

Funding to local humanitarian actors – evidence from Somalia and South Sudan

Barnaby Willitts-King, Nisar Majid, Mo Ali and Lydia Poole



Key messages

- HPG's research for NEAR demonstrates that agencies are willing and technically able to report on the funds they pass on to local and national actors. This means that at the global level, Grand Bargain signatories can and should monitor progress towards meeting their commitment to provide 25% of funding 'as directly as possible' to local and national actors. Momentum towards this goal will be bolstered by transparency and dialogue.
- Based on research in Somalia and South Sudan, funding to local and national actors (government and NGOs) still falls short of the 25% commitment. In each country around 4% of funds was channelled directly to local/national actors in 2017; a further 6–9% was received via one transaction layer.
- In 2017 there was an increase in funding to local and national actors in both countries, in volume terms and as a share of total funding to the crisis. While there are many examples of good practice, there are still major barriers to implementing more equitable partnership arrangements between international and national actors.

Introduction

The localisation commitments within the Grand Bargain, signed in May 2016, are one of the major achievements of the World Humanitarian Summit, with the potential to drive truly transformative change across the humanitarian system. There are now 59 signatories to the Grand Bargain; of the ten workstreams, workstream two – commonly known as 'localisation' – commits donors

and aid organisations to provide 25% of global humanitarian funding to local and national responders 'as directly as possible' by 2020, along with more unrestricted money and increased multi-year funding (IASC, 2018).

Overall progress towards the Grand Bargain commitments is uneven and difficult to assess. The latest annual independent monitoring of the Grand

Barnaby Willitts-King is a Senior Research Fellow at the Humanitarian Policy Group (HPG).

Lydia Poole is an independent consultant.

Nisar Majid (PhD) is a Research Officer at the LSE (Conflict Research Programme).

Mo Ali is a director of Aid Works (www.aidworks.org.uk).



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Humanitarian Policy Group
Overseas Development Institute
203 Blackfriars Road
London SE1 8NJ
United Kingdom

Tel.: +44 (0) 20 7922 0300

Fax.: +44 (0) 20 7922 0399

Email: hpgadmin@odi.org.uk

Website: www.odi.org.uk/hpg

Cover photo: An agriculture club at a school in Gumbo, across the Nile River from Juba.

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Bargain notes that maintaining momentum and reinvigorating it where it is faltering will require political commitment, streamlining and prioritisation of commitments and, crucially, better monitoring and analysis of progress and challenges (Metcalf-Hough et al., 2018). Measuring progress is noted as a barrier: ‘in the absence of consistent reporting by signatories against the target it is difficult to determine whether [progress reported] represents a significant change’ (ibid.). Despite making an explicit commitment to measure progress in meeting the 25% commitment, and clear recommendations on how to monitor progress, no measurement of the baseline or progress against it has taken place.

This study, commissioned by NEAR, is an attempt to build the evidence base from a crisis perspective. It aims to explore alternative approaches to tracking funding dimensions of localisation, in order to complement global estimates such as the Global Humanitarian Assistance report (Development Initiatives, 2018), which shows funding provided to local and national responders directly and through one intermediary accounted for 3.6% (\$736 million) of total international humanitarian assistance reported to FTS in 2017.

The objective of this study is to provide an understanding of the amount of funding from donors, UN agencies and international NGOs (INGOs) that reaches local actors, directly and through one transaction layer, as well as generating in-depth data (quantitative and qualitative) on the barriers to increasing the level of funding going directly to national NGOs (NNGOs), at a time when the 25% target is proving hard to meet (Els, 2017).

The main activity of the research was country case study fieldwork undertaken in Somalia and South Sudan in January/February and May 2018 respectively. Joint international and national research teams worked closely to plan, collect and analyse the data, with an objective of strengthening the capacity of national researchers. A reference group provided project oversight.

This briefing highlights findings from the two country studies (Ali et al., 2018; Majid et al., 2018).

