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Funding to local and national humanitarian responders:

Can Grand Bargain signatories reach the 25% target by 2020?

Executive Summary

By 2017, 53 governments and international agencies had agreed on the Grand Bargain (GB) as an important outcome from the 2016, World Humanitarian Summit (WHS). A central commitment in the GB was to “*achieve by 2020 a global, aggregated target of at least 25 per cent of humanitarian funding to local and national responders as directly as possible.*”

Since then, there has been an, at times, intense debate about this commitment but relatively little new quantitative analysis presented. In this briefing note, Local2Global Protection (L2GP) provides a **first global estimate** of how much funding GB signatory governments have channelled to local and national responders either directly or through one intermediary in 2015 – the year before their WHS and GB commitments. The report also provides a first forecast of the annual increases in funding to local actors required to meet the 25% target by 2020.

Out of an estimated total of \$16 billion global humanitarian funding from GB governments, their direct funding to local and national NGOs and Red Cross/Crescents societies amounted to less than \$18 million in 2015. Local and national governments in countries affected by crises received \$48 million in direct humanitarian funding from GB governments. In total, all local and national responders received **less than 0.5%** of the known total humanitarian funding from GB signatories directly (without any intermediary).

In contrast, a much larger amount of funding to local responders was channelled from GB governments through a range of international aid organisations (UN, INGOs and the international Red Cross/Crescent organisations) before it reached local actors. Based on primary data collection (covering 50% of the funding) and imputations based on collected data and existing data sets¹, funding of

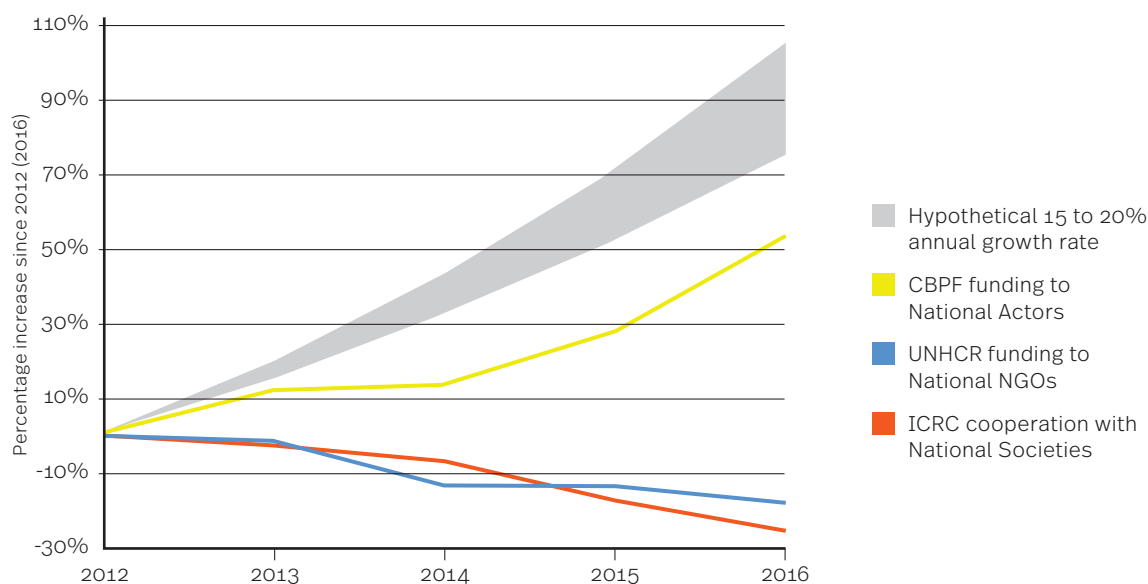
local responders through one intermediary (international organisation) is estimated to be 11% of the total GB governments’ funding in 2015. In addition, GB donors channelled 4% of their overall funding to the UN-led Country Based Pooled Funds (CBPF), of which less than 20% was channelled on to local and national responders. In other words, 0.6% of GB donors’ funding was allocated to national responders through the CBPFs.

Adding up both direct and indirect (through one intermediary only) funding, L2GP estimates that in 2015, a total of **12% of the GB governments’ funding was allocated to local and national humanitarian responders.**

The numbers above are only first estimates, and may have to be adjusted as more data becomes available. Still, they do allow for a preliminary analysis of how much funding needs to be increased in order to meet the 25% commitment. To reach this, GB governments, and the international aid organisations they work through, will collectively **need to increase their funding to local and national actors by at least 15-20% every single year until 2020** (Figure 1) if both direct and indirect (one intermediary only) funding is considered.²

Doable as this may sound, existing data on previous growth rates of funding to local responders indicates that such an annual increase will be a major challenge for the humanitarian system. In fact, data from UNHCR and ICRC suggest that their funding to national NGOs and National Red Cross/Crescent societies decreased from 2012 to 2016. While the CBPFs have increased funding to local actors, the average growth between 2012 and 2016 is below the growth rates required from the humanitarian system as a whole in order to meet the global, aggregated 25% target by 2020.

Figure 1. Actual vs. hypothetical increase of funding to local actors. Shows increase or decrease of funding flows to local actors for UNHCR, ICRC and CBPF based on 2012 levels compared to the 15 to 20% growth rate required from 2016-2020 to reach the 25% GB target. Source: UNHCR, OCHA, ICRC and L2GP calculations



If only direct funding is considered for the 25% target, it will require a much bigger collective increase of such funding to local responders: from \$66 million to \$4 billion over just a few years. In other words - **a 170% annual increase** of funding to these actors in order to meet the 25% commitment by 2020.

Many GB governments have committed to increase their contributions to the CBPFs, which currently make up just 3% of their collective funding allocations. While CBPFs look set to increase funding to local actors from current levels, due to the small relative size of the CBPFs, only increasing this funding channel will not allow GB signatories to reach the global 25% target - even if the CBPFs allocated 100% of their received funds to national NGOs. **A system-wide approach to increase funding to local responders by 15-20% will be required, including increasing direct funding, funding through pooled funds – and ensuring that international aid organisations, including UN agencies, allocate significantly more of their funding from GB donors to local and national partners.**

Finally, the briefing note alerts all stakeholders to the fact that a number of on-going discussions and disagreements over technicalities and definitions risk delaying and ultimately diluting the intentions of this GB commitment. One major drawback of setting concrete quantitative targets in policymaking can be illustrated by a well-known adage in economics - Goodhart's law -

“when a feature of the economy is picked as an indicator of the economy, then it inexorably ceases to function as that indicator because people start to game it.”³ Some of the current discussions about what constitutes a local or national responder or the argument made that in-kind transfers to local responders (for instance food) should be included in the understanding of what is “as-directly-as-possible” may, depending on the point of view, be seen as legitimate concerns – or examples of such “gaming” by stakeholders with particular interests.

In the context of such debates, it should be noted that a previous L2GP briefing note⁴ indicates that considering in-kind transfers as “funding” would practically render the 25% GB target irrelevant as several UN agencies already in 2014 allocated more than 25% of their humanitarian expenditures to local actors if in-kind transfers were defined as “funding”.

Given the challenges ahead, with just a few years left until 2020 and signatories still arguing about definitions of individual words in the commitment, it would appear important for all GB signatories to resolve such disagreements as swiftly as possible. And to do that in a manner which is in keeping with the spirit, intent and original wording of the Grand Bargain commitment: *“Achieve by 2020 a global, aggregated target of at least 25 per cent of humanitarian funding to local and national responders as directly as possible to improve outcomes for affected people and reduce transactional costs”*.

