHF_Sudan_Report.pdf)
- 57 Ibid. Also noted in Goyder et. Al. 2011, FAO pass-through funding for seeds and tools covered contracted transport but not any associated staff costs.
- 58 Cosgrave and Goyder, 2011
- 59 That is not to say that UN agencies retain the remaining 82%; they also expend significant volumes on procuring goods and services, which are often delivered by implementing partners.
- 60 Barber et al., 2008
- 61 Channel Research, 2011
- 62 Based on analysis of this data on disbursement dates to implementing partners, the average time taken for UN agencies and IOM to disburse sub-grants across both windows of the CERF decreased to 50.5 days in 2011 from 59.2 days in the previous year. UN OCHA, 2012  
<https://docs.unocha.org/sites/dms/CERF/CERF%20IP%20Sub-grant%20analysis%2029%20May%202012.pdf>

## 4. What needs to change?

There is much that can be done to improve the quantity and quality of humanitarian funding for national NGOs. The fundamental difficulties in scaling up international financing and support to national NGOs through existing humanitarian financing mechanisms largely relate to a deficit of **trust**, real and perceived gaps in **capacity** among national NGOs and the inability of donors (including pooled funds, UN agencies and international NGOs) to manage **risk** in sufficiently robust and enabling ways. There is also a range of practical barriers to access which must be addressed.

In order to effect a more radical scaling up of funding to national NGOs however, financing from non-humanitarian donors must be enlisted and new shared mechanisms for channelling funds developed.

Underpinning all of this, a shift in attitude towards the role of local and national actors in responding and building resilience to crises needs to be realised. This was already envisaged in the Principles of Partnership, is hinted at in the recent report of the High Level Panel High-Level Panel of Eminent Persons on the Post-2015 Development Agenda in their injunction to form new 'global partnerships' for development<sup>63</sup> and is perhaps most aptly described by a national NGO representative from Kenya who responded to our survey as 'a new approach based on mutual trust and collective responsibility'.

### 4.1 Initiate a global dialogue on investing in national response capacity

National actors are not sufficiently included in identifying problems and solutions to humanitarian problems domestically and at the global policy level. Our experience of

reaching out to national NGO partners and national Caritas members during the course of this research clearly demonstrates that national organisations have much to say and are capable of proposing solutions to many of the problems discussed here. And since local and national actors are likely to play an ever increasing role in disaster response, the international humanitarian community would do well to adjust early to this shifting power dynamic with a pro-actively inclusive approach.

In the lead-up to the proposed 2016 World Humanitarian Summit, national and international humanitarian actors should

engage in a global dialogue to agree a shared vision for the global humanitarian system of the future. This should include identifying practical solutions to resourcing and enabling national actors to take their place at the decision-making table and to respond to crises as equal partners in the collective response.

### 4.2 Identify opportunities and mechanisms to scale up funding to national NGOs

International and national actors will need to collectively identify opportunities for

#### Recommendations for change from national NGOs

*'International Donors should design a new approach based on mutual trust and collective responsibility in resource management.'*

**National NGO representative, Kenya**

*'My recommendations are as follows:*

- 1. Avoid placing agencies in host countries that intercept the various funding calls for proposals.*
- 2. Inform the general public about calls for proposals with enough notice so that national NGOs can prepare to respond in time.*
- 3. Reduce the time for negotiations to reduce the rate of increase of vulnerable people.*
- 4. Agree to fund emergency projects taking into account the aspect of resilience.*
- 5. Take into account the institutional development and organizational strengthening of national NGOs.*
- 6. Provide national NGOs flexible funding to enable them to act in time before the arrival of external financing during a disaster.'*

**National NGO representative, Mali**

*'We believe that any emergency must have an appropriate response. Also, it is for us to invite international donors to:*

- Not discriminate in granting aid to countries and regions in distress*
- Seriously strengthen the capacity of national structures in terms of organizational and financial management*
- Give fair treatment for the financing of international and national NGOs in the humanitarian response to an emergency.'*

**National NGO representative, Côte d'Ivoire**

**“International donors should have a pre-identified/selected roster of national NGOs as a part of their humanitarian response strategy so that in case of any crisis, donors can quickly identify and fund national NGOs. Before funding national NGOs, donors can also help them to improve capacity, efficiency and transparency of southern NGOs.”**  
National NGO representative, Pakistan

**“The donors in collaboration with the respective government institutions should establish a desk accreditation process for certifying viable organizations.”**  
National NGO representative, Kenya

Sudan, have already demonstrated the viability of this approach and have established grant facilities which are both accessible to and actively support the capacity-building of local organisations who might not otherwise meet eligibility criteria for direct funding, by channelling funds to umbrella recipient organisations who oversee contracting, monitoring and capacity-building activities.