Methodology and caveats

Data collection aimed to quantify as far as possible the amount of funding reaching local organisations, both directly and indirectly, from international sources. The approach was informed by Oxfam’s research in Uganda and Bangladesh exploring similar questions

(Oxfam, 2018). Direct funding was tracked using data from the UN Office for the Coordination of Humanitarian Affairs Financial Tracking Service (OCHA FTS). Data on funding channeled through one intermediary in 2016 and 2017 was collected directly from UN agencies, pooled funds and INGOs using an adapted version of the data collection form proposed to the Grand Bargain localisation workstream as an alternative to developing a localisation marker.¹ A separate form was developed to capture funding received by local and national organisations.

Local NGO forums assisted with identifying national organisations and arranging kick-off meetings to explain the purpose of the research and to gather data. Headquarters interviews were also carried out where relevant in advance of the field missions to Nairobi, Mogadishu and Juba to identify larger organisations and glean available data in advance.

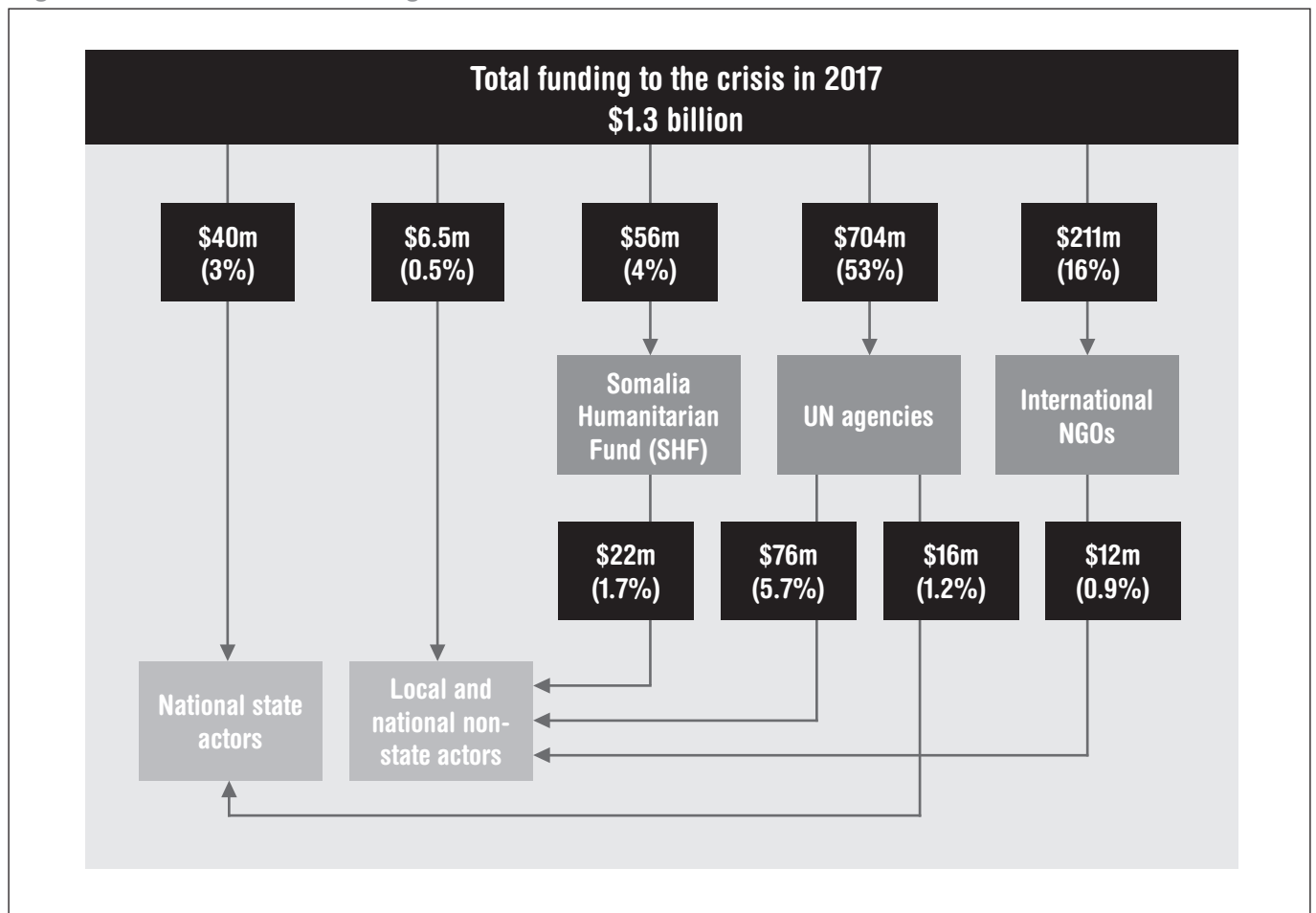
Response rates to the data collection exercise were positive in both cases. The agencies responding to the Somalia data collection collectively represented 66% and agencies responding to the South Sudan data collection exercise represented 68% of the total funds reported to the respective crises in 2017 in the OCHA FTS. It should be noted, however, that the South Sudan data returns did not include any INGOs.