Introduction

One of the most tangible outcomes of the World Humanitarian Summit is the Grand Bargain, which includes a funding target for local and national humanitarian responders. According to the text of the Grand Bargain, 53 governments and aid organisations have committed to *“Achieve by 2020 a global, aggregated target of at least 25 per cent of humanitarian funding to local and national responders as directly as possible to improve outcomes for affected people and reduce transactional costs”*.

Despite this commitment to increase funding flows to local responders, it remains unknown how much funding from donors is channeled directly and through various intermediaries to local and national responders. This briefing note provides a first global estimate of how much of the Grand Bargain’s signatory governments’ funding was channeled to local and national actors in 2015 - just before signing up to the GB.

Background

The Grand Bargain government signatories provide most of the documented global humanitarian funding. In total, the 22 government signatories (including EU and hereafter referred to as the “GB governments” or “GB donors”) allocated \$16 billion for humanitarian assistance in 2015.⁵ In fact, all major Grand Bargain signatory governments are members of the OECD Development Assistance Committee (DAC), and thus constitute the traditional “northern/western” donors of official development assistance.⁶

Humanitarian funding from the Grand Bargain governments to local and national responders is channeled

As financial reporting of many humanitarian organisations is still ongoing for the year 2016, the report presents 2015 data and thus provides a baseline for funding flows to local actors the year before the World Humanitarian Summit. The analysis in this report is based on a simple methodology, which is easy to replicate and can be used by independent researchers to track and monitor key developments in funding flows in coming years. Such tracking and monitoring will enable humanitarian policy and decision makers to identify progress and challenges relevant to the 25% commitment since the WHS.

While some of the discussion around the localization topic has diversified to focus more on qualitative aspects, the 25% funding target will remain important. The target is concrete, which allows stakeholders and independent analyst to track and measure progress and thus hold the GB signatories to account on this particular commitment.

in various ways. **Direct funding** entails no intermediary between the fund provider and recipient. Among **indirect funding** channels are pooled fund mechanisms (UN-led), where funding from a group of donors is bundled and then allocated to a recipient. Another way of indirect funding includes funding to an international aid organization (UN agency, INGO, international Red Cross Crescent member) that subsequently channels funding to a local and national responder.

The type of collaboration between international and local responder varies, from sub-contracting where local organisations are mainly used as cheap service deliverers to

genuine partnership.⁷ Besides indirect funding flows with one intermediary between donor and local and national responders, there are also funding channels involving longer transaction chains, where various international and local responder can be involved. Such multi-layered funding flows though, are not considered in this paper.

The text of the Grand Bargain emphasizes that the 25% of funding should be channeled to local responders *as-directly-as-possible*. This phrase is currently contested, interpretations range from the most purist - only direct flows of money should be considered - to the most flexible including the value of in-kind transfers (for instance food) from international to local actors and transfers that go through numerous international intermediaries. In this context, it seems relevant to draw attention to an earlier L2GP briefing note⁴, which demonstrates that considering in-kind transfers as “funding” would practically render this GB commitment irrelevant as several UN agencies already in 2014 allocated more than 25% of their humanitarian expenditures to local actors if in-kind transfers are defined as “funding”.

A major drawback of setting concrete quantitative targets in policymaking has been discussed by social scientists for decades. A well-known adage in economics, known as Goodhart’s law, states: “when a feature of the economy is picked as an indicator of the economy, then it inexorably ceases to function as that indicator because people start to game it.”⁸ Some of the current discussions about definitions of what is “as-directly-as-possible” such as suggestions that local branches of international organisations should be considered local responders or the above mentioned attempts to include in-kind transfer as funding transfers may, depending on the point of view, be seen as legitimate concerns – or examples of such “gaming” by stakeholders with particular interests.

Besides questions around the term as-direct-as-possible another discussion has emerged related to the terms local and national responders. Currently there is a draft of definitions for local and national responders circulating, which includes (for more details see annex 2)⁹:

- National NGOs/civil society organisations (CSOs)
- Local NGOs/CSOs
- Red Cross/Red Crescent National Societies
- National governments
- Local governments
- Local and national private sector organisations

One important aspect of defining national/local NGOs is whether NGOs affiliated to an international NGO should be included. The current definitions exclude these types of affiliates from the group of local/national responders. In this briefing note, the above categorizations and definitions are used whenever possible. Often available data on local and national NGOs does not distinguish between local and national actors; therefore for this research these categories have been combined into one. The terms local NGO, national NGO and local and national NGO are used interchangeably hereafter, all referring to the combination of local and national NGOs. As far as data collection allowed, affiliated NGOs are not included in the local and national NGO data in this paper.

Without going into any further detailed examination of these contested issues, this paper presents data for some of the different possible definitions of as-directly-as-possible and shows how much current funding levels would need to increase annually to meet the 25% by 2020 for some of these interpretations.

Limitations of available data and coverage rates

Currently, there is no universal tracking system in place that allows for systematic tracking of humanitarian funding flows from donors to the end-user of humanitarian assistance. Even the first level recipients of funding reported from GB donors to FTS are not fully known. Every analysis of funding flows to local actors is therefore based on incomplete information and some imputations are necessary to estimate the overall magnitude of funds going to these actors.

While direct funding to local actors has been tracked since a decade, no attempts have so far been made to estimate indirect funding to local actors at a global level. The data on indirect funds through INGOs, UN agencies and internationally operating Red Cross/Crescent organisations in this report is based on primary data sourcing from these organisations and imputed data. These imputations are based on average values from primary data sources (for INGOs and Red Cross/Crescent organisations) as well as Central Emergency Respond Fund (CERF) sub-grant data. Overall, the coverage rate for indirect funding through these three types of organisations in this report is 50%, i.e. half of the funding that is channeled from GB donors to INGOs, UN agencies and internationally operating Red Cross/Crescent organisations data could be sourced.¹⁰ For the other half, data could not be provided or was not sourced.

This data coverage rate could be increased by adding data from a few major aid organisations – for instance by adding data from the largest recipient of humanitarian funding, the World Food Program (WFP's now former Executive Director promised this data would be available by end of 2016¹¹). When WFP data becomes available, the coverage rate would increase to more than 70%. However, it is unlikely that data coverage rate for indirect funding will reach 100% in the near future, since in particular

funding to INGOs is distributed among a large number of these organisations. Therefore, any analysis of indirect funding flows to local actors in the next few years will need to include imputations (and therefore uncertainties), to compensate for missing data.

Imputations made in this report are based on the mean (average) value of the known data in the particular category (UN, INGO, Red Cross/Crescent) and for UN agencies additional data on CERF funding. CERF sub-grant funding is a good approximation for the UN's two largest sub-grantees UNICEF's and UNHCR's funding flows to national NGOs. For the UN agencies, imputed data amounts to 29% of the overall funding received by these three types of organisations, for INGOs it amounts to 21% and for Red Cross/Crescent organisations to 1%. Using such imputations can of course lead to over- or underestimation of funding flows to local actors, in case the sample size, on which the imputation is based, is not representative. Since this report tries to provide a conservative estimate of necessary growth rates, overestimations will not be discussed. Considering underestimating, the growth rates in this report are fairly robust even if the imputed data drastically underestimated funding flows to local actors. As discussed in more detail in the concluding section of this report, even if unknown indirect funding flows were 80% above the average of the known data, the estimated necessary annual growth rate would still be above 10%.

