Localisation of funding as promoted by the Grand Bargain and supportive funding tools

Violetta Kyriakou[1], Maria Drakaki[2]

[1] Department of Balkan, Slavic and Oriental Studies, University of Macedonia, 156 Egnatia str., 54636, Greece
Email: hlc23002@uom.edu.gr
[2] Department of Science and Technology, University Center of International Programmes of Studies, International Hellenic University, 14th km Thessaloniki - N.Moudania, 57001, Greece
Email: mdrakaki@ihu.gr

Abstract

Starting from the role of localisation in supporting and strengthening local and national actors (LNAs), this paper explores the commitments and evolution of the "Grand Bargain" since 2016 up to date and various funding tools that enhance localisation. The methodology adopted is a review of relevant literature through papers, articles and reports published by research institutes and humanitarian actors. Constant crises around the world continuously increase the need for humanitarian aid. The optimization of existing, finite funding flows towards LNAs is strongly required to address this tight condition where localisation is the vehicle and measurement, reporting, individual planning, visibility, transparency and accountability are the key drivers. Country and regional pooled funds allow donors to combine their funding contributions into single, unearmarked funds giving the possibility to local actors to adopt a decisive role. Innovative, flexible, capacity building, pre-positioned and emergency funding tools and structures that can address small organisations, marginalized groups and communities, act in advance or urgently when needed can align in a direct and targeted way with the purposes of localisation. Although the above seem to be widely understood by multiple policies, overall patterns and quality of funding do not change easily or quickly. The Grand Bargain has been recognized as "a motor for change" and "a platform for reform" but empowered local actors providing for and managing their own disaster responses requires challenging and reevaluating internal mindsets, organizational cultures, policies, procedures and structures.

Keywords: localisation; funding flows; funding tools; Grand Bargain; empowered local actors; humanitarian aid.

1 Introduction

The latest years, multiple protracted crises and rapid-onset emergencies across the globe have significantly increased the number of people in need from 125 million (2016) to 362 million as of mid-June 2023 (targeted people: 249 million) with funding requirements having reached the sky-high amount of $54.8 billion. However, the finite number of major donors accompanied by some unsuccessful pledges increased the funding gap to its highest ever amount of $43 billion (OCHA, 2023).

Under this extremely tight condition, optimizing the use and allocation of existing funding is a must. The role of localisation and localisation of funding towards this goal has been widely highlighted, understood and called by several policy commitments, such as the Good Humanitarian Donorship, Principle 8 (GHD, 2003), the Grand Bargain, Commitment 2 (Grand Bargain, 2016), the Sendai Framework for Disaster Risk Reduction (UNISDR, 2015) and the 2030 Agenda for Sustainable Development (UN, 2015). The present paper provides an overview of the efforts and commitments of the "Grand Bargain" towards localisation from 2016 up to date and it further explores the localisation of funding via various funding tools and innovative mechanisms.

2 The Grand Bargain: a vehicle to localisation

Localisation is about empowering local responders in affected countries to lead and deliver humanitarian aid by strengthening their capacity and resources to respond to crises and promote long-term sustainability. Structures that promote decision-making by the local and national actors (LNAs) and allow the flow of direct and "as direct as possible" funding (Dewulf, 2023) are aspects of the localisation that can make humanitarian action more effective, sustainable and reduce its costs, increase accountability and flexibility of the process (Fabre, 2017) and ensure that crisis preparedness, response capacity and resources lie with the most affected ones.

The aim of the UN World Humanitarian Summit in 2016 was to address the humanitarian financing gap. During its preparations, thirty (30) of the largest donors and humanitarian organizations globally including states, UN Agencies, inter-governmental organizations, Red Cross/Red Crescent Movements and NGOs agreed on the idea of the "Grand Bargain" that enclosed all the promises of the localisation of funding. This year (2023) during the Annual Meeting in June, the signatories reached the sixty-six (66) in number.

Initially, the Grand Bargain was organized in "workstreams" that had targets and indicators for core commitments. Among them, Workstream 2 committed to the allocation of at least 25% of humanitarian funding directly to LNAs until 2020, multi-year investment and identification of political barriers and administrative burdens, national coordination mechanisms that would involve LNAs in international coordination efforts, direct and indirect tracking of funding to LNAs and use of adequate funding tools such as UN-led country-based pooled funds (CBPF), the IFRC Disaster Relief Emergency Fund (DREF) and NGO-led and other pooled funds to enhance and increase assistance delivered by LNAs. It is important to underline that not all organizations are under the umbrella of the LNAs. The term refers to relief organizations that are headquartered and operating in their own aid recipient country - not affiliated to an international NGO – to State authorities of the affected aid recipient country that are engaged in relief, either at local or national level. National Red Cross or Red Crescent National Societies are also considered as LNAs (ICVA, 2022).

