

## HOW CAN DONOR REQUIREMENTS BE REFORMED TO BETTER SUPPORT EFFORTS TO STRENGTHEN LOCAL HUMANITARIAN CAPACITY?

### A. EXECUTIVE SUMMARY

This paper has been written to inform discussion between donors, the United Nations and NGOs about an emerging tension between two important goals: building local capacity and managing programmatic risk.

Five challenges are presented from the experience of INGOs that influence the degree to which local capacity can be effectively built:

- 1) donor cost constraints unintentionally mitigate local capacity;
- 2) linear thinking stifles innovation and risk;
- 3) compliance requirements distort capacity building;
- 4) national and local NGO receive little direct funding;
- 5) simple practicalities block local access to funding.

It is widely agreed within the international humanitarian NGO community that more response capacity should be built at the local level. This is supported by a growing body of evidence arguing for a more decentralised humanitarian system. But at the same time it is recognised that progress cannot be made in this area unless donor control and risk management systems are transformed.

Concrete actions can be immediately taken to: enable the local level of the humanitarian system to influence the provision of external assistance; create savings from inefficient and inappropriate control systems that could be reallocated to local capacity; and increase funding to local organisations.

### B. INTRODUCTION

1. Lord Ashdown's opening remarks in the UK Government's 2011 Humanitarian Emergencies Response Review (HERR) became known as the report's 'central thesis':

"We are caught in a race between the growing size of the humanitarian challenge, and our ability to cope; between humanity and catastrophe. And, at present, this is not a race we are winning".

2. The HERR recommended seven policy objectives, including placing resilience at the heart of approaches to both development and humanitarian work.

3. In the ensuing period, as our understanding of resilience evolved, it was understood that these increased threats to human society can best be mitigated by strong and empowered local and national humanitarian actors. It has become widely accepted that the international humanitarian

system will be more effective if its capacity is increased, and that new capacity is located at the local level.

4. However, local capacity alone is insufficient. Humanitarian effectiveness will depend on the ability of the local level to set priorities and influence the provision of support from the international level. The principle of subsidiarity has been well understood in international development for many years. But its application to international humanitarian action will require change in the incumbents.

5. There are barriers to achieving this change that are located within the system itself, that have emerged as a result of a growing demand for humanitarian action and contemporary political and managerial ideas. The system's procedures, metrics, incentives, risk tolerance, frameworks and culture are now part of the problem.

6. A greater acceptance of the risks involved in humanitarian action is required by donors, UN actors and INGOs alike, and that acceptance needs to be conveyed to our respective stakeholders. By not educating our donors, media counterparts, and elected officials about the risks of humanitarian assistance, donors and INGOs have been complicit in a bureaucratic regime that places prohibitive restrictions on aid delivery.

7. The complexity in the control systems that is preventing local capacity from being built is also wasting money. Many highly experienced and talented individuals spend much of their day servicing an outdated and untenable bureaucracy that is impenetrably complex to non-professionals, and increasingly questioned by experts. This is money that has been mobilised for, but never reaches, crisis-affected populations. Too often, how we do things dominates why we are doing them, to the detriment of communities affected by crisis.

8. In summary, for both the Governments, INGOs and the United Nations to rise to the HERR's central challenge, several internal changes are needed, including better understanding and acceptance of the risks involved in humanitarian action, more transparency in how decisions are made and a fundamental simplification of the bureaucratic system. This will enable more local capacity.

### **C. THE EVIDENCE BASIS FOR LOCAL CAPACITY**

9. In any emergency the first people to respond and give life-saving help are those directly affected by it. Whether through local government, neighbourhood organisations, faith networks or NGOs, the reality is that a significant amount of humanitarian assistance is ultimately delivered by the citizens of disaster-affected countries themselves. The international community cannot respond in all settings all the time, so the growing number and scale of disasters demands more localised response capacity.