The Somalia data set excludes the value of in-kind contributions in the assessment of total sums passed on to local and national actors via one intermediary. Agencies did not disaggregate these figures for South Sudan. This means that the figures across the two case studies are not directly comparable, and readers should bear in mind the important inclusion of the value of in-kind aid in the South Sudan figures.

The key research areas analysed were: direct funding to local actors, partnership quality, capacity strengthening, funding quality and the potential for future change. The case studies also captured evidence on overhead coverage and good practices. In addition to the quantitative dimension, the studies used limited interviews with national and international organisations to build an understanding of the barriers or opportunities to promoting increased quality funding to local and national actors, and the relative value added by different international/local funding models and partnerships.

¹ See: <https://interagencystandingcommittee.org/grand-bargain-hosted-iasc/documents/localization-data-collection-form>. This was included as an additional question in the 2017 signatory self-reporting questionnaire but no signatories provided data.

Figure 1: Humanitarian funding to Somalia 2017



Note: Percentages based on total funding reported to the crisis in the OCHA FTS (\$1.3 billion).
Source: OCHA FTS and NEAR data set

Of the expected constraints, security and access did not prove to be a major concern and fieldwork was able to proceed as planned. There were different levels of response to requests for interviews and data – with greater traction in Somalia than South Sudan – in part related to the more highly developed coordination system for Somalia, the capacity in Nairobi, and the and operational realities in South Sudan, which occupy a great deal of staff attention.

Main findings

Direct funding to local actors is small – around 4% of the total funding response – but increasing. However, even including ‘as directly as possible’ country pooled funds only boosts this total to around 5%, so it falls far short of the 25% ‘localisation’ target

The absolute and relative amounts of money reaching local actors in Somalia (state and non-state) remains very small, with increases only occurring within the last 18 months. As shown in Figure 1, direct funding of local/national actors in Somalia was \$46.5 million, accounting for 3.5% of overall humanitarian