By 2021 though, it was understood that the progress towards those goals was very slow. Despite years of commitments to alter funding behavior and patterns, the proportion of unearmarked funding to LNAs declined to its lowest level since before the launch of the Grand Bargain. Funding reached LNAs through one or more intermediaries with local actors being treated often as subcontractors and not as equal partners. Sustainable solutions were lacking. Also, the limited availability of data that would help monitor the funding flows, the resources and the ways they passed from one organization to another, reinforced the need for revision.

In June 2021, signatories endorsed the "Grand Bargain 2.0 Framework & Annexes" that aimed to elevate work from technical to political/ strategic and promote anticipatory action as instrumental in saving lives and reducing response costs, enhancing readiness and localisation. The new organization of this work was based on a series of groups named "caucuses" that aimed to be flexible, agile and time-bound. National Reference Groups (NRGs) have been also introduced for further engagement at national level with representatives of NRGs and/ or of national initiatives taking part in regular exchanges and Grand Bargain meetings to provide feedback and to influence discussions at global level, especially around blockages and barriers at national level. In June 2023, the signatories endorsed a revised framework that included two focus areas:

Focus area 1: Continued support to localisation by the participation of affected communities and by more quality funding (flexible and multiyear, including "core funds") to allow an effective and efficient response. At the same time, visibility, transparency and accountability remain core targets that require comprehensive tracking and reporting, commonly agreed criteria/ definitions, reporting of flexible and multi-year funding allocation in absolute and relative numbers to specific platforms (FTS/ IATI) and as real-time as possible data/ analysis from aid organisations to their institutional donors. Greater funding and support to achieve leadership, delivery and capacity of local responders and affected communities in addressing humanitarian needs are added on top of the above.

Focus area 2: Catalyse sector wide transformation by better use of existing resources and capabilities to shrink humanitarian needs through strengthened partnerships across sectors and increase prevention, mitigation and preparedness for early action in order to anticipate and mobilise resources for recovery. Secure commitment from Signatories and other stakeholders to scale-up anticipatory action and replicate innovative practices based on evidence, knowledge-sharing and lessons-learned to foresee and respond to future shocks. Bring together all relevant stakeholders. Map, support and scale-up existing financing mechanisms, enabling cross-sector collaboration and innovative financing approaches, that can support protracted crises. (ICVA, 2023).

On top of the two focus areas, two cross cutting issues are addressing gender aspects and integration of new approaches in order to share risks between signatories and partners including local and national actors.

All the above bring back to the agenda, as a planned core theme for Grand Bargain 3, the 'triple nexus': humanitarian, development and peace (HDP), already prompted by the World Humanitarian Summit and the 'Leave No One Behind' theme of the 2030 Agenda. However, this will require structural reforms in several agencies and engagement both by traditional humanitarian actors and by development stakeholders in new partnerships that may have been unthinkable a decade ago (ALNAP, 2023). Denmark, Ireland, Australia, Luxembourg and Finland are the most recent donors to announce increased mixed humanitarian-development funding to their operational partners while Canada and Sweden worked towards their nexus reforms with cross-team engagement and the Swiss Agency for Development and Cooperation (SDC) went through a major restructuring process, joining together its previously separate humanitarian aid and development cooperation departments to create geographical nexus teams from September 2022 (ALNAP, 2023). Despite this, assessing progress is a challenge due to a lack of clear theories of change or objectives that has created confusion over what the nexus means practically and operationally (Metcalfe-Hough, V. et al, 2023).

As per the summary note of IASC from the annual meeting of this year back in June (2023), main areas of progress and achievements up to date are 1) Quality funding: more than half of the donors allocated 30% or more of their funding as multi-year, with notable increases in the volume of flexible funding as well and in funding to Central Emergency Response Fund (CERF) and Country Based Pooled Funds (CBPF) that we will explore in the next section of this paper; 2) Localisation: investments in strengthening capacity and providing opportunities to local actors for local leadership and influence have been featured under the progress noted within 2022, together with a momentum in the overhead costs (indirect costs not related to project but important for the operation and the sustainability) (IASC, 2023).

These achievements challenge part of the negative narrative that has grown up around the Grand Bargain in recent years. Also, the focus on measurement and reporting will help deploy where the Grand Bargain is proving effective in driving change and where it needs to make greater political investments (Metcalfe-Hough et al., 2023). As it has been extended until 2026, June of that year will be a key milestone for the continuation of the agreement or not.

