

**Grand Bargain
Localisation Workstream**

**Guidance note on
humanitarian financing
for local actors**

Issued May 2020

Guidance note on humanitarian financing for local actors

This guidance note draws on best practices identified in consultations in three regional conferences on localisation conducted by the Grand Bargain Localisation Workstream in 2019, as well as from a research project commissioned by the IFRC with support from ECHO, consisting of a literature review and key informant interviews and country case studies in three country case studies (Colombia, Ukraine, and Ethiopia).¹ This guidance note is a product of the Grand Bargain Localisation Workstream but does not necessarily represent the official position of workstream members and Co-Conveners.

Better quality financing for local actors²

- Donors are encouraged to draw on lessons specifically around addressing compliance issues and administrative burden from the development context in order to increase their direct funding to local actors. Recognising that many local civil society actors are both development and humanitarian actors, they are also encouraged to explore how project funding streams might be brought together to more flexibly support these two areas of work. Special attention should be paid to ensuring funding opportunities for women’s rights organisations and women-led organisations working on humanitarian response.
- International actors should consider consortium arrangements with local actors, with joint reporting. They are encouraged to develop and/or expand rapid response fund facilities for local actors. Local actors are also encouraged to consider consortia with each other.
- Donors and international actors should ensure that adequate overhead/indirect allowances are provided to local actors receiving funding for humanitarian project delivery. At the minimum, there should be transparency on the criteria for and or the percentage of overhead/indirect funding for both international and local actors. This overhead/indirect funding should adequately cover costs of risk management and compliance requirements for both international and local actors (partners).
- International actors’ project budgets for local actors should also include assets vital for project implementation, safety and/or organisational financial sustainability (e.g., laptops, vehicles, salaries for interim periods, insurance for staff and volunteers) and organisational strengthening (e.g., staff training, development of policies). These budgets should be transparent in showing what international partners receive to support the project (e.g., % admin fees).
- Donors and international actors are encouraged to move beyond short-term project funding for local actors towards longer-term arrangements that also include support for capacity strengthening, as needed, with an eye to future sustainability. The viability of developing multi-year Humanitarian Response Plans should be analysed as and when appropriate. International partners receiving multi-year funding for humanitarian work in a particular setting should seek to pass along multi-year funding arrangements to their local partners.
- Local actors should take the necessary steps to ensure their capacity to transparently and accountably manage and report on donated funds, requesting outside capacity strengthening

¹ The full research report, *Country-level Financing Solutions for Local actors*, can be found [here](#) and the three case studies [here](#).

² This guidance note uses the term “local actors” to refer to responders with a national or sub-national scope.

support as needed. They are encouraged to fully explore domestic resource mobilisation opportunities including with the private sector in order to reduce reliance on international support.

Strengthening the impact of pooled funds for meeting localisation goals

- Pooled funds, including the UN's Country-Based Pooled Funds (UN CBPFs), have a proven potential for supporting localisation goals. In order to strengthen this potential, the following steps are recommended:
 - Ensure proactive outreach and effective communications with local actors, especially women-led/women rights organisations, including providing adequate application guidance in local languages
 - Consider budget flexibility as to the proportion of allowable staff costs, with an eye to organisational sustainability
 - Ensure that adequate indirect/overhead costs are passed on to local actors, including those acting as sub-grantees. UN CBPFs should continue to allow local actors to use up to 7% project support costs when they receive funding directly. In the case of subgrant arrangements, UN CBPFs should promote fair distribution of project support costs proportional to the budget or activity they implement.
 - Reserve a minimum number of seats for local actors in advisory boards, strategic review committees and strategic advisory groups
 - Encourage local actors to design/co-design funding proposals around strategic humanitarian needs in a specific crisis rather than ad hoc funding proposals
 - Take a long-term perspective and include exit strategies, in targeting and programming as and when appropriate

Managing and sharing risks

- Donors and international actors are encouraged to develop a common assessment review process for local actors at the country level, including, at minimum, arrangements for assessments conducted by one of them to be accepted by as many others as possible. This may include a tiered due diligence model related to various levels of support and or framework for strengthening compliance and quality assurance.
- Donors, international actors and local actors are encouraged to hold regular conversations at the country level about how fiduciary risks are being managed and shared with regard to humanitarian funding, without neglecting other risks such as security, compliance, quality assurance and reputational risks. Management risk in all of its dimensions should be embedded in the programme design, implementation and reporting.
- Donor and affected state governments are encouraged to examine legal or policy barriers that may hamper international funding for local humanitarian responders (such as rules on the impact of sanctions on banking, counter-terrorism, nationality preferences for receipt of funds, and currency rules and regulations) with an eye to potential exceptions or reforms.
- Donors and international actors are encouraged to explore greater flexibility in terms of reporting requirements for local actors (e.g., more flexible deadlines, simplifying language in proposals and reporting templates, potentially through use of the Grand Bargain Reporting Workstream's "8+3" reporting template).