

READOUT

Harnessing the role of donors to promote more inclusive and locally led action through humanitarian pooled funds

The UK, Switzerland and the Danish Ministry of Foreign Affairs convened humanitarian fund managers, fund users and humanitarian donors in a virtual discussion on 13 May 2024, to discuss the role of donors in promoting a shift to inclusive and locally led action within humanitarian pooled funds.

I. EXECUTIVE SUMMARY

Discussions first focused on the range of innovative practices that humanitarian pooled funds are testing. Various organisations highlighted how simplifying eligibility requirements for funding, simplified applications processes and trialling tiered approaches to due diligence, have been key to improve accessibility for local and national actors (LNA). Several funds use ringfencing as an approach to protect access to funds for LNA and/or women led organisations (WLOs). Participants shared experiences of tailoring their policies and processes to better cater to unregistered and grassroots organisations notably WLO, through using national languages for applications, diversifying their payment systems etc. One practice involved selecting partners based on project submission and utilising due diligence process as a means to identify capacity support needs to enable delivery.

Whilst risk sharing remains an area that many funds are grappling with, the Start Fund for instance is using indemnity letters to agree how disallowances may be handled ahead of these materialising. A range of funds work to support the resilience of their partners who are on the frontline of risks, for instance through budget lines, support around connectivity resilience, mental health etc. All funds noted some positive progress in the cascading of overheads and several such as Livelihoods and Food Security Trust Fund in Myanmar (LIFT), the Start Fund Bangladesh and Aid Fund for Northern Syria (AFNS), have made this mandatory. All funds reported on efforts to support capacity strengthening, with some such as the UN's Women Peace and Humanitarian Fund (WPHF), hosting regular exchanges with partners to understand their needs in this space. WPHF, AFNS and the Global Resilience Fund also allow specific budget lines for this. All Funds noted the positive effects of making governance more inclusive, but participants also noted that the participation of LNA needs to be resourced, referencing the ICVA support facility for local leadership as an example of initiative seeking to address this gap.

Participants reflected on how change had happened and what had been the role of donors. COVID-19 and access restrictions have been catalytic in enabling many pooled funds to test new approaches to fund local actors with the support of donors. Donors are often playing a supportive role around those changes, and in some instances, their role as champions significantly contributed to change. However, participants noted that progress is still very reliant on individual champions and on exceptions to rules rather than institutionalised approaches and remain therefore in some instances fragile – with risks of setbacks when individuals move on. This presented obstacles to scaling up these practices. Donors can also sometimes slow progress, for instance when donors do not work to achieve consensus. Views

within donor institutions can also be very diverse, for instance between programme teams and teams focused on audit and compliance, which can have different perspectives and requirements around controls.

Discussions surfaced 12 areas of recommendation where donors can play a positive role in helping pooled funds shift to locally led action:

1. Systematise best practices at the global level and improve coherence within institutions.
2. Recognise and embrace subsidiarity in pooled funds.
3. Promote partnership in risk.
4. Support pooled fund efforts to simplify eligibility requirements.
5. Advocate for pooled funds to make the cascading of benefits and overheads mandatory.
6. Encourage pooled funds to agree specific policies and approaches to support local and grassroots organisations and notably WLOs.
7. Promote capacity strengthening support within pooled funds, notably through devoting specific funding for capacity building for organisations to use as they wish.
8. Provide multiyear funding.
9. Support and resource local leadership.
10. Recognise and support the rich short and long-term contributions of civil society organisations.
11. Use diplomatic levers to help manage risks for frontline organisations.
12. Promote learning.

II. FULL READOUT

The objective of this meeting was to discuss with a range of humanitarian pooled funds managed by multilateral, civil society and private sector partners, what has enabled them to adopt best practices on accessibility and capacity sharing and in other areas such as equitable partnerships, and what specifically has been the role of donors in relation to these shifts. The discussion also considered how donors can maximise the use of their influence to promote more rapid and coherent shifts towards inclusive and locally led action in pooled funding mechanisms.

This readout covers best practices among humanitarian donors; how change happened and the role of donors; and what more donors could do to promote change.

1. Best practices and innovations

This section highlights the best practices and innovations that pooled funds have rolled out that resulted in positive changes for national and local actors, and the communities in need. It covers accessibility; organisations representing marginalised people; risk sharing; equitable partnerships; capacity support and governance and accountability.

1.1. Accessibility

Various organisations highlighted how simplifying eligibility requirements for funding was key to enabling locally led action.

The **UN Women's Peace and Humanitarian Fund (WPHF)** organises calls for proposals and only does capacity assessments once projects have been selected. The call for proposals and results framework are also simplified. The capacity assessment and due diligence process are treated as an opportunity to identify with organisations capacity strengthening needs so outside of exceptional circumstances, most LNA are able to pass it.