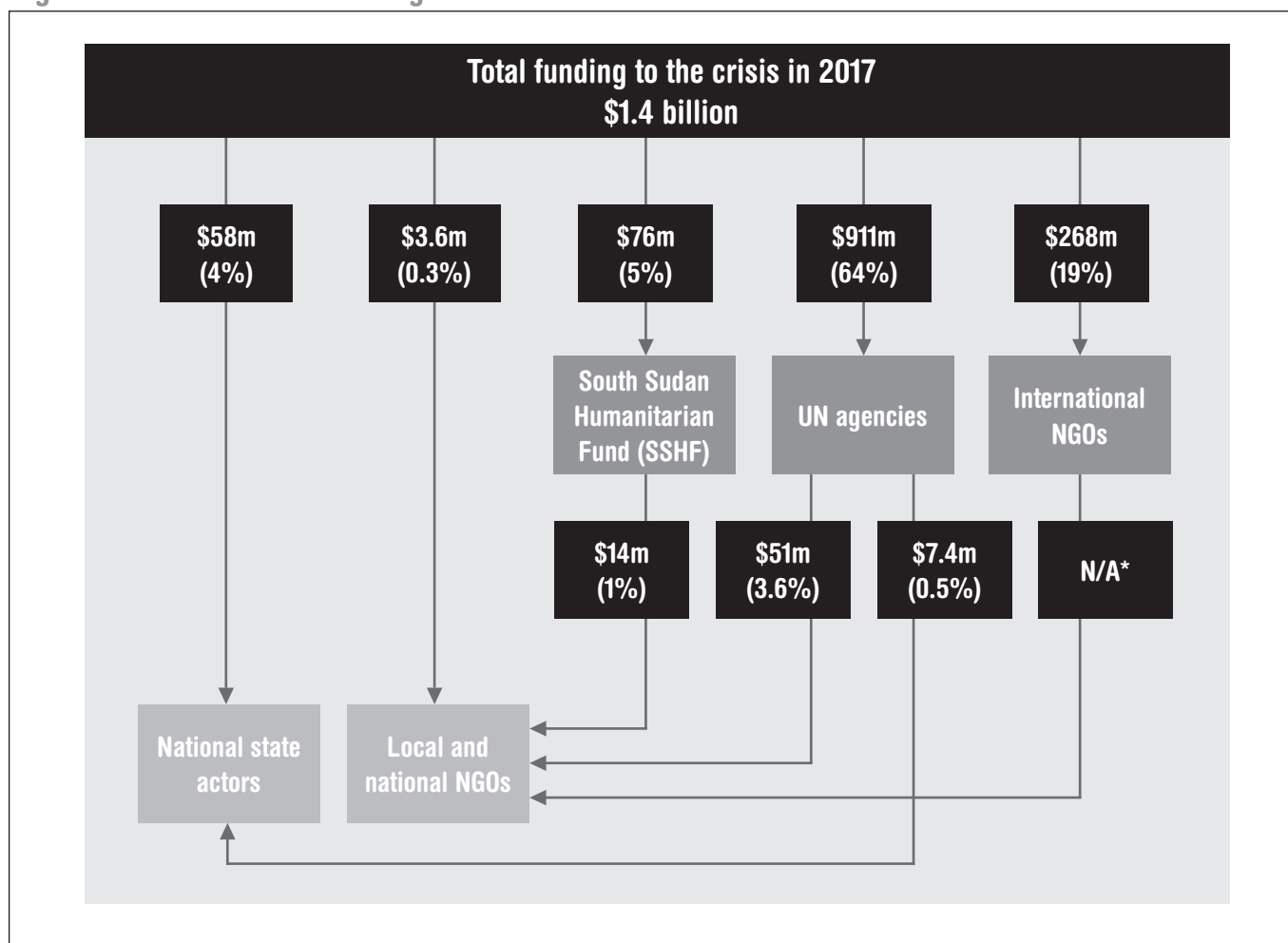
funding in 2017. Most of this went to the government (although this was in turn implemented by an INGO); the Somalia Humanitarian Fund adds a further 1.7% to this total. This contrasts with 2016 (and the previous several years) where those figures are – or near – zero. As shown in Figure 2, in Sudan the proportion of direct funding in 2017 was fairly similar – 4.1% to government and 0.3% to local/national NGOs. The South Sudan Humanitarian Fund adds a further 1%.

Overall, around 10–13% of funding goes to local/national actors directly and through one intermediary in the study countries²

Our estimates put funds received by local and national actors directly and through one intermediary, at 13.2%

2 Note that this under-represents the full amount as it is based on NEAR’s partial data set and not all funds reported to the crisis. The values for South Sudan and Somalia are also not directly comparable – the Somalia total omits the value of in-kind contributions and cash transfers to beneficiaries, whereas South Sudan is inclusive.