The remainder of this paper consists of two sections. In the first section data on direct and indirect funding flows is presented and the second section discusses consequences of the various definitions of as-direct-as-possible. The annex explains the methodology developed for and used in this note in detail and it describes how funding flows to local and national actors can be estimated on a global scale

I) Direct Funding flows from GB Signatories ...

in the years to come.

... to local and national civil society responders.

Grand Bargain governments' direct humanitarian funding to local and national NGOs in 2015 was rather symbolic. According to Local2Global's analysis of OCHA FTS data, GB governments' direct funding to local and national NGOs amounted to less than \$13 million in 2015.¹²

International humanitarian funding channeled directly from GB governments to National Red Cross and Red Crescent societies for operations in their own country are even smaller than flows to national NGOs. In 2015, according to FTS data, eight National Societies received in total a mere \$5 million.

Taken together in 2015, 0.13% of the GB governments' humanitarian expenditure (based on FTS data¹³) was channeled directly to local and national civil society responders (NGOs + National Societies).

... to affected governments.

Larger shares of humanitarian funding are channeled bilaterally to government institutions in affected countries. According to FTS data, \$48 million or 0.33% of the total reported funding was channeled directly to affected governments.

However, according to OECD data, GB governments allocated a significantly larger amount to affected governments in 2015, and there is a possibility that this funding is underreported in FTS. According to OECD data, Grand Bargain governments allocated \$199 million for humanitarian assistance to affected governments entities in 2015. This amounts to 1.3% of the total reported GB government funding in OECD's Creditor Reporting System. Between 2011 and 2015 only Japan channeled significant amounts of money to affected governments, on average 19.5% of its total reported humanitarian funding, as shown in table 1.

Table 1: Humanitarian Funding directly channeled to affected governments. The table shows GB governments which committed humanitarian funding directly to affected local and central governments between 2011-2015. Only funding averages larger or equal to 0.1% are shown. Source: OECD CRS.

Country	Total humanitarian funding 2011-2015 (\$ million)	% Channeled to Recipient Country Government
Japan	2,810	19.5%
Australia	1,160	3.1%
Spain	360	2.5%
Italy	287	2.1%
Ireland	337	1.8%
Czech Republic	22	1.7%
Switzerland	1,404	1.4%
EU Institutions	7,909	1.0%
Slovenia	4	1.0%
Sweden	1,312	0.3%
United States	25,852	0.2%
Norway	1,353	0.2%
Belgium	538	0.1%

The remainder of the \$15.8 billion GB donors' funding (as reported in FTS) was either channeled to international humanitarian actors (at least \$14 billion) or the recipient is not reported (\$1.7billion). Many of these international actors work through local and national implementing partners and allocate funding to them. The

next section therefore attempts to estimate these indirect funding flows, from GB governments through one international actors to local and national organisations. For this analysis only funding through UN pooled funds, INGOs, internationally operating Red Cross/Crescent organisations and UN agencies are considered.¹⁵

II) Indirect Funding Flows ...

Most of the current funding from GB signatories to local actors is channeled in an indirect way, through pooled funds, UN agencies, INGOs or members of the Red Cross/Crescent movement. While transaction chains from donor to end user of humanitarian assistance can be quite long, the funding flows presented here only include one intermediary between GB government donor and the local actor.¹⁶

A) ... through Country-Based-Pooled Funds

In 2015, UN country-based pooled funds received \$581 million¹⁷ and allocated in total \$490 million of which \$74 million went to national NGOs and \$6 million to National Red Cross and Red Crescent societies.¹⁸ Almost all the funding for these pooled funds comes from GB signatory governments. The country-based pooled funds are currently the biggest source of funding for national NGOs, apart from funding first channeled through an international and operational aid organization.

In recent years the volume of pooled funds has increased, and many donors identify CBPFs as a primary vehicle to increase funding flows to local actors also in the future

Germany for example increased its funding to the pooled funds from \$20 million (1.5% of Germany's total reported funding) in 2014 to \$100 million (6%) in 2017.¹⁹ Besides Germany, other governments also increased their funding to country based pooled funds.²⁰ Korea committed to double contributions to country-based pooled funds and indeed increased funding from \$2.3 million in 2016 to \$4.3 million in 2017.²⁰ "Sweden aims to provide at least 15 percent of Swedish funding for humanitarian response plans through country-based pooled funds"²⁰ and fulfills this commitment already for example in Syria, Yemen and Afghanistan. Preliminary data suggest that Netherlands' proportion of pooled fund funding compared to their overall humanitarian funding increased from 2015 to 2016 from 20% to 24%, according to their GB commitment.²⁰

Other countries have yet to live up to their commitment: US committed to provide funding to at least three humanitarian country-based pooled funds starting in 2017, but so far, the US has only provided funding to two of such funds.²⁰ Switzerland's fulfillment of its commitment to increase the funding share to country based pooled funds remains to be seen. Data from 2015 to 2017 indicates that the share of Switzerland's total humanitarian funding going to country based pooled funds remained constant.²⁰ Other countries such as Belgium, Denmark, Ireland and

Norway also emphasized the importance of country-based pooled funds in the WHS commitments, but they did not specify a particular funding target related to these funds.²⁰

However, given that all country based pooled funds together received only 3% of the total reported humanitarian funding in 2016,²⁰ of which 20% was given to national NGOs, country based pooled funds alone will not allow for reaching the 25% target, even if they allocate 100% of their received funds to national NGOs.

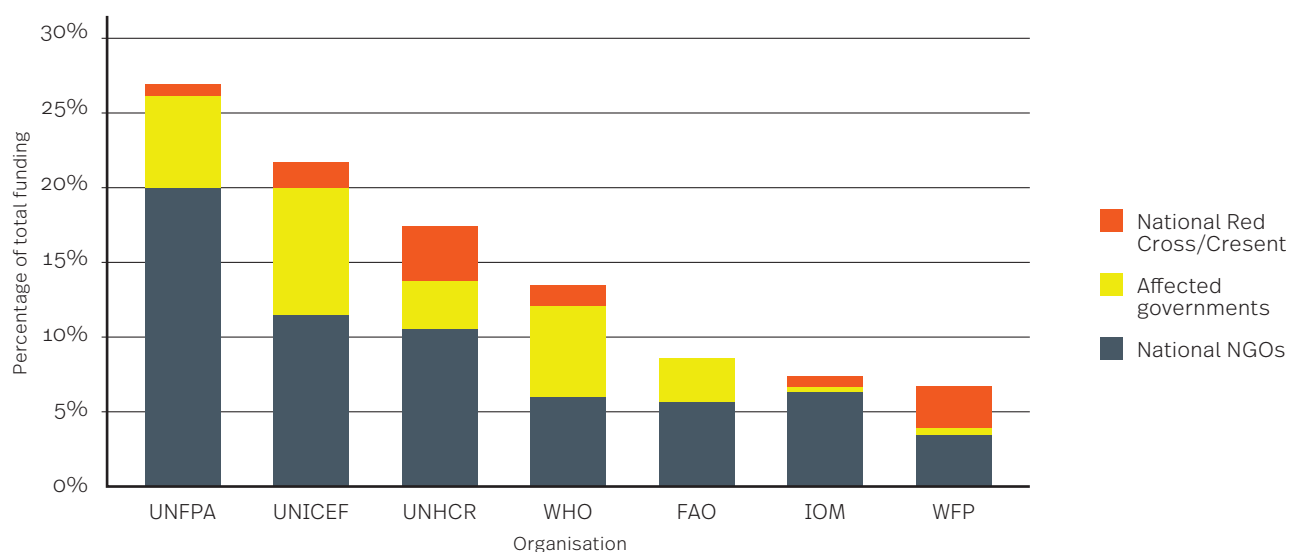
B) ... through UN agencies

In 2015, GB governments allocated \$8.8 billion to 37 UN entities for humanitarian assistance (including \$389 million that are channeled through CERF²¹), of which the vast majority (76%) went to WFP, UNHCR and UNICEF. Of all the UN entities with significant humanitarian programming, only UNHCR publishes detailed data on funding allocations to national NGOs and government implementing partners. UNICEF provided data on funding flows to National NGOs and Civil Society Organisations upon request. For UNRWA and OCHA it was assumed that no funding was allocated to implementing partners.²² Taken together, these four UN agencies received together with CERF more than 54% of the reported funding to UN agencies. Other major UN organisations did or could not provide data upon request.