3 Funding tools promoting localisation

Unearmarked funds that can be managed by LNAs support local humanitarian efforts, enable risk sharing and help develop and test new approaches to meet humanitarian financing objectives (ICVA, 2023) as well as empower local actors in dealing with crises in a more sustainable and long-term way.

Country-based pooled funds (CBPFs) are established when an emergency occurs or when an existing crisis deteriorates. They are managed by the OCHA under the leadership of Humanitarian Coordinators (HCs) or UN Resident Coordinators (RCs), in close consultation with the humanitarian community. They are focused on the quality of funding that matches the needs of LNAs, advances their participation to the governance of the Funds, strengthens their capacity and increases visibility (UN OCHA, 2023). The revised CBPF Global Guidelines of 2022 seek to establish localisation as the aim that comes immediately after the primary goal of lifesaving so representatives of LNAs are included in CBPF Advisory Boards as a matter of principle. OCHA has also enhanced the grant conditions for LNAs and others to ensure that improvements in budget flexibility, project periods, eligible costs and sharing of the programme support costs benefit frontline responders.

Disaster Response Emergency Fund (DREF) is the central pot of money through which IFRC can rapidly and transparently release funds to Red Cross and Red Crescent local Societies for early action and immediate disaster response, before launching an Emergency Appeal. It is destined to support small and medium sized disasters that occur “in silence” every year and struggle to attract funding. National Societies request funding from the DREF via an online application process on IFRC emergency operations platform, the IFRC GO.

National Society Investment Alliance (NSIA) is a pooled funding mechanism that is run jointly by the IFRC and the International Committee of the Red Cross (ICRC). It provides flexible, multi-year financing and support for the development of National Societies and it strengthens their capacity to deliver relevant and effective humanitarian services. In 2022, allocations reached the number of 20 national societies. Accelerator funding can be awarded to any National Society over a five-year period by the NSIA and bridge grants can help National Societies prepare the ground for future investment from the NSIA or elsewhere (IFRC, 2023).

The Start Fund is the flagship fund of the Start Network which has become “a network of networks” supporting locally led structures. Start Fund described as the first multi-donor pooled fund managed exclusively by NGOs aiming to provide rapid response, with funding disbursed within 72 hours after members raise a crisis alert. It focuses on under-the-radar, small to medium-scale crises, filling a critical gap in the humanitarian aid system. It is piloting a tiered due diligence model, instead of just a “pass/ fail” model, for LNAs combined with a capacity strengthening framework. NGO-managed country-level pooled funds have been launched in select crisis-prone countries as Bangladesh and Nepal. It has also piloted the use of block chain technology to drive further transparency, speed and incorruptibility (Thomas, 2022).

Central Emergency Response Fund (CERF) is mandated to directly support UN agencies with LNAs as the key implementing partners. In 2020, 24% of the year's total CERF funding was subgranted to implementing partners. It often funds programmes with a specific localisation objective like local women-led organizations working on gender-based violence (GBV) or those promoting localisation efforts. In 2022, CERF localisation efforts consisted of a specific strategic objective for allocations through its Underfunded Emergencies (UFE) window. The same year, the Emergency Relief Coordinator (ERC) encouraged UN country teams to organize dedicated consultations with LNAs on the design of CERF allocations and strengthen their engagement in implementation. CERF's speed combined with CBPFs' have proved very strong in prompt funding allocation, like in the case of Ukraine.

Pre-positioned funding has been developed by Trócaire, an Irish international development agency (INGO). It is a simple and innovative funding mechanism that involves positioning a small (€10,000 to €25,000), flexible amount of money at the frontline – with local partner organisations – for them to respond to emergencies in their geographies when they occur. For instance, In Sierra Leone, pre-positioning flexible funds to local partners helped them respond to emergencies when needed. In 2021, the pilot initiative was extended to Malawi, Myanmar, Nicaragua and Rwanda and while it was designed particularly in anticipation of floods during 2020 rainy season, COVID-19 pandemic occurred and it enabled partners to be first-responders, take on a leading role in the district-level coordination structures and leverage additional funding (Dewulf, A., 2023).

Regional Funds build on the success of the model of Common Humanitarian Funds for countries with the aim of extending them to more varied contexts and in a more cost-effective manner. The insecurity and the rapid rise in humanitarian needs across the broader Sahel gave impetus to the establishment of the Regional Humanitarian Fund for West and Central Africa (RHFWCA) in 2021 to support humanitarian operations without CBPFs across the region. The first $20 million allocation directly funded eight (8) national NGOs in Burkina Faso for interventions including Water, Sanitation and Hygiene (WASH), food security, protection and shelter and then thirty-two (32) more local NGOs engaged in balanced partnerships. The Sahel Regional fund also started operations this year (2023). It provides predictable, flexible and long-term funding to NGOs and INGOs for protection, empowerment and humanitarian assistance, paving the way for lasting solutions that integrate multi-sector and cross-border responses.