Figure 2: Humanitarian funding to South Sudan 2017



Note: Percentages based on total funding reported to the crisis in the OCHA FTS (\$1.4 billion).

* The number of INGO respondents to the NEAR data collection exercise was too low to provide representative values for volumes of funds passed on to partners and therefore has been omitted.

Source: OCHA FTS and NEAR data set

of the total funds to the Somalia crisis in 2017 and 10.2% for South Sudan.³

There were significant changes between 2016 and 2017, with funding intermediaries increasing the volumes and

3 In Somalia local and national organisations received the equivalent of 13.2% of the total funds and in South Sudan 10.2% either directly or via one intermediary. These figures are not comprehensive as the data set does not include all potential funding intermediaries. The NEAR Somalia data set includes agencies that represented 66% of total funding; in South Sudan, the data set includes agencies that represented 68% of total funding to the crisis captured in the UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking Service (FTS). Therefore, the proportion of the total funds passed on to local and national actors via one intermediary is likely to be higher if all agencies had been captured within the data set. It should also be noted that the total funds passed on to local and national actors in Somalia via one intermediary omits the value of in-kind and cash transfers to beneficiaries whereas the South Sudan total is inclusive.

proportions of funds passed on to local partners. In Somalia, in the context of a large scale-up of funding to the crisis overall in 2017, the share of funds passed on to local and national partners through one intermediary increased, while funds passed on to other types of partner, including INGOs, fell. Of the total funds received by agencies in NEAR's Somalia data set, 10% was passed on to local and national partners in 2016 (\$51.7 million) and this grew to 12% (\$132.8 million) in 2017. Meanwhile, funding passed on to INGOs fell from 13% of funds received by intermediaries in the NEAR data set (\$68 million) to 10% in 2017 (\$117.8 million). In particular, the OCHA-managed Somalia Humanitarian Fund (SHF) increased its commitment and delivery to local/national actors and significantly scaled-up its allocations to local and national actors in 2017. In addition, direct funding to UN agencies grew at a faster rate than direct funding to INGOs in 2017. Therefore, INGOs appear to have lost market share in direct funding to UN agencies in the 2017 scale-up, as

well as losing some of their market share of funding through one intermediary to local and national actors.

In South Sudan a similar picture of shifting market shares was observed, with a growing proportion of funds passed on to partners through one intermediary being channelled to local and national actors, and a falling share to INGOs. In 2016, of the total funds received by intermediary organisations reporting to the NEAR data set, 4% (\$39.4 million) was passed on to local and national actors, and 16% (\$141.8 million) to INGOs. In 2017 this balance shifted, with local and national actors receiving 7% (\$65.3 million) of the total funds directed to intermediaries, while INGOs received 13% (\$126.6 million).

The number of NNGOs being funded in South Sudan is dramatically increasing, but the total amount they receive is not growing at the same rate. Every international agency interviewed is trying to provide more funding to NNGOs, but this is not coordinated, monitored or planned (with little evidence of explicit transition planning to NNGOs). By having an individual agency approach, there is a risk of overburdening successful NNGOs and missing potentially capable NNGOs that are less well known. There is a lack of opportunities for NNGOs to lead implementation themselves (without an intermediary), or to lead a consortium – no consortium is led by an NNGO.

Donors are relying on the UN and INGOs to provide funding to NNGOs, meaning that the intermediaries both manage the administration burden and carry the risk. In addition, donors' own country capacity to monitor or manage more partners is limited. This makes it unlikely that NNGOs will gain more direct funding from major donors, instead continuing to get their income via intermediaries. Individual amounts to NNGOs are likely to remain small, if intermediaries continue with the current level of caution.

Capacity building has not changed the power dynamics between international and national actors

Considerable resources (including organisational development and capacity building) have gone into Somalia over the last 25 years and more, and South Sudan more recently. Many local agencies have benefited – directly and indirectly – from these resources. However, while they make up a significant layer as implementers, 'sub-contractors' and civil society, they remain very much at the bottom of the humanitarian finance hierarchy.

