

HOW TO SHARE RISKS AND GIVE MORE POWER TO LOCAL ACTORS? A LOOK AT ADAPTING RISK SHARING FOR LOCALISATION

THE ISSUE

LOCALISATION: EXPLORING A MULTIFACETED AGENDA



Oxfam and partner Organization for Rehabilitation and Development in Amhara (ORDA) orienting beneficiaries on support items, how to use the materials, C-19 related awareness and related information. ©Photo: Serawit Atnafu/Oxfam

To allow the humanitarian system to change, donors and intermediaries need to become more flexible and thoughtful in their risk management approaches, whilst local actors need flexible funding to invest in security and financial systems.

Localisation policies have been continuously growing in recent years, with the Inter-Agency Standing Committee publishing numerous guidance documents ranging from how to increase participation in the cluster system to the provision of overhead costs to local actors. Much focus has been on shifting the quantity of funding to local actors – 25% of humanitarian funding as directly as possible – as committed in the Grand Bargain 7 years ago. Donors, including ECHO have been developing localisation guidance too, looking at supporting more equitable partnerships. Whilst the delivery of these policies, commitments and guidance remains patchy in many crisis contexts, the momentum for change has grown.

“Sharing risks within the humanitarian system is an important part of the localisation debate.”

Sharing risks within the humanitarian system is an important part of the localisation debate. Which risks are we speaking about here? This often changes depending on who you engage on this topic. Donors tend to focus on fiduciary and reputational risks, local actors may speak about delay in fund disbursement and intermediaries¹ may discuss security risk and the burden of due diligence processes. These risks are of course connected.

1. “The term ‘intermediaries’ is commonly understood as referring to international organisations. However the reality is more nuanced. Intermediaries are organisations, networks or mechanisms which act as an intermediary between funding partners/donors and national or local organisations through the provision of funding or other support. This function is carried out by INGOS, UN agencies, private companies/contractors, and some national organisations. This role is neither static nor fixed. Organisations, networks or mechanisms may sometimes act as intermediary, as well as directly implement. Thus the term ‘Intermediary’ refers more to a function than a predetermined role delivered by predetermined actors.” [GB Caucus outcome paper on the role of intermediaries](#)

COMPLIANCE THRESHOLDS SHOULD VARY DEPENDING ON GRANT AND ORGANISATION SIZE

Donors need to reflect on their contractual requirements, to make them simpler and ensure flexible criteria that can then be cascaded by intermediaries to local actors. Working with different kinds of local actors takes different approaches. For small community group grants the compliance requirements should be significantly lower than a contract of a high amount with a large well established local NGO. The best practice for funding small organisations more easily should be in consortia projects, where risks can be collectively assessed and shared between intermediaries and local actors. Donors also have a role in funding adequate mitigation measures and local actor organisational capacities.

DUE DILIGENCE PASSPORTING – AN EFFICIENCY IMPROVEMENT

In managing multiple donor compliance requirements and risks, intermediaries undertake due diligence or partnership assessment processes with local actors. These are time consuming, making the overall humanitarian system less efficient and effective. For example, most capacity assessment forms or due diligence assessment forms of international actors and donors are very similar. Which means a local actor may be asked the same questions by similar actors several times. Donors and intermediaries should work together to cross rely on each other's processes, thus 'passporting' the due diligence of a local actors.

"Between 2019 and 2020, my organization has been involved in seven assessments, and the figure would be higher had the year not been interrupted by COVID-19 restrictions. With no coordination among INGOs, these assessments covered over 90% of the same content. We are engaged in endless interviews that could be streamlined and make the humanitarian sector more efficient. This would not only save money but also a lot of precious time for everyone involved."

Ahmednasir Mohamed,
Save Somali Women and Children

In addition, these processes often lead to a delay in the disbursement of life-saving funds, which in turn puts pressure on the implementing local actor to deliver activities in a rushed manner, which can compromise quality and ultimately creates reputational risks and trust issues for the local actors with the communities they serve and the local authorities they coordinate with.

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BOTH LOCAL ACTORS AND INTERMEDIARIES NEED TIME TO ADJUST

For some donors and intermediaries, the shift away from top-down managing – with responsibility for risk and accountability – towards a more brokering roles is scary. For LNHA's, the shift from implementing donor or intermediary led projects towards co-defining and planning projects and managing funds provides space to learn and grow but also demands more responsibility, accountability and commitment.