The **Start Fund** piloted a **tiered due diligence framework** which assigned NGOs joining the network to one of the three tiers based on their capacity assessment. Those tiers correlated with their compliance profile. All organisations were assigned to a tier that corresponded with a certain type of access to funding and support. The Start Fund has experienced some success in terms of investing in partners' organizational policies and practices, allowing them to go through a subsequent due diligence reassessment and then moving them up through the tiered framework to access greater volumes of funding.

In Ukraine, the **OCHA Country-Based Pooled Fund (CBPF)** first trialled a derogation to the standard eligibility process and eligibility requirements for a selected number of small organisations, to enable to fund them very quickly. The full capacity assessment was later exercised on those organisations and it was actually found that only a small number of them were able to meet the normal requirements which were perceived as too onerous. As a result, a second pilot was put in place involving a simplified capacity assessment, which contextualised and simplified requirements to make funding more accessible to community-based organisations. This was mostly taken up by organisations that had previously been sub-partners, providing them with direct funding. To manage risks, a maximum funding ceiling was established together with additional monitoring measures. At global level, OCHA have now commissioned a more general review of their partner eligibility process and are looking more widely at different ways to make the funds more accessible including through tiered eligibility arrangement.

Similarly, **NEAR's Change Fund** focuses on a simplified allocation process with one-page proposals and one-page budgets.

Several funds use ringfencing as an approach to protect LNA's access to funds. For instance, all funds provided by WPHF are ringfenced for women-led organisations (WLOs). At least 20% of funding provided by the Livelihoods and Food Security Fund for Myanmar (LIFT), are ringfenced to LNA, and LIFT has introduced targets for WLOs and organisations of people with disabilities, in addition to two dedicated localisation windows. AFNS is looking to protect in their next allocation some funding for smaller organisations, so they are able to compete with organisations with similar capacities.

WPHF stressed how being a women's rights local organisation is one of the two eligibility criteria for its funding. A participant noted that definitions are important in this space, sharing the experience in Nigeria of organisations presenting as WLO to access funding ringfenced for them.

1.2. Organisations representing marginalised people and grassroots organisations

Participants highlighted how **translating funding opportunities and guidelines into local languages allowed for better access for local organizations.** In WPHF, all proposals were translated into local languages – for instance Dari and Pashto in Afghanistan.

Funds shared their experience of working with more informal and unregistered local and grassroots organisations - some of which may not have the right to register. For instance, around half of partners of the **Global Resilience Fund** are more informal girl- and youth-led organisations, requiring for instance tailored and agile approaches to communication and to transfer funding. Funds discussed the policies and processes they had to put in place, including options to channel funding outside of formal banking systems.

In **Sudan**, the CBPF introduced flexible measures to ensure funding can be accessible to grassroots groups, such as neighbourhood committees, women's groups and youth clubs, that were unsuccessful in registering with authorities. The CBPF put in place a modality for small grants up to \$20,000 for these organisations, channelled through NGO partners, classed as donations. This comes with simplified requirements, such as a simple plan (instead of full proposals), and a one-page report on what has been done with the money. There were certain measures put in place to ensure oversight of those donations and these were carried out by the intermediary NGOs.

The **Women's Peace and Humanitarian Fund** helped ensure that unregistered organisations were also supported by encouraging women's organisations to apply in consortiums so that they can support other women's organisations who do not have legal registrations but are working directly with marginalised groups.

In a somehow similar approach, **the Aid Fund for Northern Syria (AFNS)** promotes partnerships between bigger 'anchor' organisations that can pass funding to community based, women-led organisations and support capacity building.

Some discussants highlighted that in Bangladesh, the **Bangladesh Start Fund** had encouraged making women led organisations the lead organisations in consortia, with several benefits. It helped in increasing women's leadership and the role of women's organisations but it also developed gender sensitivity within interventions.

1.3. Risk sharing

Risk sharing begins with building a shared understanding of risks and how to mitigate them. Within LIFT, the risk register is shared with the board and supports this. In Sudan, the CBPF put together a risk absorption paper that outlined different measures that the fund would take to continue to support life-saving response while upholding minimum requirements for accountability and transparency.

Participants noted the importance of agreeing early on how risks would be handled when they materialise. The Start Fund outlines in indemnity letters how disallowances during audits may be managed in terms of Start stepping in to absorb costs and/or establishing a repayment plan with the concerned organisation. In Myanmar, a letter is also agreed between UNOPS and donors outlining responsibilities if risks materialise.

Several funds stressed that some of their partners are on the frontline in terms of risk exposure, and they therefore accompany them accordingly. For instance, some encourage partners to have budget lines in case their safety would require relocating their premises. Some digitalise documents to protect the security of their partners. The Global Resilience Fund provides support with digital security and tech infrastructure to help make its partners more resilient through protecting their connectivity. They and WPHF also support their partners through mental health resources and support.