Given the relative youth of South Sudanese NGOs, training is welcome, but there is a need for the right kind of capacity building (and not just training).

Investment in capacity building is driven by individual intermediaries, partnerships between an international agency and NNGO, or the NGO Forum. There is overlap and not a huge amount of coordination as the same NNGO will get financial management training from several international partners. Successful schemes blend training and mentoring, focusing on NNGO field staff. However, NNGOs will never be able to compete with salary levels in INGOs and the UN, and therefore cannot attract and retain highly qualified staff.

In terms of the humanitarian architecture, UN agencies and a number of larger INGOs dominate the humanitarian landscape in Somalia and South Sudan, as they have (or are perceived to have) the systems and capacity to absorb fluctuating – and often considerable – funds and risks. A number of senior respondents to the Somalia study suggested that the business model of the larger international agencies themselves is the major hindrance to local/national NGOs receiving a greater share of resources. Similarly, as much as local/national NGOs appreciate the different forms of resources and support they receive (or have received) from their international partners, they also often portray this intermediary layer as having a 'gatekeeper' role, while simultaneously recognising that positive relationships with these actors have led to the development and growth of some NNGOs.

It is likely that local actors are more quickly criticised and even written off or blacklisted than they are lauded and applauded for their successes, while the shortcomings of international actors are downplayed. NNGOs are members of coordination and oversight mechanisms, but this has not meant they have influence over how funding is prioritised or have greater management of funds.

NNGOs are involved in project budgeting when they have longer-term partnerships with an INGO or UN agency. However, the decision on the overall funding amount often lies with the intermediary. Some agencies view NNGOs as a useful resource to be utilised as partners; others see NNGOs as gap fillers (suppliers) when international agencies cannot deliver, and assume that they are better suited to delivering development projects. Many interviewees recognise that if NNGOs are supported to do their work, they will do a better job and have fewer issues with compliance/implementation. However, this takes time and effort. To improve perceptions, NNGOs also need to become more visible within the system; as for any small actor, this is not easy with a small team.

Funding quality is as much an issue as quantity
While many UN agencies and INGOs provide a

combination of unrestricted overhead funding and/or indirect funding, NNGOs' real costs are not fully covered due to the high operational costs in Somalia and South Sudan and a lack of willingness to cover all administrative costs associated with running and sustaining an organisation. Policies on overheads vary and lack standardisation, and there is no clear message coming from donors that would help advocate for improved coverage of NNGOs' real costs.

Conclusions

Localisation is progressing at different speeds, but progress on increasing funding is slow

While progress towards the Grand Bargain funding target is slow, there appears to be a changing narrative in Somalia and a number of initiatives – from both international and local actors – that suggest the 'localisation' agenda is making some progress in other respects. Commitments from the SHF, good Somali representation within the HCT, strong Somali leadership within the Somalia NGO Consortium and the Somalia NGO Forum, and new consortia are some examples of this. Workshops and meetings on localisation have taken place and demonstrate improved communication and understanding amongst the different humanitarian actors working in Somalia. Specific follow-ups have been identified – it remains to be seen how far these will evolve into meaningful change.

In South Sudan, by contrast, there is much less awareness of the Grand Bargain commitments and global policy processes. This is due to less collective experience and capacity to engage with such processes due to the situation on the ground.

Potential for change

Donors and intermediaries tend to be risk averse and want to minimise the chances that funds are used inappropriately. The caution of intermediaries has a major effect on the amount of funding NNGOs receive, but while fraud and corruption are important issues to tackle, they are not just issues for NNGOs and affect the whole sector (although arguably NNGOs are more likely than INGOs to face severe repercussions if wrongdoing is found). Transparency is needed by all. On the one hand, NNGOs must ensure they have systems that meet the requirements of the international community, but they cannot be expected to already have these in place without support. On the other hand, donor systems can be difficult and non-standardised, with different reporting systems for each donor – ways must be found to decrease NNGOs' administrative burden.