#### **4.3 Remove barriers to access from existing humanitarian funding streams**

That national NGOs cannot access financing opportunities because of a lack of information is indefensible. Donors of all types must take immediate steps to publicise funding opportunities where national NGOs will see them – including in newspapers, on shared websites and through local coordination networks – and allow reasonable time-frames where possible to allow national NGOs a fair chance to apply. Donors should also translate documentation, including guidelines and contracts, into appropriate working languages and where possible allow flexibility in minimum grant sizes for national NGOs. Where this is not possible, they should encourage consortium applications which include national NGOs.

UN agencies should continue to improve their individual contracting processes to improve access and more favourable terms for national NGOs. They should also work collectively however, to harmonise administrative approaches including reach consensus on fair levels of allowable overhead costs, identifying opportunities to share information including capacity and risk assessment including organisational audits, to reduce transaction costs and coordinate approaches to longer-term strategic

financing local capacity for preparedness and response, through new and modified existing mechanisms and they will need to find new approaches to ensuring robust risk management, which does not exclude national NGOs from funding opportunities.

The IASC Humanitarian Financing sub-working group on preparedness, which is concluding its second phase study on scaling up global investments in preparedness, is expected to table recommendations for scaling up investments in emergency preparedness in the next few months. We do not yet know whether they will take a broader view on what constituted emergency preparedness and include the scaling up investments in building national response capacity. Donors should in any case consider the feasibility of creating a mechanism, which could be administered at regional level, to channel contributions from a range of humanitarian and other donors – institutional and private – in order to scale up investments in national response capacity as an important long-term investment in emergency preparedness and response capacity.

NGOs and UN agencies working with national NGOs lack sufficient, flexible and long-term funding to support their ambitions to work in more sustained and

strategic partnerships. Donors for their part, however, may feel that they lack discrete and clearly packaged opportunities to finance this work. NGOs and UN agencies should look to develop internal and inter-agency funds to finance national NGO organisational support and capacity building as FAO has recently suggested. NGOs and UN agencies working in partnership with national NGOs should also package explicit funding requests to donors for flexible partnership funding grants.

Umbrella grants and funds managed by international NGOs offer an exciting and practical opportunity to rapidly scale up funding to national NGOs for specific purposes and to shift the power dynamic from competition, towards working in complementarity with respect to each other’s comparative advantages. Bilateral donors should work with their NGO partners to develop context-specific umbrella grants and funds, such as the OFDA RAPID Fund in Pakistan.

Where Humanitarian Coordinators identify country-level needs for developing national response capacity, CHF could sensibly encourage international NGOs to follow a similar approach to both capacity-building and rapid response. Two multi-donor trust funds in Sudan and South

## 4. What needs to change?

partnering and capacity-building across agencies to ensure more rational coverage of organisational support to national actors.

As UN agencies work to review and reform their approaches to partnership, donors will need to use their collective political influence to influence incentives in favour of reform and harmonisation.<sup>64</sup>

With respect to the country-based pooled humanitarian funds, OCHA and UNDP should look to adjust outstanding procedural requirements which still represent barriers to access for national NGOs including increasing flexibility around mandatory audits, expediting liquidation of final payments and allowing flexibility on minimum grant sizes.

UN OCHA should invest in staffing capacity at country level to (a) allow a more

systematic and planned approach to supporting national NGOs to coaching and supporting national NGOs to access country-level pooled funds and (b) support national NGOs to participate in key coordination and decision-making forums and exercises including cluster coordination, pooled fund advisory groups, coordinated needs assessments and humanitarian action plan development.

Donors have broadly become more risk averse and certainly more risk conscious. In order to scale up financing to build local capacity, humanitarian actors will need to develop new approaches to managing risk in ways which are enabling rather than simply restrictive, and which even encourage an increasing willingness to take

informed risks with financing investments in order to reach vulnerable populations and experiment with new approaches.