Due to this lack of available data on subsequent funding flows from 46% of the UN agencies to local implementing partners,²³ 2015 data from CERF will be used as an approximation to estimate the funding flows from UN agencies to local actors.²⁴ Using CERF data raises the question of how representative the usage of CERF funding is compared to the overall humanitarian spending of the various UN organisations. There is only limited data available, but for instance, CERF data for UNHCR and UNICEF in 2015 is consistent with these agencies' overall funding allocations to local and national responders,²⁵ WFP country level data for one of its largest operation (Syria) is also consistent with WFP's CERF data from 2014.⁴

Based on CERF data on sub-grants to implementing partners in 2015, UN agencies allocate between 7 and 27% to National NGOs, affected governments and National Red Cross and Crescent Societies.²⁶ Figure 2 provides an overview of seven large humanitarian UN entities and their estimated funding flow to local and national responders.

Figure 2: UN entities' CERF sub-grant allocation to local and national responders 2015. Source: CERF data²⁷



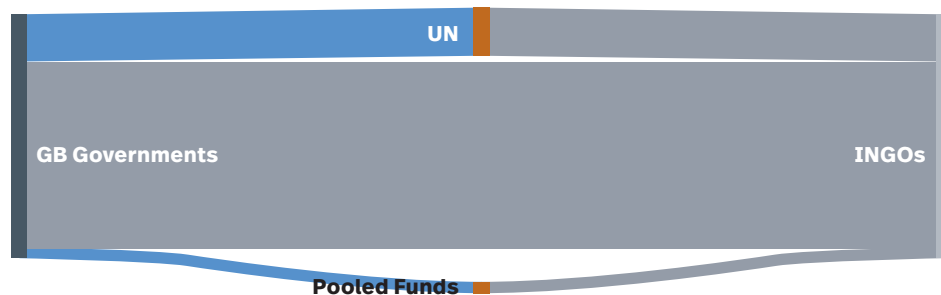
Using CERF data as an approximation for their allocations to local partners, these 7 organisations shown in the figure plus OCHA and UNRWA allocated on average 12.1% of their funding to these partners. In addition, 28 other UN agencies received total funding in the size of \$307 million from GB governments in 2015.²⁸ For the further analysis, it is assumed that these agencies allocated the same average percentage as other UN agencies (12.1%) to national and local actors.

C) ... through INGOs

In 2015, Grand Bargain governments allocated at least

\$3.8 billion directly to international NGOs. In addition, INGOs received \$222 million through CBPF and it is estimated that about \$1 billion were channeled from UN agencies to INGOs²⁹, as shown in figure 3. In total INGOs directly and indirectly received an estimated \$5 billion out of the total \$16 billion from the GB signatory in 2015. Since this analysis focuses only on funding flows from GB governments to national and local actors through not more than one intermediary, INGO funding originating from UN entities and CBPF will not be considered here.

Figure 3: INGO's direct and indirect incoming funds from GB donors in 2015. INGOs directly received \$3.8 billion from GB governments, \$222 million through country based pooled funds and based on estimates \$1 billion from UN agencies. Flows from GB governments to UN and pooled funds, which were not allocated to INGOs are not shown.



For this study, data on funding flows to local actors from 18 INGOs was collected.³⁰ Taken together these INGOs received more than \$880 million from GB governments in 2015, which is approximately one fourth of the total funding by GB governments directly allocated to INGOs. Out of these 18 INGOs, 14 are Charter4Change signatories,³¹ which committed themselves to publish data on funding allocations to local and national NGOs.³² The other INGOs

considered here are Concern Worldwide, Danish Refugee Council³³, Médecins sans Frontières³⁴ and the Norwegian Refugee Council.

Taken together these 18 INGOs allocated on average 12.6% of their program expenditure to local and national NGOs. There was no evidence for significant funding allocations to affected governments and national Red Cross/Crescent societies.

D) ... through the International Red Cross and Red Crescent Movement

Based on FTS data, the GB governments provided \$1.4 billion to the ICRC, the IFRC and 16 internationally operating Red Cross Societies in 2015, out of which 80% (\$1.1 billion) was channeled to the ICRC. All of the internationally operating members of the Red Cross and Red Crescent Movement collaborate closely with National Red Cross/Crescent societies in project implementation and capacity building.

In terms of available financial information, only the ICRC publishes data on funding flows to National Societies. Out of CHF 1.4 billion of field expenditure, CHF 42 million (3%) were transferred to National Societies in form of cash grants in 2015. Another CHF 42 million were used for other forms of collaboration with National Societies such as ICRC staff cost for cooperation delegates, mission cost, premises, transport, etc.

Several internationally operating National Societies were contacted for the study and four of them, the Danish, Finnish, Netherlands and Norwegian Red Cross could provide data. On average 17% of their funding was allocated to national sister societies operating in their respective home country. For further analysis, it is assumed that other internationally operating National Societies and the IFRC allocated the same average percentages as the societies that provided data.

In summary, GB governments gave 0.1% of their total humanitarian funding or less than \$18 million directly to local and national civil society organisations in 2015³⁵. Taken together **direct funding** to local and national NGOs, National Red Cross/Crescent Societies and

affected governments amounted to 0.5% of the **GB governments' funding** in 2015.³⁶

Funding that was channeled from GB signatories through UN's country based pooled funds to national NGOs and National Red Cross/Crescent societies amounted to \$80 million or 0.6% of GB government funds in 2015.

The by-far largest amounts of funding for local and national civil society actors are channeled through UN agencies, INGOs and internationally operating Red Cross/Crescent movement members. This report could source data for 49% of these organisations (based on funding received). For the missing data it is suggested to use mean imputation and CERF data as an approximation to estimate overall funding flows. Based on these assumptions, it is estimated that **UN agencies allocate** on average **12%** of their received funding **to local and national responders**. Based on data from 18 INGOs, which received one fourth of the GB governments funding, these **INGOs allocated 13%** of their funding **to local and national responders**. The four surveyed internationally operating National Red Cross Societies allocated on average 17% to their sister societies, the ICRC 3%.

Using this imputed data set, **12.2%** of the Grand Bargain governments' funding was channeled directly and indirectly (one additional transaction layer only) to local and national actors (including recipient governments) in 2015. These 12.2% come from indirect funding (11.1%) channeled through UN agencies, INGOs and Red Cross/Crescent organisations, only 0.5 % where channeled without intermediary directly from GB governments - and 0.6% where channeled through country-based pooled funds.