10. The need to invest in this local capacity is widely recognised. The review of the Asian tsunami (2007)<sup>1</sup>, Disaster Response Dialogue initiative (2011)<sup>2</sup>, ALNAP State of the Humanitarian System Report (2012)<sup>3</sup> and Business Case for the DEPP (2014)<sup>4</sup> all emphasise the need for greater engagement with local civil society organisations and national governments if we are to improve resilience and response. Donors have committed to strengthening local actors through the Good Humanitarian Donorship principles<sup>5</sup> (Principle 8).

11. The Humanitarian Emergency Response Review (2011)<sup>6</sup> emphasised the dynamic at play within the current system: “The paradigm is still viewing the affected population too much as what economist Julian Le Grand has called ‘pawns’ (passive individuals) and the international community as ‘knights’ (extreme altruists). This approach costs. Local capacities are under-utilised, the “beneficiary” is not involved enough and the quality of delivery is lower than it should be.”

12. In addition, the Missed Opportunities report (2013)<sup>7</sup> argues that in many contexts:

- national and local actors’ deeper understanding of the context and internal dynamics improves design and delivery of aid responses;
- partner responses imply enhanced beneficiary consultation, greater community engagement and better downward accountability;
- national partners smooth the links between resilience, preparedness, response and development, through their continued presence and ongoing engagement with communities.

13. ‘Missed Opportunities’ also argues that the future of humanitarian aid will be defined both by the need to invest in disaster prevention and early action, and by the growing frequency, unpredictability and complexity of emergencies. Both these factors call for robust local capacity to prevent and respond to emergencies of varying sizes played out in a range of cultural and geophysical contexts.

14. There are recent reports<sup>8</sup> that support the idea of an ecosystem approach to humanitarian response, wherein local and international civil society work coherently according to the principle of

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<sup>1</sup> Joint evaluation of the international response to the Indian Ocean tsunami: Synthesis Report - The Tsunami Evaluation Coalition, January 2007

<sup>2</sup> The Disaster Response Dialogue (<http://www.drinitiative.org/v2/>) is a joint initiative of IFRC, OCHA, ICVA and SDC to strengthen NDMA preparedness and response capacity, October 2011

<sup>3</sup> The State of the humanitarian system report – ALNAP, July 2012

<sup>4</sup> Disaster Emergency Preparedness Programme (DEPP) Business case and intervention summary – Department for International Development, March 2014

<sup>5</sup> Principles and Good Practice of Humanitarian Donorship, Government of Sweden, June 2003.

<sup>6</sup> The Humanitarian Emergency Response Review, Lord Ashdown et al, March 2011

<sup>7</sup> Missed opportunities; the case for strengthening national and local partnership based humanitarian responses; Oxfam, Christian Aid, Tearfund, ActionAid and CAFOD, November 2013

<sup>8</sup> Crisis in a New World Order; challenging the humanitarian project, Cairns, E, Oxfam International, February 2012

subsidiarity. This recognises the important role for INGOs, which often have greater access to funding, technical specialism, superior logistics capacity and an ability to work at significant scale. A combination of the comparative advantages of international and national NGOs enables humanitarian action to be most effective.<sup>9</sup>

15. The decentralised nature of this ecosystem approach also has many advantages. Brafman (2006)<sup>10</sup> argued that decentralised organisations can outperform centralised organisations, drawing on several historical and contemporary references. The OECD (2004)<sup>11</sup> recognised the administrative savings that are often used as justification for governance decentralisation. Some have argued (Shirky<sup>12</sup>) that the very existence of command-and-control organisations may be ultimately unnecessary.

## **D. THE EXPERIENCE OF INGOS WITH BARRIERS TO STRENGTHENING LOCAL CAPACITY**

### D.1. Donor cost constraints unintentionally mitigate local capacity

16. The pressure to reduce administrative costs leads donors to reduce in-house capacity and to outsource transaction costs to intermediaries. This can result in a preference for large-scale interventions, leading to the domination of a small number of large agencies; a tendency to simply fund the UN and let them work out what is best; risk transfer down the aid chain in terms of staff safety and security; and requirements for NGOs to work in consortia when it is sometimes not appropriate. This does not eliminate transaction costs, but simply drives them elsewhere.