1.4. Equitable partnerships

A few of the funds have moved towards mandatory requirements around overheads and indirect costs. For instance, AFNS made it mandatory for the main partner that received funding from AFNS to share their operational cost with the downstream partners fairly. LIFT and the Start Fund Bangladesh apply similar policies.

OCHA are relying on putting data on the passing down of overheads in the public domain and noted that last year, in 75% of programmes, overheads were shared with sub-grantees. For the Start Fund, in 2022, around 80% of the awards where there was more than one partner shared some of those overheads with the partner. The Fund is also doing a consultation, which will inform how they introduce compulsory sharing of indirect costs.

Participants noted that overheads are critical to develop the capacity of LNA to manage risks and therefore the sharing of overhead should be seen as a risk reduction measure.

1.5. Capacity support

All Funds reported significant efforts to support capacity. For instance, WPHF provide \$30,000 in institutional funding alongside operational funding, to contribute to strengthening the local capacity and sustainability of the women's organization. They've taken on an approach where they do not place limitations on what percentage of funds women's organisations use for the different types of capacity strengthening. They also encourage women's organisations to allocate funding for wellbeing and mental health of staff within the budget. WPHF also consult annually their partners to understand specific areas where further support may be needed going forward.

The **Global Resilience Fund (GRF)** highlighted how they provide flexible additional funding around capacity strengthening to organisations to use how they see fit. Another way they've undertaken capacity strengthening is through direct accompaniment. This includes peer to peer coaching, mentoring and responding to identified needs. As mentioned under 'Risk sharing', GRF capacity support also aims to enable its partners to prepare for and better mitigate risks to their safety and activities.

The **AFNS** work with their partners to understand their needs and give them different options to support their capacity. They have worked on a digital platform to give partners access to a number of services and capacities. This platform connects their partners with service providers. They are also carrying out a pilot program with the humanitarian leadership academy which is providing comprehensive capacity strengthening to organisations.

The **Regional Development and Protection programme for Lebanon and Jordan** tracks and scores partners' performance in terms of their support to downstream partners capacity as part of their results framework.

1.6. Governance and accountability

All participants noted the importance of the participation of LNA and of WLO in governance and decisions to shape decisions in an inclusive manner.

The AFNS steering board includes a Women Advisory Group formed by women working in the sector inside northwest Syria and from Turkey. This group has helped bring attention to women's specific issues and their aspirations.

Downstream at the delivery level, a participant noted that the Nepal Disaster Preparedness network had noticed improvements in compliance, when initiatives were more inclusive of WLOs, as they also tended to be more participatory and inclusive.

Participants noted that there are too often assumptions that LNA are able to resource their participation in onerous governance models. There were calls for smaller financial envelopes or consortia structures that allow smaller organisations to access funds to enable them to lead in governance mechanisms. The ICVA facility to support local leadership in CBPFs was raised as a facility that supports LNA with supporting travel, mentoring, and other things in order to enable them to perform certain roles in coordination mechanisms to make sure they perform their roles meaningfully.

2. How change happens and the role of donors

The discussion highlighted that a wide range of best practices and innovations that pooled funds have undertaken, seem to have emerged as a result of COVID-19 and conflict or access-related challenges, where there had previously been little appetite.

Often time, donors play a positive and supportive role.

The Start Fund noted that the principle of subsidiarity, whereby all of their donors agreed to delegate decision making power to the NGOs at the forefront of crises, had been key to enable them to innovate – noting it had for instance been supportive of their tiered due diligence pilot. The role of donors has been helpful. At the level of the Global Start Fund, they've been able to make changes and be able to evolve relatively easily because they have a large donor body that supports the global pooled fund. At the National fund level, they have fewer donors and so it's more difficult and there is more dependency on particular donors, which makes them more imbalanced. The Start council of donors was able to see the evolution of the tiered due diligence pilot. It was important that they could be a part of that journey and ultimately could all buy into and support the embedding of this approach in the long term. If any one or group of donors had not supported this evolution, it would have led to a loss of efficiencies and a dilution of the nature of the pooled fund.

WPHF noted that their donors were generally quite supportive of their approach. But it required an understanding that with their current budget, the WPHF would have capacity to report annually but not more often, so they could focus staff time and efforts around investing in quality and flexible funding to women's organisations.

OCHA also remarked on the support of the Advisory Groups at country level on the Ukraine and Sudan pilots. At global level, they also generally received positive donor support on these innovations. OCHA senior leadership had to be sighted and supported the pilots and had to agree to deviate from standard rules and regulations.

In some instances, donor championing has been critical to drive change. For instance, AFNS were able to push through their policy on cascading overheads because donors were vocal in their support through the steering board. Within LIFT, donors championed the creation of the small grant and strategic partnership windows.

