

Grand Bargain Caucus on Funding for Localisation

Concept Note

Context

The original Grand Bargain framework includes a commitment to achieve by 2020 a global, aggregated target of at least 25% of humanitarian funding to local and national actors (L/NAs) (a category that includes women's rights organizations and women-led organizations (WROs/WLOs), as directly as possible to improve outcomes for affected people and reduce transactional costs. Five years on, GB signatories have made progress in some aspects of localization, however, the commitments to delivering 25% of funding to L/NAs, including WROs/WLOs, is proving challenging to meet. Significant efforts have been made to pave the way to realize the 25% target, including agreeing on core **definitions** of 'local and national actors' and 'as directly as possible'¹.

Over the five-year period, there has been a steady increase in the number of signatories reporting that they have met or exceeded the 25% target (13 in 2020; 10 in 2019; seven in 2018)². While this is positive news, not all signatories are tracking this data in their financial systems and those that do track it are using different criteria; therefore, it is not possible to aggregate the statistics provided. There is a need for a clear commitment to measure, based on **an agreed upon methodology**, the amount of funding delivered to L/NAs, including WROs/WLOs.

Many actors consistently note the need to support the further development of **L/NAs institutional capacities** to respond to humanitarian needs. This aligns with another conversation in the GB on **overhead costs**. There is a growing acknowledgment that the same argument that supports providing overhead costs to intermediaries applies with even greater force to L/NAs, with increasing recognition that such support is critical to enable institutional development³. Recognizing that institutional capacity strengthening may often require dedicated multi-year support, overhead support plays an important role in basic operating capacity. Thus, L/NAs' **institutional capacity cannot be strengthened without investment in overheads**.

Problem statement

System-wide, L/NAs received 5% of global funding reported to FTS from 2016 to 2021. In 2021 alone, only 2.63% of the total humanitarian funds reported to FTS went to L/NAs. Indeed, there remain institutional barriers and limited financial transparency in practice that hinder reaching the 25% funding delivered as directly as possible to L/NAs.

1. In bilateral discussions with States, UN agencies, and international NGOs, the caucus co-champions understand that all use different **metrics** to calculate their funding delivered to L/NAs, making it hard to compare or aggregate the statistics. Funding delivered to WROs/WLOs is often not tracked as a distinct category, making it impossible to measure. The lack of consistent data undermines transparency and accountability efforts.

¹ Key definitions are available here:

https://interagencystandingcommittee.org/system/files/categories_for_tracking_direct_as_possible_funding_to_local_and_national_actors_003.pdf

² ODI. Annual Independent Report 2021. <https://interagencystandingcommittee.org/system/files/2021-06/Grand%20Bargain%20Annual%20Independent%20Report%202021.pdf> P. 52.

³ Institutional development includes: risk management processes and systems; to ensure continued training for staff; and to enable staff to engage meaningfully in coordination mechanisms and policy discourse

⁴ ODI. Annual Independent Report 2021. <https://interagencystandingcommittee.org/system/files/2021-06/Grand%20Bargain%20Annual%20Independent%20Report%202021.pdf> P. 51.

2. L/NAs are not always granted **overhead costs** in their partnerships with international humanitarian agencies and organizations, which hinders their ability to maintain (much less **strengthen**) **institutional capacity** to operate effectively.
3. **Varying crisis contexts require different types of response** and complementarity between international, national and local actors. It is important to note that the volume of funds directed to L/NAs varies from context to context, influenced by the scale and circumstances (among other factors). Depending on the context, L/NAs may, to varying degrees, be directly impacted by the crisis and/or face institutional capacity challenges (though it is also true that incorrect assumptions are routinely made about LN/A capacity).
4. **Recognizing the institutional barriers that hinder the system reaching the 25% target, there must be a step change in reaching this goal.** There is a need to reach a political agreement on strategic approaches to invest in L/NAs, including WRO/WLOs, depending on the context and scale/type of crisis, while recognizing the commitment that investments to L/NAs must happen in all crises.