17. Donors often fund UN agencies and INGOs through the SRSPs, which limits access because of the barriers to entry that SRSP processes imply for NNGOs. The practice of funding the UN who contract international organisations who then contract local organisations as implementers creates cascading levels of management costs. Similarly, consortia working can add to overhead and coordination costs, if international donors give money through international consortia, to distribute to international NGOs, who work with individual local partner organisations, where each link in the chain requires overheads. For local organisations, consortia working adds a level of complexity.

18. In addition a study by Root Change<sup>13</sup>, supported by USAID as part of their Learning Agenda on Capacity Development, highlights the tendency of INGOs and donors to demonstrate preferential attachment to select centralised groups which reinforces the hegemony of a few key actors. The

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<sup>9</sup> Missed Again: Making space for partnership in the Typhoon Haiyan response, A Featherstone et al, August 2014

<sup>10</sup> The Starfish and the Spider, the unstoppable power of leaderless organisations, Ori Brafman, Portfolio Publishing (reprint 2008)

<sup>11</sup> Lessons Learnt on Donor Support to Decentralisation and Local Governance, DAC Evaluation Series, OECD, Paris OECD DAC (2004)

<sup>12</sup> Here comes everybody: The Power of Organizing without Organisations. Shirkey, Clay, Allen Lane (2008)

<sup>13</sup> New Directions in Local Capacity Development: Embracing a systems perspective, LCD Learning Agenda Root Change Findings Report, November 2013

study shows that this causes complex behavioural road blocks to the development of sustainable local capacity.

19. Wallace, Bornstein and Chapman (2007)<sup>14</sup> researched the chain of terms and conditions that cascade from donor to intermediary and then on to the intended recipient of international development assistance, and found that the system was relying on an archaic industrial business model, designed for delivering a narrow range of known products in known and stable markets. They argued that this model couldn't be effective when each market is different - different needs, different cultures and different conditions along many dimensions.

#### D.2. Linear thinking stifles innovation and risk

20. The increased scrutiny of aid budgets in a time of austerity encourages donors to emphasise outcomes, and payment by results and in arrears. Some donors favour output-type results (such as numbers of latrines) rather than the more sustainable aspects of sensitisation, participation, learning and training that help change behaviour and minimise community risk. These logical aims cause unwanted outcomes. The reliance on log-frames as a programme planning tool implies an unrealistic linear relationship between inputs, activities and results which does not resonate with experience in implementation in the uncertain arena of humanitarian response. The need for certainty of results stifles risk-taking and innovation in programme design and delivery and leaves little room to reflect upon, and learn from, the unintended outcomes, positive and negative, which arise from programme implementation.

21. These approaches suit large actors, who can manage cash flow and financial uncertainty better than smaller local organisations with tighter margins. Agencies are setting up an increasing number of procedures to manage risk and ensure consistency of delivery. This creates top-down bureaucratic processes that are distracting and disruptive. Better management practices can only create incremental, not breakthrough social change. We focus on ensuring the aid delivery system is working smoothly when we should be focusing on saving lives and reducing suffering. The pronounced tendency to do the wrong things right reinforces the "second best" nature of aid solutions<sup>15</sup>. Agencies need to find better ways of monitoring, evaluating and evidencing more intangible outcomes.

22. Donors and INGOs mitigate their own risk - via use of contracts and legal agreements. The risk is not reduced but focused down the system. If there are ever any delays in funding, the local NGO and community shoulder the implications. A payment delay is unlikely to have a big impact on a donor or INGO but can have a profound impact on a poor household. Delays in getting approvals do not cause donor or INGO staff to lose salary but can result in seeds being distributed after the ideal time for planting, which impacts the local farmer significantly. Donors and INGOs should be willing to accept more calculated risk if it allows faster response, a growth in trust and shared risk-taking. The move to payments by results goes in the opposite direction.