But progress is still very reliant on individual champions rather than institutionalised approaches.

In Myanmar, the long-standing support of some donors such as FCDO to the civil society meant they were more prepared to take risks. However, change has in practice been overly reliant on individuals being prepared to step up and take on more risks, notably in FCDO and UNOPS. This has been pushed through based on personalities and agreements between field office level.

This has been reliant on a range of exceptions which as a system remain very fragile. For instance, UNOPS efforts to standardise its approaches at HQ level through a one-size-fits-all policy has proved a threat to these innovations. The lack of institutional endorsement of these practices has also been a barrier to the scaling up of such innovations as they remain the exception to the norm.

And donors sometimes slow or even hinder progress.

In the case of CBPFs, since there are more than 40 donors contributing to the fund, there are a lot of diverse views. This can make it quite challenging to arrive at some kind of broader consensus about how to move forward. Views within donor institutions can also be very diverse, for instance between programme teams and teams focused on audit and oversight, which can have different perspectives and requirements around controls.

The Global Resilience Fund noted some differences in terms of donor requirements – therefore they work to match funding to partners best able to meet requirements around reporting for instance. They noted nonetheless their donors' positive attitude, which had been supported by regular exchanges between donors and girl and youth leaders.

The Start Fund noted that some donor practices to earmark funding around specific themes, could have deep effects in diverting attention away from the nature of the fund.

OCHA reflected that most of their thresholds are not imposed by the UN rules and regulations, but they have been developed over the years through consensus with our donors. At the global level it is for instance not clear that donors are comfortable with changing how losses are handled when they materialise. OCHA noted that the UN's own auditing body can also be a barrier to innovation.

3. What more can donors do to promote change

Participants also noted a range of measures that donors are uniquely placed to take to incentivise change within pooled funds.

1. Systematise best practices at the global level and improve coherence within institutions.

Donors should commit to work across headquarters, posts and between teams so that institutions build and systematise best practices and innovations, otherwise these will be rolled back. Innovations and best practices cannot be solely reliant on individual champions at the field level. This is problematic because there is huge turnover of staff, and these innovations can be lost. Donors should consider updating their policies and risk appetite to work in complex settings, bringing together relevant teams including e.g. chief finance officers.

2. Recognise and embrace subsidiarity in pooled funds.

Donors need to be mindful that the multiplication of requirements imposed upon pooled funds can make or break the effectiveness of a pooled fund, whether they earmark specifically to

certain activities or whether they choose to advocate for or against policies. This can result in the lowest common denominator in a pooled fund in terms of ambition, risk taking and innovation.

3. Promote partnership in risk.

Donors and pooled funds must be willing to have a partnership in risk, including agreeing in advance how risks will be managed if they materialise.

4. Support pooled fund efforts to simplify eligibility requirements.

Strengthening partner capacity cannot be the sole solution to improve accessibility. Much more work needs to be done in enabling pooled funds to simplify requirements and in understanding what minimum standard we can work with.

This should include encouraging pooled funds to adopt policies and approaches enabling applications in local languages. Ensure these approaches consider when a rapid application process should be privileged, and when longer applications processes can be considered.

5. Advocate for pooled funds to make the **cascading of benefits** and notably overheads mandatory.

6. Encourage pooled funds to agree specific **policies and approaches to support local and grassroots organisations and notably WLOs**, including setting specific targets and envelopes for LNA and WLOs.

7. Promote **capacity strengthening** support within pooled funds, notably through devoting specific funding for capacity building for organisations to use as they wish – noting the interlinkages between capacity strengthening and risk management.

8. Provide multiyear funding.

Participants stressed the need for flexible multiyear funding as that allows for pooled funds to maintain readiness and to allow organisations to access it in response or in anticipation of crises.

9. Support local leadership.

Building for instance on best practices such as the twinning of a donor and LNA on advisory boards to provide peer support; and through resourcing dedicated facilities such as the ICVA resource facility for local leadership that enables LNA to maximise their role in humanitarian governance mechanisms.

10. Recognise and support the rich short and long-term contributions of civil society organisations.

The work of LNA and WLO can touch upon other areas such as human rights, advocacy etc. Remaining demand-driven requires understanding that a broader definition of humanitarian aid may need to be applied.

In the long run, support to LNA is also about building societies, so part of the bigger picture needs to look at how effective support to locally-led action can also enable a more effective civil society in the long term.

11. Use diplomatic levers to help manage risks.

The value add of donors can be in using their diplomatic levers, for example when LNA staff are arrested or are experiencing other security related challenges.

12. Promote learning.

Donors can promote learning across pooled funds as well as support learning from locally led financing mechanisms and from foundations and philanthropic bodies.