Proposed way forward

Given the complexity of these issues and the time required for the technical and political negotiations, the caucus champions suggest taking a two-tiered approach, to be solved with two distinct but related subset discussions. It is expected that both tracks are completed by the end of the GB 2.0.

- *Subset 1: The 25% Target:* the intended outcome of this process will be to establish a political agreement between donors, UN agencies, and international NGOs on how to increase direct and “as direct as possible” investment in L/NAs, including WRO/WLOs. Dialogues between caucus members on the varying ways of working with L/NAs, including WROs/WLOs, in different contexts will inform the agreement, which will be shared with all GB signatories for their implementation in the short to medium term.
- *Subset 2: Overheads and institutional capacity strengthening:* the GB localization discussions on overhead and institutional capacity strengthening needs to be elevated from technical conversations to a high-level dialogue among top decisionmakers. By doing so, these stakeholders can reach an agreement on a common minimum overhead figure for L/NAs then instruct their respective organizations and constituencies to pledge to achieve this in the short to medium term.

It is recommended that the first subset discussion be taken on first, as the outcome of it will enable the greatest amount of change in the system and facilitate political agreement on the remaining issues. The second discussion on overhead costs will begin at the conclusion of the first subset and conclude at the 2023 Annual Meeting, pending the results of the exercise on cascading of overheads currently undertaken by Oxfam and UNICEF⁵.

Objectives for discussion on 25% target

1. The caucus participants will work together with the caucus champions and facilitators to share information on a) amount of funding delivered to L/NAs; b) methodology used to calculate this amount; and c) their challenges, if any, in comprehensively calculating amounts according to the currently agreed definitions of “direct” and “direct as possible” funding. They will work with the

⁵ Oxfam and UNICEF on behalf of the IASC Results Group 5 on Humanitarian Financing began an exercise to map existing practices on cascading of overheads that shall be concluded in summer 2022.

facilitators to design a common methodology that they commit to meet as of the next annual Grand Bargain reporting cycle that will result in data that can be compared and analysed.

2. Broker a political agreement that includes a roadmap, which establishes a new timeline, through milestones, to reach the 25% target of all funding delivered as directly as possible to L/NAs and to ensure ongoing transparency (potentially through FTS).

Format and timeline of the caucus

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| May – June 2022 | Caucus is established with the support of the Eminent Person’s office |
| June 2022 | First high-level political meeting with Principals to launch caucus |
| July – December 2022 | Senior technical discussions in cooperation with the Workstream 2 |
| January 2023 | Final high-level political dialogue and endorsement of the recommendations |

Stakeholders involved

A prerequisite of Grand Bargain caucuses is to ensure the right balance between inclusiveness and effectiveness. The stakeholders listed below are suggested in consideration of either their relevance to, or influence on localization and transferring a greater percentage of resources to local and national actors⁶:

- **Major donors:** 3 donors
- **UN family:** 2 UN agencies
- **Red Cross and Red Crescent organizations:** 1 organization
- **Civil society:** 1 representative INGOs, and 1 network representing L/NAs and the lead organization of one NRG.
- **Conveners:** EP and NEAR

A neutral party will chair and facilitate the discussions. The group of participants is intentionally limited to stakeholders that are key for unlocking the impasse, and the meeting will be closed doors. However, other interested parties can engage directly with the participants belonging to their constituency throughout the process to provide their views. The caucus will be asked to regularly communicate on its progress and any outcomes with the Signatories through the Secretariat.

Link with other processes

This caucus will build on efforts undertaken by other fora, including the previous IASC Results Group 5 on Humanitarian Financing, the Workstream 7&8, as well as the ongoing GB caucuses on quality funding and the role of intermediaries.

⁶ The EP office and NEAR will work with the current co-conveners of WS2 to identify the organisations that will be invited to engage in the caucus.