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<sup>14</sup> The Aid Chain: Coercion and Commitment in Development NGOs , Wallace T et al, Practical Action, 2007

<sup>15</sup> Aid on the edge of chaos, Ramalingam, B, Oxford University Press, 2013

23. The September 2013 issue of the OECD DAC's Evaluation Insights<sup>16</sup> notes that over-emphasising results prevents donors from supporting grassroots organisations, traditional and faith-based groups and social movements - as donor funding and reporting arrangements place too high a barrier for such groups to access funding. Approaches to measuring value for money can inhibit support for longer term initiatives that are critical to partner capacity building, which go beyond the needs of an immediate project. These approaches can also undervalue the longer term gains of collaborative partnership approaches, which sometimes have a higher unit cost but can reach remote, marginalised communities and produce sustainable long term impacts.

#### D.3. Compliance requirements distort capacity building

24. A high level of skills is often required to meet reporting, monitoring, evaluation and performance requirements. This is a challenge to small NGOs in disaster-affected countries. It can lead agencies to focus on capacity-building for contract compliance rather than for empowerment or for improving front-line programme delivery. It can create an environment which enables better-resourced actors to prosper at the expense of smaller actors, reducing the diversity which the system needs. The focus should be on building local civil society's capacity to set their own agenda and priorities.

#### D.4. National and local NGO receive little direct funding for capacity building

25. Whilst everyone recognises the importance of local organisations in resilience and response, donors have not succeeded in finding ways to fund their work sustainably. Direct funding to NNGOs remains at staggeringly low levels<sup>17</sup>. According to Development Initiatives only 1.6% of all humanitarian assistance between 2009 and 2013 was directed to national NGOs and 0.7% to local NGOs.<sup>18</sup> There is also a lack of transparent information on how much funding is provided to national governments and other local actors. In their reporting, donors should specify the proportion that goes to national governments and local civil society actors respectively.

26. Capacity-building remains one the hardest areas to raise funds for. We need to invest more effort in developing the economic case for capacity-building.

#### D.5. Simple practicalities block local access to funding

27. Simple practicalities are often overlooked that would make it easier for local organisations to access funding<sup>19</sup>. For example, donors often fail to translate documentation into appropriate working languages, or use unnecessarily complex concepts and acronyms. Funding opportunities

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<sup>16</sup> Support to civil society –Emerging evaluation lessons, Evaluation Insights, OCED-DAC, No 8, September 2013

<sup>17</sup> Funding at the Sharp End, CAFOD, July 2013

<sup>18</sup> Global Humanitarian Assistance Report, Development Initiatives, September 2014. (NB Unpublished data from forthcoming Global Humanitarian Assistance Report. This figure does not include funding to Red Cross / Crescent Societies.

<sup>19</sup> Time to listen: Hearing people on the receiving end of international aid, MB Anderson et al, CDA Collaborative Learning Projects, December 2012

are not adequately publicised where NNGOs will see them. Restricted time-frames for response delivery, or minimum grant sizes, do not take into account the reduced management capacity of some NNGOs and prevent them from engaging.

28. Donors often restrict pre-qualified NGO partners to criteria that include a presence within the donor country itself.

29. Some common sense changes could have a big impact. Creating barriers for local organisations to manage responses prevents them from strengthening their capacity to respond. Always funding international actors reinforces the status quo within the humanitarian system.

30. None of these donor, INGO and UN approaches are intrinsically wrong or deliberately damaging, but cumulatively they over-engineer humanitarian response management, detracting from the simplicity that enables speed, sustainability, adaptation and agility.

## **E. CONCLUSION**

31. International humanitarian NGOs agree that more humanitarian response capacity is needed, and that more capacity should be situated at the local level. There is also broad consensus that little real progress can be made in this area unless donor control and risk management systems are transformed. This issue is fundamental and quite likely to be more important than any other single issue influencing the contribution of donors to the international humanitarian system.