Conclusion and future perspectives for meeting the GB target

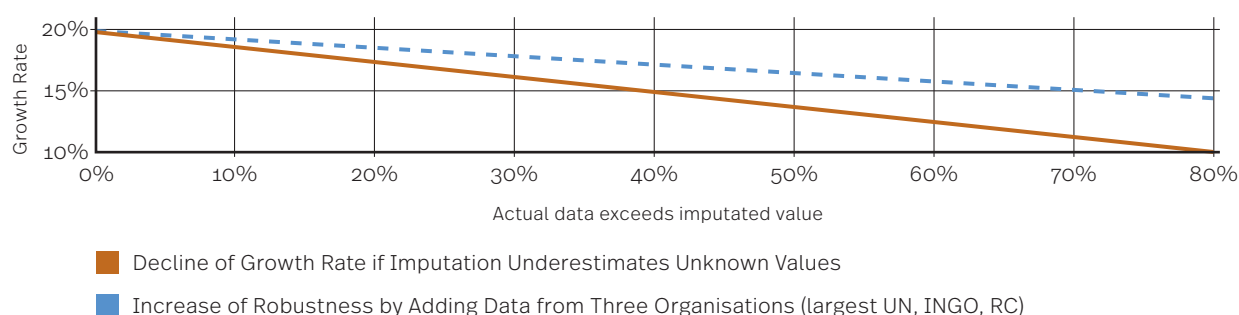
The analysis in this briefing note indicates that currently 12% of funding is channeled - directly and mainly through one intermediary - to local and national NGOs, Red Cross/Crescent National societies and affected government. In order to reach the 25% funding target by 2020 funding flows to national and local actors will need to increase by 20% every single year between 2016 and 2020, based on the estimate that 12% are currently channeled to local actors.

Although based on incomplete data, this estimated growth rate is fairly robust, even if the averages, used to substitute unknown data, were to underestimate funding allocations to local actors by a large margin. If the averages calculated above underestimate by as much as 80% the flows from international organisations (for which data was not available), the necessary growth rate would still be above 10%. Figure 4 shows how the growth rate would decrease

assuming unknown local actor funding percentages are above the averages used for the imputations. Assuming for example, that the averages in this study underestimate funding flows to local actors by more than one third (35%), the annual growth rate **would still be at 15%. It therefore seems fairly certain, that an annual growth rate of 15-20% is needed to reach the GB target.**

The robustness of the estimates in this study can be significantly increased, if data from a few additional large international organisations were available. The dotted line in figure 4 shows how the robustness of the estimated growth rate could be increased significantly, by adding data from only three additional organization, the respective largest UN agency, INGO and Red Cross organisations, for which currently no data is available would be available.

Figure 4: Robustness of the growth rate. If the imputed values underestimate the actual funding channeled to local actors, the necessary growth rate would be smaller. The red line shows that dependency. The small slope of the line indicates fairly robust results, which could be further decreased if data from only three organisations (largest UN agency, INGO and Red Cross organization) were available and could be added, as shown in the dotted blue line.

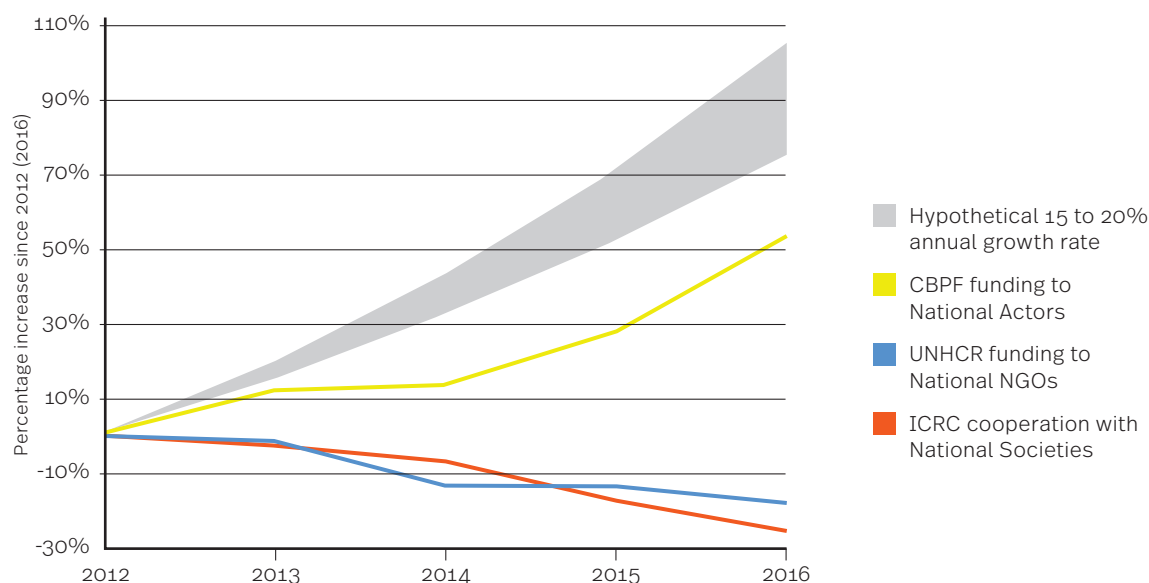


While an annual increase of funding by 15 - 20% could appear doable, it will in fact constitute a major challenge for the entire humanitarian system when compared to previous increases of funding to local and national responders.

Data from UNHCR, ICRC and UN's CBPF is available for the year 2012 to 2016 (as shown in figure 5) and indicates that funding to local actors actually decreased for UNHCR and ICRC over these years. While their

funding to national NGOs and National Societies slightly increased in absolute numbers, their total expenditure increased much faster during that period. Hence UNHCR's funding allocations to national NGOs decreased from 13.4% in 2012 to 10.9% in 2016.³⁷ The same holds true for the ICRC, which allocated 6.9% for cooperation with National Red Cross/Crescent societies in 2012, and only 5.1% in 2016.³⁸ UN's country based pooled funds increased their funding to national actors from 12.9% in 2012 to 19.7% in 2016.

Figure 5: Actual vs hypothetical increase of funding to local actors. Shows increase or decrease of funding flows to local actors for UNHCR, ICRC and CBPF based on 2012 levels in comparison with a 15 to 20% growth rate that will be needed from 2016-2020 to reach the 25% GB target. Source: UNHCR, OCHA, ICRC and L2GP calculations.³⁹



If only *direct* funding is considered for the 25% target, it will require a much bigger collective increase of direct funding to local responders: from \$66 million to \$4 billion

over just a few years. In other words - a **170% annual increase** of funding to these actors in order to meet the 25% commitment by 2020.

Table 2: Scenarios for necessary funding increase to meet 25% funding target. Source: L2GP calculations

2015 Funding flows to

As directly as possible includes	local and national civil society only					in addition to local and central governments			
	Local and National NGOS [\$ million]	National Red Cross/ Crescent Societies [\$ million]	Total [\$ million]	% of total GB signatory governments funding	% of total GB signatory governments funding	local and central governments [\$ million]	Total [\$ million]	% of total GB signatory governments funding	Annual increase 2017-2020 to achieve 25% target
only funding directly from GB signatory governments to local actors	13	5	18	0.1%	275%	48	67	0.5%	172%
in addition CBPF funding	97	13	110	0.8%	140%	48	158	1.1%	119%
in addition funding through one intermediary (INGO/UN/RCRC)	1150	294	1445	9.9%	26%	339	1784	12.2%	20%

Table 2 provides an overview of all the scenarios, for the various definitions of the phrase *as-direct-as-possible*, ranging from considering only direct funding to local and national NGOs and National Red Cross/Crescent

societies to direct and indirect funding and also including affected governments.