Recent innovations in the DRC and Somalia CHF indicate that alternative approaches to project audits, based on advance or ex-ante risk assessments which have a range of potential benefits for prospective partners, including national NGOs, and in addition, streamlining processes and improving cost-efficiency of existing accountability measures (see box on next page).<sup>65</sup>

### 4.4 Build trust and equal partnership

Partnerships work best when they are based on shared values and expectations, mutual trust, transparency and where partners play to each other's comparative advantages. Where relationships are short-lived, unpredictable and transactional they will remain unequal and will not realise their productive potential.

The lack of transparency around resource flows to third-party implementing organisations – including but not restricted to – national NGOs is simply extraordinary. The CERF Secretariat has demonstrated that it is possible to capture and transparently report information on disbursement volumes and dates. However, a far more radical and community-wide approach is needed and fortunately, the technical standards and infrastructure are already in place, if not the capacity and will. All donors, including UN agencies and international NGOs who act as funding intermediaries should publish transparently to the IATI standard their onward disbursements in real time. Donors will need to encourage and indeed require their funding partners to do so.

Where funding recipients work in partnership, they should be held

#### Funding local capacity through pooled funds in Sudan and South Sudan

The **South Sudan Recovery Fund (SSRF)** was established in 2008 to provide financing for recovery needs for which there was an identified 'gap' between humanitarian and development financing mechanisms and channels. The first round of funding was channelled largely to INTERNATIONAL NGOs but a Small Grants Mechanism was established to enable local NGOs and CBOs to access funding in second funding round.

The Small Grants Mechanism provided US\$2.7 million in grants to 69 organisations via BRAC who served as 'grants coordinator'. The mechanism served the express purpose of improving community level capacity and local participation in recovery and development. In addition to funding for NGOs and CBOs to implement projects in agriculture, education, health and WASH, capacity building training was provided to 183 staff members of the 69 NGOs and CBOs in financial management, monitoring and reporting.

The **Darfur Community Peace and Stability Fund (DCPS)** was established in late 2007 to finance community-based approaches to stabilisation which would complement progress at the political level.

In 2011 the DCPS established a Small Grants Scheme which aims at strengthening the capacities of CSOs in Darfur and is implemented by CRS, World Vision and the Sudanese Development Association (CAFA), who jointly administer a grant of US\$1.5 million. The grant activities include providing training for CSOs to complete proposals and on-going mentoring for successful fund recipients.

accountable against their commitments to work in a principled way. To that end, donors will need to collectively agree common criteria against which funding recipients should report and be assessed against. Where international partners do not work in partnership, they should explain in what ways they are realising their commitment to build their response on local capacity.

There is a major gap in national NGO ability to demonstrate their capability to funders. The DRC and Somalia examples of advance or ex-ante risk assessment have huge potential to operate as a de-facto capacity mapping and verification process at recipient country level. In providing ratings of risk assessments and constructive feedback to participating agencies, and providing guidance on areas for organisational improvement in fiduciary controls, governance, monitoring and reporting practices. If coupled with investments to support organisational development on areas of identified weakness, this could be a highly enabling approach to risk management and would also provide a more objective and fair basis for selecting partners and provide a shared blue-print for capacity-investment needs.

Building on the Somalia capacity and risk assessment experience, and as part of their remit to coordinate emergency preparedness and response, OCHA should actively encourage this to become a priority issue for the sector. OCHA should investigate the feasibility and level of donor support needed to replicate a similarly robust and objective approach to capacity assessment

### Ex-ante risk management in the DRC and Somalia CHF's

In 2011, as part of UNDP's commitment to roll-out the Harmonised Approach to Cash Transfers (HACT), the Joint Fund Management Unit (JFMU) in DRC established a process to pre-assess and qualify prospective funding recipients based on organisational capacity and risk assessments. Instead of auditing individual projects, this HACT aligned approach relies on a single audit at the organisational level. In 2012, the JFMU anticipated the shift to partner-based audits under the newly introduced HACT approach would enable cost savings of US\$ 800,000.

Notably, the risk assessment process provides a risk rating (low, moderate, significant and high) and even those considered high risk may not necessarily be excluded from funding. The risk assessment rating influences the frequency and number of reports partners must submit and the number of monitoring visits the fund unit undertakes. This effectively allows the CHF to engage constructively even with partners assessed as being higher risk.