## **F. RECOMMENDATIONS**

32. Enable the local level of the humanitarian system to influence the provision of external assistance. Some ideas as to how this may be achieved are:

- a. A shift in donor control regimes, from front-loaded controls to ex-post feedback and adaptive programming
- b. Communication with crisis affected communities as routine
- c. Establishing procedures to measure, track and ensure the influence of affected communities over the provision of humanitarian assistance

33. Create savings within existing budgets that could be reallocated to local capacity. It has been argued that donor control and risk management systems are preventing building local capacity. But the time spent servicing these systems consumes an unconscionable proportion of taxpayer and private resources. It is logical that if control and risk management systems are simplified, savings will be achieved. If the control and risk systems are also focused on asking questions that are more appropriate for humanitarian action, savings will also be achieved. Some ideas as to how this may be achieved are:

- a. A reassessment of the risk management paradigm, so that the focus is shifted away

from financial and reputational issues and toward the delivery of the stated mission, and approaches are harmonised and simplified

- b. Studies into how to increase acceptance of risk in the delivery of humanitarian assistance within political parties, media and the public
- c. Root and branch review of donor control systems with the aim of achieving transformative simplification

It may be unrealistic to assume that budget savings would be reallocated for a specific purpose (e.g. local capacity), but it is realistic to assume that budget savings can be found in making the system of controls and risk management more fit for purpose.

34. Increase funding to local level organisations. Donors and INGOs can take immediate pragmatic steps to increase local level funding. For example:

- a. Donors and INGOs where possible should provide a minimum percentage of their humanitarian funding directly to NNGOs, publish what this percentage is, and set themselves targets to increase it (following the example of USAID, which has committed to channel 30% of its budget to local actors by 2015, including an anticipated 6% to NNGOs).<sup>20</sup>
- b. Donors should take immediate steps to publicise funding opportunities where NNGOs will see them and allow reasonable time-frames where possible to allow NNGOs a fair chance to apply.
- c. Donors should translate documentation, including guidelines and contracts, into appropriate working languages and allow flexibility in minimum grant sizes for NNGOs.
- d. Donors, INGOs and the Start Network should explore nationally-managed early-recovery pooled funding mechanisms.

## **G. ENDNOTE**

35. The method for change is important, given the interconnectivity of the international humanitarian system, and the comprehensive influence of risk aversion and excessive bureaucratic control. It is important to explore how to make these shifts in partnership, and with a strong learning and feedback system. This is not to suggest in any way to delay making changes, but recognises that encouraging greater simplicity and decentralisation will likely require an iterative approach, with local level actors brought into the conversation. Concrete actions should be taken immediately. It would also be useful to reflect and learn as efforts are made to change, for example in the following ways:

- a. Commission a joint NGO-donor-UN group to investigate the issues raised in this paper in more depth, and regularly review progress. This should include strong consultation with local organisations; and should assess, inter alia: a) approaches to assessing

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<sup>20</sup> Quadrennial Diplomacy and Development Review, US Department of State, October 2011 (NB The 30% target includes funds channelled to national governments, and includes development as well as humanitarian assistance)

capacity of NNGOs in the DRC and Somalia CHFs; b) other donor best practice, including USAID; c) the consequences of sub-contracting grant management to the private sector; d) implications of certification and standards on local partners; and e) lessons on flexible risk management from the private sector

b. To inform this process moving forward, we should establish a think tank involving NNGOs and donors, so as to enable better understanding of the interests, concerns and constraints of both sides. This could lead to an honest conversation on what minimum requirements donors really need, what local organisations can really deliver and what compromises can be made on both sides. The ALNAP community of practice on humanitarian partnership could help with this.

c. As part of the above two efforts, or in parallel, research should be undertaken about new contributions that international NGOs can make in a reformed international humanitarian system, for example: in developing new business models for humanitarian action; in providing effective capacity building services to national NGOs and at-risk communities; in promoting innovation and continuous improvement; in bringing new non-traditional actors into the sector.