Many GB governments have committed to increase their

contributions to the CBPFs, which currently make up just 3% of their collective funding allocations. While CBPFs look set to increase funding to local actors from current levels, this funding mechanism alone will not allow GB signatories to reach the global 25% target - even if the CBPFs allocated 100% of their received funds to national NGOs. **A system-wide approach to increase funding to local responders by 15 - 20% is required**, including direct funding, funding through pooled funds – and making sure that international aid organization allocate significantly more of their funding from GB donors to local and national partners.

In conclusion, this briefing note alerts all stakeholders to the fact that a number of on-going discussions and disagreements over technicalities and definitions risk delaying and ultimately diluting the intentions of this GB commitment. Among such disagreements are: what constitutes a local or national actor, from what

basis should the 25% be calculated, what counts as “humanitarian funding” Yet, a previous L2GP briefing note⁴ demonstrates that considering in-kind transfers as “funding” would practically render this GB commitment irrelevant as several UN agencies already in 2014 allocated more than 25% of their humanitarian expenditures to local actors if in-kind transfers are defined as “funding”.

Given the challenges ahead, with just a few years left till 2020 and signatories still arguing about definitions of individual words in the commitment, it would appear important for all GB signatories to resolve such disagreements swiftly. And to do that in a manner, which is in keeping with the spirit, intent and original wording of the Grand Bargain commitment: *“Achieve by 2020 a global, aggregated target of at least 25 per cent of humanitarian funding to local and national responders as directly as possible to improve outcomes for affected people and reduce transactional costs”*.

Annex 1

Methodological consideration

Full transparency of financial flows from donor to end-user of humanitarian assistance has been a continued demand by various charity watchdogs, anti-corruption organisations, donors and aid organisations themselves. The Grand Bargain also includes a commitment to more transparency, including reporting to the IATI standard, but current reporting practices by international agencies do still not allow for a systematic analysis of how much funding is channeled to local and national actors in various ways – let alone to the very end-users of humanitarian assistance themselves (people affected by crisis and in need of assistance).

While most of the GB government donors report data on the first-level recipients, including direct funding to national NGOs, tracing funding flows through UN, RCRC and INGOs is much more challenging. The IATI standard would allow for such traceability of the individual cash flow, however, comprehensive and consistent reporting from each stakeholder in the transaction chain remains to be seen. Current IATI reporting certainly does not (and will probably not in the foreseeable future) allow for tracking the \$16bn (as of 2015) from GB governments to local and national humanitarian actors.

In contrast to the challenges in tracking indirect funding flows, data on direct funding flows is readily available. Government donors report data on direct funding (first-level recipients) to FTS, and data on direct funding to local and national NGOs can be easily extracted as described in footnote 10.

Hence, data on direct funding is based on FTS data. Funding flows of GB signatories through UN's pooled-funds, CBPF and CERF is well documented and data presented in this report is based on publicly available information from OCHA. Based on these data sets, the magnitude of direct funding and funding through pooled funds can be easily determined. Table A1 offers an overview of the various data sources used for direct and indirect funding as well as funds channeled through pooled funds.

Indirect flows through operational UN entities, INGOs and members of the international Red Cross and Crescent movement are much more challenging to quantify at scale. In this briefing note a methodology is presented that allows for estimating GB government funding going to

local actors on a large scale, through one (international) intermediary. Using two simple data inputs this methodology allows for a reliable but still fairly easy way to estimate indirect funding flows, without the need to have data on a project or activity level.

The methodology is based on the assumption that GB funding is not allocated differently than how funding is used on the global average for the particular aid organization. For example, INGO A allocated on average 20% of its global expenditure to local actors, then it is assumed that INGO A also channeled 20% to local actors for all funding received by GB governments.

Based on this assumption, funding allocations to local actors can be estimated, if two data inputs are available:

- A) how much GB donors allocated to individual international aid organisations and
- B) what percentage of these aid organisations' funding went on average to local actors.

Data input A: *GB governments' funding to individual international aid organisations.* Currently only FTS comprehensively provides this type of information. While data reporting to FTS is voluntary, all of the 22 GB governments reported funding to OCHA FTS in 2015.

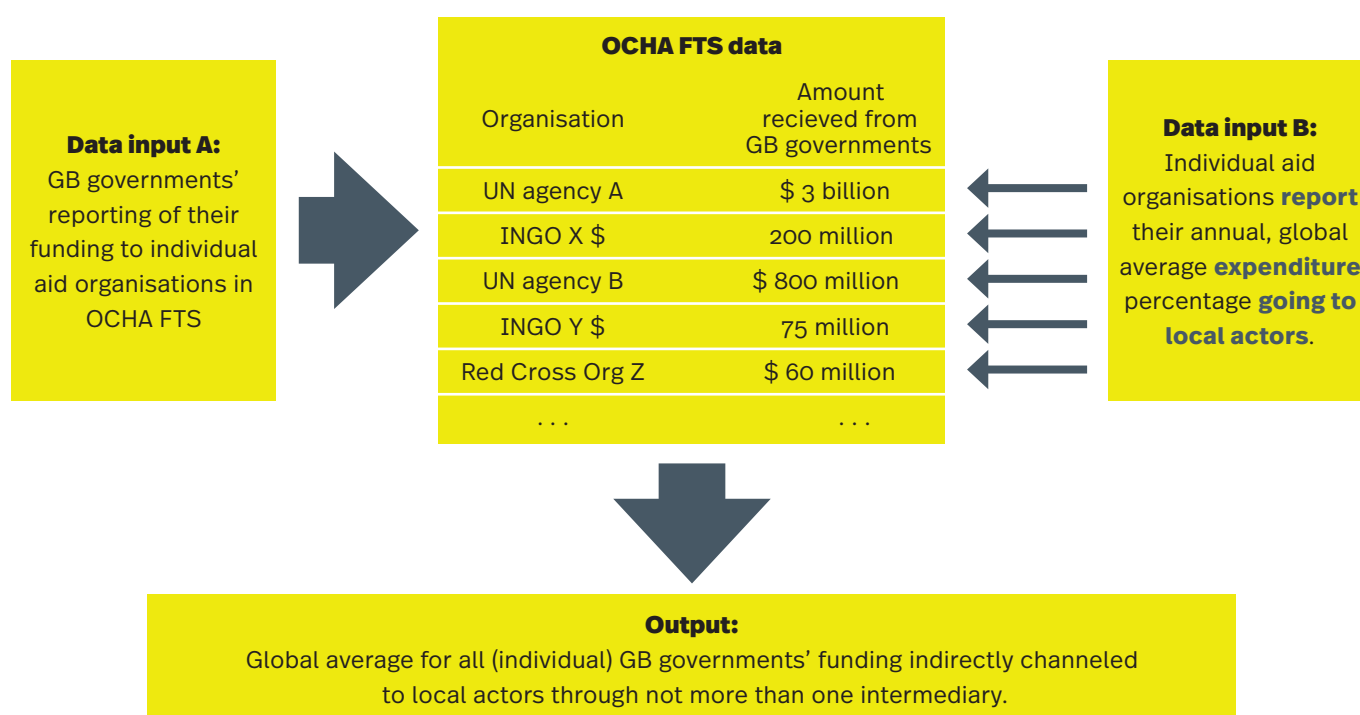
In 2015, GB governments reported funding allocations to UN agencies, NGOs and the international Red Cross/Crescent movement worth more than \$15.8 billion for which the vast majority (90%) the first-level recipients were reported by name. For the remainder no details about the recipient were provided.