Recommendations

Improve tracking of funding to local/national actors (state and non-state) taking a bottom-up and standardised approach

The methodology piloted in this study has demonstrated that data exists and is available from agencies that increasingly recognise the importance of sharing it. Donors should support a system of regular tracking, expanding beyond these two countries, to build a more comprehensive data set at crisis level. At the same time, more needs to be done to develop the relevance of global systems such as FTS to capture such data and incentivise participation.

Identify, document and disseminate examples of direct funding

While still uncommon, there are current as well as historical examples of direct funding, as well as a process underway to enable access to direct funding in Somalia. Direct funding is appreciated by recipients for its financial benefits as well as for the mutual trust, respect and understanding it helps to build between donors and national actors. Funding relationships are often distant, distrustful and mediated by international actors. Agencies and donors should identify and document positive examples, and any others, to learn from them, to help understand the pathways to such funding as well as to gain an appreciation of their advantages as part of providing incentives for local agencies to develop further.

Explore and pursue unrestricted/core funding sources for organisational development

Multi-year organisational partnership programmes and funding have been beneficial in Somalia, but such financing was more available historically than currently and many senior humanitarian staff (including donors) are unaware of these past arrangements. While new initiatives in relation to localisation are in their nascent stages it would be useful to review the successes and limitations of such programmes.

The SHF is a widely accessed and important source of unrestricted funding for local actors. An in-depth review of the SHF could explore its value from a financial perspective, as well as in terms of the value of project ownership that it embodies. The SHF provides a fixed overhead budget to all recipients and an element of unrestricted funding should be encouraged in all partnerships with local organisations.

Such approaches would be highly relevant to South Sudan – as well as continuing training and targeted capacity building for national actors from international agencies and donors.

Create new structures/consortia/platforms for funding and representation

Local/national agencies could form their own national consortia, with only NNGO members, to receive funds. Alternatively, consortia could be formed where the NNGOs are in the majority, but where funds are received/managed by an international agency.

Local and national NGOs could explore forming their own platform for analysing and representing humanitarian issues to international actors, particularly to senior levels within the humanitarian sector, including donors. The Somalia NGO Consortium and the Somalia NGO Forum, with their strong Somali 'identity', provide current platforms. The South Sudan NGO forum is playing an increasingly active role in coordinating and supporting members and should continue to be supported by donors and international agencies in this endeavour.

Conduct further research on the relative merits of the national NGO situation, risks, and promoting a competitive vs stable environment

The current local/national NGO environment in both countries is highly fragmented and competitive. This is seen as advantageous in some circles and problematic in others. Relevant NNGO fora supported by donors should commission reviews in terms of the advantages and disadvantages of competition. This could also explore the issue of NNGOs being overly criticised, and the shortcomings of INGOs being downplayed.

Increase humanitarian funding through pooled funds

Pooled funds provide a very small component of humanitarian funding for local agencies that offer the opportunity for them to go through the project cycle, from proposal development to implementation. This has the potential to engender a greater sense of ownership and is appreciated by NNGOs.

Such an expansion in pooled funding should be accompanied by a strong learning component, so that such funds are associated with increased quality and not merely as a way to increase budgets.

Encourage local/national agencies to review their roles and positions as members of civil society

Many, if not most, local/national actors in Somalia are

recognised more for their fragmented and competitive position, as representatives of family/clan interests and as sub-contractors, rather than for their position as members of civil society and for their vision for a peaceful Somali future. Many such actors, however, have considerable experience and knowledge of the humanitarian/aid system as well as the wider political and social environment in Somalia. Demonstrating and articulating these perspectives for the public good would increase the voice and influence of Somalis.

Donors and international agencies should support and create space for NNGOs in South Sudan and Somalia alike to develop a more sophisticated engagement with policy processes and build direct relationships with donors, where they are relevant to the country level.

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