In 2012, following concerns raised in a process review of the Somalia CHF around adequate risk-assessment of partners, the Somalia CHF team instituted a similar capacity and risk assessment exercise. Since the CHF is managed by OCHA rather than UNDP in Somalia, OCHA designed their own capacity and risk assessment process and engaged a private sector audit firm to carry out the assessments at field-level. Despite the extremely challenging security environment, the company managed to successfully visit the majority of NGOs under assessment in situ, in Somalia and to verify their real operational capacity in the field.

Prospective partners are assigned a risk rating which influences the rate of fund disbursement and accountability measures required of them. OCHA hopes that in future under this system, audits may no longer be compulsory for each project.

The information collected in the capacity and risk assessments also provides other prospective funders and partners with reliable, independently verified information about the capacity of prospective partners and indeed areas which may benefit from capacity-building investments.

and mapping, and should work with others in the sector to support them to undertake this work.

Where CHF's are present, this exercise should include risk assessment and in

countries with no CHF, in line with the HACT, OCHA and UN agencies (including but not limited to Ex-Com agencies) should look to harmonise their approaches to risk assessment.

63 <http://www.post2015hlp.org/wp-content/uploads/2013/05/UN-Report.pdf>

64 For example, in response DFID's 2012 multilateral aid review, 35 organisations told DFID that they had already identified the need for many of the reform priorities DFID had identified, and 27 of those stated that the review had increased their focus on and the impetus for reform. UK National Audit Office, 2012 <http://www.nao.org.uk/wp-content/uploads/2012/09/1213594.pdf>

65 UNDP/OCHA, 2012

# Conclusion

This research is only a very preliminary foray into an under-reported and studied area of the global humanitarian financing response. There is a range of practical solutions within our reach to improve access to existing sources of funding for national NGOs. And with the right level of political support and the agreement on appropriate financing mechanisms, international aid investments in national response capacity could theoretically be scaled up substantially.

We believe that a principled *global* humanitarian system should enable rather

than exclude national NGOs and that the purpose of financing local capacity is not only to meet immediate needs, but ultimately to render the need for international response to disasters exceptional. Scaling up investments to national NGOs not only makes sense, it is an obligation with respect to humanitarian principles and commitments.

But there is still so much we do not know. Not only do we know remarkably little about the current scale of international financing investments via national NGOs, we also

know little about their effectiveness and impact. Scaling up investments is currently partly a question of altering incentives, commitments and the means to do it, but it will also require a much more robust understanding of the most effective and enabling approaches to channelling resources to support national response capacity. Gathering evidence, including from national NGOs themselves, as to what works best will need to be part of the next steps in developing solutions to scaling up financing for national NGOs.

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# Annex 1. Principles of Partnership: A Statement of Commitment

## *Endorsed by the Global Humanitarian Platform, 12 July 2007*

The Global Humanitarian Platform, created in July 2006, brings together UN and non-UN humanitarian organizations on an equal footing.

- Striving to enhance the effectiveness of humanitarian action, based on an ethical obligation and accountability to the populations we serve,
- Acknowledging diversity as an asset of the humanitarian community and recognizing the interdependence among humanitarian organizations,
- Committed to building and nurturing an effective partnership,

...the organizations participating in the Global Humanitarian Platform agree to base their partnership on the following principles:

### **Equality**

Equality requires mutual respect between members of the partnership irrespective of

size and power. The participants must respect each other's mandates, obligations and independence and recognize each other's constraints and commitments. Mutual respect must not preclude organizations from engaging in constructive dissent.

### **Transparency**

Transparency is achieved through dialogue (on equal footing), with an emphasis on early consultations and early sharing of information. Communications and transparency, including financial transparency, increase the level of trust among organizations.

### **Result-oriented approach**

Effective humanitarian action must be reality-based and action-oriented. This requires result-oriented coordination based on effective capabilities and concrete operational capacities.

### **Responsibility**

Humanitarian organizations have an ethical obligation to each other to accomplish their tasks responsibly, with integrity and in a relevant and appropriate way. They must make sure they commit to activities only when they have the means, competencies, skills, and capacity to deliver on their commitments. Decisive and robust prevention of abuses committed by humanitarians must also be a constant effort.

### **Complementarity**

The diversity of the humanitarian community is an asset if we build on our comparative advantages and complement each other's contributions. Local capacity is one of the main assets to enhance and on which to build. Whenever possible, humanitarian organizations should strive to make it an integral part in emergency response. Language and cultural barriers must be overcome.



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