FTS, OECD and IATI data Despite its well-known weaknesses⁴⁰, FTS is currently the only source for comprehensible information on humanitarian financial data that identifies the name of the first-level recipient organization. OECD data is considered more reliable due to the mandatory reporting of DAC member, but does not allow to identify recipient organisations by name. IATI data is currently not comprehensibly available for the majority of humanitarian organisations.

Data input B: *Percentages of expenditure allocated to local actors.* This type of information is currently not publicly available from most international humanitarian organisations. Of the major UN agencies, INGOS and Red Cross/Crescent organisations only UNHCR and ICRC publish how much funding they provided to National NGOs and National Red Cross/Crescent societies

respectively. By 2018 the 30 Charter4Change signatories should publish such data in their annual reports according to their commitments. This kind of data needs to be sourced from international humanitarian organisations and to ensure data comparability two questions need to be considered.

Figure A1: Simple schema to calculate indirect funding flows to local actors.



What constitutes a local and national actor and how should the percentage of funding flows going to local actor be calculated?

This question has been extensively discussed within the work-stream of the GB focusing on localization. The Grand Bargain explicitly defines national and local responders as “comprising [of] governments, communities, Red Cross and Red Crescent National Societies and local civil society”, but there have been some discussions whether NGOs that are in one way or another affiliated with an international NGO, should be included in the definition of national NGOs or international NGO.

Closely related to the question of affiliation is how to treat internal funding flows within international associations and alliances such as CARE, Oxfam, World Vision or Save the Children. Data presented in this paper treats these entities as black boxes, with GB government as donor input and funding allocations to local actors as output. Internal funding flows are not considered. In principle funding can be channeled through multiple members of the associations/confederation for example INGO X Germany ► INGO X International ► INGO X Sudan, however if large transaction costs would occur within the association/federation, this would show in the data as reduced available funding to local actors.

Table A1: overview of data sources and analysis. The table shows data sources, briefly explains data analysis and definition of local actors for all direct and indirect funding channels discussed in the methodology and presented in main part of this paper.

		Data Sourcing			Data Analysis	Definition of local actors	Assumption/Note	
		Input A	Input B					
Funding going	directly to	affected Government	FTS, OECD CRS	-	only flows to affected governments (FTS) and channel code 1200x (OECD CRS) are considered	IASC localization marker definitions were used	not all GB donors report to OECD CRS. Largest GB donors, however, are all DAC members, thus funding flows are slightly underestimated	
		Local and National NGOs	FTS	-	L2GP	IASC localization marker definitions were used		
		National Societies	FTS	-	all National Societies based in non OECD DAC countries were considered	IASC localization marker definitions were used		
	indirectly through	CBPF	to National NGOs and National Societies	CBPF website	CBPF website	all data is readily available on the CBPF website	CBPF distinguishes between National and international NGOs only, definition of National NGO is done on a country level	
		UN	to National NGOs and national Societies and governments	FTS	CERF, L2GP data sourcing	data for all UN agencies presented based on CERF data imputation and data sourcing, except UNRWA and OCHA for which funding flows to local actors are assumed to be 0.	National NGO category based on CERF and UN agencies' own categorisation	CERF funding was included in GB donor funding,
		INGOs	to National NGOs and National Societies and governments	FTS	L2GP data sourcing, C4C	percentages were calculated based on humanitarian program expenditure	C4C data collection used IASC definitions, some of the organization could only report combined data for national and local NGOs. However, flows to affiliated NGOs are not included. Data collected by L2GP relied on self-categorization by the reporting INGO. It was ensured that affiliated INGOS were not include in the data	Internal funding flows from one member to another of an alliance or confederation such as Oxfam, Save the Children, Care etc are not considered. These organisations are considered one entity for the study and only the collective outgoing flows to local partners, which are outside of their confederation or alliance are considered
		RCRC	To National Societies	FTS	L2GP data sourcing	percentages were calculated based on humanitarian program expenditure		

There is another question, slightly subtler maybe, but equally important. Based on the actual \$-value of funding allocations to local actors, percentages can be calculated based either on the overall humanitarian expenditure - or only on program expenditure. The latter excludes headquarter/overhead/indirect support costs, which may range in the magnitude of 10-25% depending on the organisations and how the accounting and bookkeeping is presented.

To illustrate the effect of different ways to calculate percentages a simple example is discussed. If an aid

organization has HQ costs of 15% and program costs of 85% and only the latter are considered when calculating the 25% GB target, then only 21% of the total humanitarian expenditure needs to be allocated to local actors to meet the GB target (25% of 85% program expenditure ~ 21% of total expenditure). Defining the percentages so that only program expenditure should be included, would have result in a - by \$600 million - reduced (4%) funding allocation to local actors in 2015, based on the \$16 billion GB governments humanitarian expenses and assuming an average HQ cost rate of 15%.

Annex 2

Definitions (Source: IASC HFTT Localisation Marker Working Group):

National NGOs/civil society organisations (CSOs): National NGOs/CSOs operating in the aid recipient country in which they are headquartered, working in multiple subnational regions, and not affiliated to an international NGO. This category can also include national faith-based organisations.

Local NGOs/CSOs: Local NGOs/CSOs operating in a specific, geographically defined, subnational area of an aid recipient country, without affiliation to an international NGO/CSO. This category can also include community-based organisations and local faith-based organisations.

Red Cross/Red Crescent National Societies: National Societies that are based in and operating within their own aid recipient countries.

National governments: National government agencies, authorities, line ministries and state-owned institutions in aid recipient countries e.g. National Disaster Management Agencies (NDMAs). This category can also include federal or regional government authorities in countries where they exist.

Local governments: Sub-national government entities in aid recipient countries exercising some degree of devolved authority over a specifically defined geographic constituency e.g. local/municipal authorities.