Cash and voucher assistance (CVA) presents rapid increase (US$5.4 billion in transfers to recipients in 2021) which has though increased the challenges of accountability and coordination. A Grand Bargain caucus was initiated to introduce a "cash coordination model" built on the principle of localisation for greater participation of LNAs and decisions for cash interventions closer and with greater accountability to the crisis-affected population. However, in 2022, 97% of requirements for CVA activities were for international agencies and there is a much stronger trend for their CVA projects compared to those of LNAs to receive funding versus other projects. Consequently, the increase of CVA does not necessarily enhance localisation of funding (Development Initiatives, 2022).

4 Innovative Mechanisms and structures promoting localisation

Albert Einstein had said that "We can't expect things to change if we continue doing the same things". Indeed, localisation of funding is a big change and it requires innovative approaches, like cross-sector collaborations between humanitarian and non-humanitarian actors that can bring real potential to more efficient, effective and flexible use of available resources.

Innovative response models and new structures for special financing like seed grants and microfinancing can address the needs of small organisations and community-level investments and can enhance the role of women, one of the two cross cutting issues highlighted by the Grand Bargain and other vulnerable groups. DG ECHO encourages its partners to design and submit such models. Also, the Refugee Investment Facility of the Danish Refugee Council was launched in 2022 with a Swiss entity enabling investors to come together and pool funds to support durable solutions for refugees.

Debt swaps can help many low-and middle-income countries that face rising debt burdens. The repayment of external public debt by a creditor, under condition that the borrower "invests" the money in mutually agreed development projects is an innovative debt relief measure agreed between pairs of countries (creditor – debtor), implemented/ coordinated by third parties such as UN agencies and non-governmental organizations. It allows debtor government to repurpose funds previously earmarked for debt towards national development programmes (WFP, 2021). An example are the "debt-for-food" swaps by World Food Programme (WFP) between Germany & Egypt, Italy & Egypt, Russia & Mozambique.

Anticipatory action frameworks are formal mechanisms implemented at country level in order to act ahead of predicted hazards to prevent or reduce acute humanitarian impacts before they fully unfold, respond quickly and efficiently to crises and build resilience. Trigger mechanisms translate the characteristics of a shock (such as drought or flooding) and/or its impact (such as food insecurity) into technical specifications and predetermine who gets how much money, to do what, based on which signal so that a problem can be caught before it becomes a crisis, optimizing the use of funding tools like CERF, DREF and Start Network's funds.

Last but not least, the role of the private sector is considered an untapped source in driving solutions. Impact-linked loans have favorable terms to reach pre-agreed objectives and provide technical assistance and investment know-how. Reinsurance markets help transfer financial risks associated with natural disasters to risk insurance at the cost of an annual premium, ensuring funds are available for national societies to rely on even in periods of excessive or unexpected demand (IFRC, 2023), as in the case of the insurance structure that has been developed by DREF. Although modeling and forecasting future natural disasters becomes harder, new technologies such as AI and machine learning may enable greater data accumulation and more effectively calibrate the risks to vulnerable populations (Gordon, 2023).

5 Conclusion

The international humanitarian system was built by and for international actors, multilateral organizations and international NGOs (Fabre, 2017, p.1). However, the challenges that humanitarian aid is facing push more and more all sectors to become innovative in developing solutions (Heinonen & Strandvik, 2020) and highlight the powerful dynamic of LNAs as protagonists in the response to their own crises and in the aim of using existing resources and funding more efficiently and effectively. Greater involvement will also support their empowerment and active participation and leadership in humanitarian contexts (DG ECHO, 2023).

Localisation of funding and its enabling priorities - quality funding and localisation/ participation - require systemic changes. However, direct access to funding remains still a challenge for LNAs. New guidance, frameworks, tools and policies have been put in place ahead of the milestone of 2026 where the future of the Grand Bargain will be decided. Measurement and reporting of the funding and of the support of donors to LNAs, more flexibility and more multi-year funding are mostly required together with a more accountable humanitarian response, earlier allocations and anticipatory/ early action. Various funding tools and mechanisms along with new structures and cross sector collaborations need to be constantly deployed in order to further and fully enhance localisation of funding and empower LNAs to the desired degree that will bring long term, sustainable results.

Along with the above, the next discussion under the politically challenging context, is about risk management and sharing within the humanitarian system which may be the root cause of the up to date "silo approach" that puts barriers to localisation.

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