Tamara Dmytrivna, 74. Tamara lives in a shelter for displaced persons in Mykolaiv oblast. The Tenth of April (TTA) helped to evacuate her and secure her a place in the shelter where she is staying with her daughter. ©Photo: Kieran Doherty/Oxfam

JOINT ANALYSIS & NEXUS APPROACH

Right from the onset of a programme design, all stakeholders should be jointly identifying and assessing risks and what is needed to mitigate these, which may include capacity strengthening activities. Donors should incentivise such joint risk assessments as part of standard proposal development practices and by providing adequate funding for mitigations actions. The nexus approach opens up further possibilities: the possibility of blending different kinds of donor funding to support institutional growth and of mitigating different types of risks at the same time, making the overall system more effective and resilient.

Often, donors and intermediaries do not prioritise enough the risks perceived and managed by local actors. This reinforces existing power dynamics and leaves local actors exposed to risks without support – financial or technical – to manage these well. There are lessons to learn from the piloting of new tools to promote risk-sharing, such as the Global Interagency Security Forum’s (GISF) Joint Action Guide on Security Risk Management in Partnerships. These lessons can be gathered and systematically used at all stages of EU and other donor-funded partnerships.

To support local actors in terms of safety and security risk sharing, donors and their partners, should provide local actors where necessary with security assessments and support their management capacity. Local actors often have a better understanding of the context and therefore how to keep their staff safe. It is because of their understanding and knowledge of the risks that we need to listen and include local actors in risk assessments and the design of mitigation measures. They may need funding for security equipment and other tools, such as satellite phones or HEAT training, that can facilitate their day-to-day security management. It is important that donors including DG ECHO and intermediaries provide full costs to cover security expenses of local actors including for psychosocial support or opening the International actors’ access to those services to their local partners as well.

OVERHEAD COSTS FOR LOCAL ACTORS CAN CONTRIBUTE TO BETTER RISK MANAGEMENT

Risk sharing as noted should start with a commitment from donors and intermediaries to covering the full direct and indirect costs of all partners’ activities. This can only happen if donors incentivise change among grant recipients by improving their overhead costs coverage conditions to be better reflective of the actual costs incurred by all actors involved in the funding chain and requesting policies on the provision of overheads to local actors from UN agencies and international NGOs.

This would send a clear signal to intermediaries that fully covering the overheads of local actors is a priority area for donors and help to initiate more productive conversations around the reality of ICR and ICR sharing. An example of this is the Netherlands Ministry of Foreign Affairs who have requested the Dutch Relief Alliance to develop an ICR-sharing policy in 2022 for future funding agreements.

Similarly to what ECHO have introduced in their new equitable partnership guidance, to monitor the progress, donors may go ahead to request reporting on how overheads will be/have been provided/cascaded through funding chains and written justification in cases where overheads are not provided to downstream partners.



In the aftermath of the Hunga-Tonga-Hunga-Ha’apai eruption, two Tonga National Youth Congress members load packages into a truck to distribute supplies to their community. ©Photo: Samuela Halahala/Oxfam

RECOMMENDATIONS

Donors need to address the challenge of bureaucracy by entering into more strategic partnership arrangements with their long term intermediaries, that reduce the overall administrative burden, support equitable partnerships with L/NAs and provide a basis for more predictable flexible and longer-term funding.

Donors should adapt their compliance requirements to different types of partnerships and enable intermediaries to adopt more harmonised and standardised due diligence approaches that help to reduce the fatigue and time wastage in such processes.

Intermediaries should jointly undertake risk assessment with L/NAs and donors avail contingency funds to local actors based on the assessment reports to mitigate the anticipated risks. Policies and guidelines to address risks should be developed not only to mitigate risks faced by donor and intermediaries but also for local actors for example the policy on duty of care among others.

Based on the IASC overhead cost guidelines, donors need to fund full project costs and to provide adequate overheads for all actors involved in the projects they support. Donors can also encourage and advocate for intermediaries to develop ICR sharing policies as part of their funding criteria.

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