Footnotes

1. Data for 54% of the UN agencies, 23% of the INGOs and 88% of the Red Cross/Crescent organisations could be collected. For unknown data, data was imputed based on average values of the data collection and CERF data on sub-grants to implementing partners.
2. The lower level of this range assumes that imputed funding flows underestimate the actual level by more than one third.
3. Mario Biagoli: “Watch out for cheats in citation game”, Nature 2016, <http://www.nature.com/news/watch-out-for-cheats-in-citation-game-1.20246>
4. See Christian Els: “Funding to local responders: cash grants vs in-kind”, L2GP 2016, <http://www.local2global.info/area-studies/funding-to-local-responders-cash-grants-vs-in-kind>
5. According to FTS. Only cash contributions were considered, ftsarchive.unoch.org
6. Taken together GB signatories, that are also DAC members allocate 99% of the total humanitarian funding of DAC members
7. See for example: Christian Els, Kholoud Mansour & Nils Carstensen “Funding to Syrian Humanitarian Actors: Between sub-contracting and partnership”, L2GP 2016, http://www.local2global.info/wp-content/uploads/L2GP_funding_Syria_May_2016.pdf
8. Mario Biagoli: “Watch out for cheats in citation game”, Nature 2016, <http://www.nature.com/news/watch-out-for-cheats-in-citation-game-1.20246>
9. These definitions are the result of an extensive consultation process of the localization marker working group, which is part of the IASC Humanitarian Finance Task Team
10. Note that UNICEF, which is included in these 50%, could only provide partial data. No data on humanitarian funding flows to implementing governments was available.
11. IRIN Multimedia - Ertharin Cousin- An Unequal Humanitarian Economy Interview IRIN <https://soundcloud.com/irinfilms/ertharin-cousin-an-unequal?in=irinfilms/sets/is-the-un-too-big-to-fail>
12. According to OCHA FTS, GB signatories provided funding to 180 NGOs (FTS classification) in 2015, which were operating only in one country. Since ECHO provides only funding to NGOs, which are headquartered in Europe, NGOs operating in only one country, whose sole funding source (according to FTS) was ECHO, were not considered, as they per definition cannot be local or national NGOs. The 180 NGOs already exclude ECHO funded ones. Note that operating in not more than one country is a necessary condition for an NGO, to be classified as local and national NGO, according to the definition in the annex. This does not imply that all of these organisations have indeed worked only in one country (since there are other funding sources than GB signatories available). In fact, out of the 180 at least 139 were non-national NGOs and other non-national actors. Out of the remainder (41), at least 5 were affiliated with INGOs (for example part of CARE and World Vision). This puts the upper bound of GB signatory funded local and national NGOs to 36, which received 12.9 million, which is the largest possible amount directly received by NNGOs, given that some of the organization in that category could not be classified and for simplicity are assumed to be local or national NGOs, according to the definition in the annex.
13. Based on FTS data on funding flows to governments, NGOs, Red Cross/Crescent organisations, UN, CERF and CBPF
14. Based on OECD CRS data, only ODA grants (commitments and constant prices) were considered <https://stats.oecd.org/Index.aspx?DataSetCode=CRS1>
15. These four types received \$14.6 billion in 2015. Funding flows to other recipients, including intergovernmental organisations, private organisations and foundations, which amounted to \$130 million were not considered.

16. The only exception to this is CERF funding, although there are two intermediaries (CERF and UN agency), CERF was considered in the figures presented in the this chapter.
17. Of which the vast majority was provided by GB donors, CBPF Grant Management System – Business Intelligence <https://gms.unocha.org/content/cbpf-contributions>
18. The categorization of CBPF recipients as National NGO vs International NGO is done on a country level, it includes (as far as names are available) no obvious example of an organisations that is categorized as National NGO that is affiliated with an international NGO. CBPF Grant Management System – Business Intelligence <https://gms.unocha.org/content/cbpf-contributions>
19. Note that the \$100 million for ongoing year 2017 include \$6.5 million of pledged amounts. <https://fts.unocha.org/data-search/results/outgoing?organisations=4306&group=usageYears>
20. CBPF Grant Management System – Business Intelligence <https://gms.unocha.org/content/cbpf-contributions> Financial Tracking Service – Total reported funding 2016 <https://fts.unocha.org/global-funding/overview/2016>
Agenda for Humanity <http://www.agendaforhumanity.org/explore-commitments/indv-commitments/?combine=pooled+funds#search>
21. According to OCHA FTS
22. UNRWA's operations are, in their vast majority, implemented directly by UNRWA staff. However, some limited support (like hospitalization) is provided through local external responders such as the Palestinian Red Crescent and other hospitals in Lebanon. OCHA, the main humanitarian coordination body of the UN is not an implementing organization, it is therefore assumed to not provide funding to local and national responders.
23. This applies also to UNICEF's funding allocations to implementing governments, which could not be sourced for humanitarian funding only.
24. The CERF is a global pooled fund mechanics by the UN that funds only UN agencies. Data used here is based on UN Central Emergency Respond Fund: "Analysis of Data from 2015 RC/HC Reports - Partnerships in the Implementation of CERF Funding" <http://www.unocha.org/cerf/sites/default/files/CERF/AG2017/2015%20Partnerships%20Paper%20-%20Volume%20and%20Timing.pdf>
25. According to its global report, UNHCR channeled 13.5% of its program expenditure to national NGOs (including National Red Cross/Crescent Societies) in 2015, according to CERF data, 14% of its CERF funds were channeled to these actors. CERF sub-grants to national government entities (3.2%) would underestimate UNHCR overall funding allocation to governments (5.83%), in the calculation CERF data for UNHCR on funding allocations to governments was therefore amended to the actual value. For UNICEF only data on National NGOs and Civil Society Organisations could be sourced. According to UNICEF, it allocated \$200 million to these organization through Programme Cooperation Agreements (expenses within the category "other resources - emergency"). Using UNICEF's CERF data as an approximation would predict \$211 million of funding flows to these organisations, which is very close to the actual value.
26. Sub-grants from UN agencies - using CERF funding - to governments, NNGOs and National Red Cross/Crescent organisations remained at similar level from 2012-2015
27. CERF data 2015, the average funding to UN agencies presented here differs from CERF's analysis, since the relative funding sizes in FTS data (all GB donor funding) differs from the amounts received by UN agencies through CERF.
28. These agencies received only small number of grants from CERF and extrapolation from such small sample size is too unreliable.
29. Estimate based on CERF data 2015
30. For a discussion of how to treat internal funding flows within international associations and alliances such as CARE, Oxfam, World Vision or Save the Children, see the methodology in the annex (page x)

31. Note that many C4C signatories operate under financial years different from calendar years. Some of them reported on annual periods that include the year 2016, others reported for the calendar year 2016. Thus, C4C data is 2015 data or most recent available data.
32. Note that C4C signatories reported mainly according to the NGO categories in the annex, some however only reported combined data on local and national NGOs. Most importantly data on affiliated NGOs is not included..
33. DRC does not categorize their partners internally, the data used here excludes as far as identifiable funding flows to INGOs and thus represents an upper maximum for DRC's flows to local and national responders.
34. Data for MSF's allocation to partners is publicly available, <http://www.msf.org/en/international-financial-reports> Note that MSF mainly self-implements its programs and only channels 0.5% of its program expenditure to partners, both national, local and international. For the sake of this study, it was assumed that all of this funding was given to local and national responders, which slightly overestimates the amount given to these actors. However, since this study only tries to give an estimate of how much funding was channeled to national and local actors, this approximation seems justified
35. The denominator for this percentage (as well as the other percentages in this section), is based on FTS data for funding allocations to governments, CBPF, UN, NGO and Red Cross/Crescent organisations.
36. Depending on whether bilateral funding flows are based on FTS or OECD
37. Source: UNHCR Global Reports 2012-2016
38. Source: ICRC Annual Reports 2012-2016
39. ICRC data on cooperation in this info-graphic includes also non-monetary transfers, see section on ICRC (page x). Note that for the pooled funds in 2012 and 2013, data from ERF and CHF annual reports was used, as in previous work (Christian Els & Nils Carstensen: "Funding for national and local actors", L2GP 2015, http://www.local2global.info/wp-content/uploads/l2gp_local_funding_final_250515.pdf). As stated there, 2013 reports were not available for DRC, Somalia and Syria. Thus, funding percentages for these funds were considered the same as for 2012.
40. See: Quick comparison of OECD DAC and UN OCHA FTS data, Development Initiatives, 2010 <http://devinit.org/post/quick-comparison-of-oecd-dac-and-un-ocha-fts-data/#>