BRIEFING PAPER: LOCALIZATION OF AID

REALIZING COMMITMENTS TO LOCAL AND NATIONAL NON-GOVERNMENTAL ORGANIZATIONS (LNNGO)

CAPACITY STRENGTHENING IN SOMALIA AND SOMALILAND: ALLOCATION OF CORE FINANCING

DECEMBER 2017
INTRODUCTION

The Humanitarian system has marked its one year anniversary of the World Humanitarian Summit, and the launch of the Grand Bargain agreement, where key commitments in reinforcing national and local systems and ensuring accountability to affected people was realized.

The Grand Bargain, an agreement entered into by more than 30 of the biggest donors and aid providers at the World Humanitarian Summit in 2016, was an important step in the 'localization' journey. The Grand Bargain committed donors and aid organizations to providing 25 per cent of global humanitarian funding to local and national responders by 2020, along with financing that is not earmarked (unrestricted).

The evidence presented, over the last few years, suggests that the global humanitarian system is stretched beyond its capacity. In Somalia the humanitarian situation continues to deteriorate, with an extended severe drought in many parts of the country, only six years after the devastating 2011 famine. Over 6.2 million people are estimated to be in need of protection and humanitarian assistance, which is more than half of the population of Somalia. We are witnessing a growing, albeit late, recognition that local and national organizations in Somalia play a pivotal and cost effective role in emergency response.

The one-year anniversary of the Grand Bargain agreement marked a time to take stock and as many at the Grand Bargain annual meeting in June 2017 stated it’s our chance to renew our commitment, to assess progress and chart the way forward. A key obstacle, one year on, has been a repeated call to turn commitments into reality on the ground!

In the run up, to the one year anniversary, in May 2017, the Somalia NGO Consortium (SNC), in collaboration with the Rift Valley Institute, the Centre for Humanitarian Change and NEAR Network, with support from the Humanitarian Leadership Academy and the Swiss Agency for Development and Cooperation (SDC), convened a workshop in Nairobi, with Local NGOs from Somalia/Somaliland, Donors, UN agencies and INGOs on commitments and the realities of 'Aid localization' in Somalia. This was followed up by another two workshops, in September and October 2017, convened in Mogadishu.

“Core funding is used to meet an organisation’s running and programme costs for humanitarian assistance in such a way that it becomes an integral part of the recipient institution’s financial assets to reach its operational and policy objectives. The funding is used to cover organisational and administrative costs including staff, facilities and equipment, or to cover programme costs towards humanitarian assistance.”

2017 OECD Report on Multi-Year Humanitarian Funding
One key action, agreed from the workshop, was the need to take forward the development of a Somalia policy Brief, to build on the research and discourse over the last years, to progress a determined target on ‘core’ or ‘un-earmarked’ funding, as one of the stated aims, of the Grand Bargain. A working group of members and representatives of the NEAR Network and National NGOs (NNGOs) was established to take this forward, with the NEAR Network, supporting the commissioning of the Policy Brief.

The purpose of this policy brief is to highlight current practice and discourse, within the humanitarian sector and to forward a key recommendation on a necessary move towards a stated core finance commitment, as an essential component of the current 25% Grand Bargain direct funding target, in Somalia and Somaliland. This as a clear approach to maximize organisational ‘capacity strengthening’ to support the effectiveness of localized humanitarian action.

**APPROACH AND RESULTS**

This policy brief contributes to an ongoing effort by the humanitarian sector in Somalia and Somaliland to build the future of increased and effective localized humanitarian action and in its approach employed a number of standard research methods, including:

- **Document review**: the research included a review of current literature on localization, in particular on financing, organizational capacity and sustainability.
- **Key informant interviews (KII)**: Key Informant interviews and Skype discussions were conducted in June and July 2017.

The direction of travel for the humanitarian sector has repeatedly emphasized the need for an increased localized approach. Over the years

“Therefore, donors and other actors, within the humanitarian sector, really want to move towards building supportive relationships, based on mutual trust, appreciating local action, increased value for money and efficient impact, for the most underserved people we all aim to assist, then a commitment to an un-earmarked allocation for National and Local NGOs will help to achieve this aim... Un-earmarked investments support stronger and more vibrant organisations, enables us to develop and realize our strategies, growth, innovation, policies and overall sustainability. We would welcome this commitment, in Somalia, to work towards real partnerships, to build vibrant and accountable organisations and locally led solutions for the benefit of the people in Somalia.”

Kulimye Hussein, Chief of Party, SORAC Consortium
L/NNGOs funding and related practices has been the subject of many reviews, reports, articles, etc. Much of the findings and proposed recommendations emphasize the importance to reform humanitarian financing practices and that core financing allocations and timely responses to emergencies are critical for an organisations’ sustainability.

Local and national humanitarian actors are known to have only received approx. 0.2% to 2% direct funding of the overall global humanitarian response financing. This amount seems to have slightly increased, in 2016-2017, due to initiatives to account for and to realize commitments, post the World Humanitarian Summit. However overall, the current reporting and tracking of funding flows to national and local actors is limited, in terms of quality, consistency and depth of detail, given the importance.

In the 2017 Somalia Humanitarian Response, local responders merely received less than 1% of direct funding.

Any analysis of the funding flows to local humanitarian actors is linked with the discourse about the nature of the funding relationship. It is crucially linked to how these funding flows, enable local and national capacity to be strengthened, whilst respecting organizational independence, context specific models of development, linked to standards and best practice, with the journey determined and owned by local and national actors/organizations themselves.

As noted in a report by Local 2 Global1: ‘Besides the incomplete nature of the available information on funding flows, there is also hardly any structured and systematic information on the structure and quality of the funding and collaboration relationship…’ UN agencies have been criticized that their collaboration with local actors is “primarily contractual”, and characterized by time strict bureaucratic procedures. For instance, UNHCR does not allow overhead costs for the L/NNGOs they are working with, contrary to UNHCR’s practice towards INGOs. A similar critique has repeatedly been voiced against donors and INGOs as well.

An INTRAC briefing paper on the models of INGO sustainability, states; “The balance between restricted and unrestricted funds is at the heart of any debate about the financial sustainability of any NGO or civil society organisation. An overdependence on restricted funds is an indicator of potential unsustainability”.

“Comment from a local agency representative in Somalia

“there has been some success in the OCHA managed Somalia Humanitarian Fund (SHF), to increase local actors access to the fund. However the SHF current allocation for local actors, is approximately 36% and 53% for INGOs, how can we make this more equal, recognize that this is small in comparison to the overall funding contribution within Somalia and learn from these and other initiatives to scale up and realize the often spoken about localization commitments?”


2 INTRAC Briefing paper 41 - Models of INGO Sustainability: Balancing Restricted and Unrestricted Funding
An OECD report 17, reflecting on UN financing, notes concerns for UN agencies on the necessity for UN agencies to ensure unrestricted/core finance. The report states that an approach to earmarking increases costs on both sides. The report goes on to recommend that donors should consider increasing UN core funding³.

The just published Development Initiatives, Global Humanitarian Assistance Report for 2017⁴, highlights that the proportion of un-earmarked funding to UN agencies has reportedly decreased since 2011, but still accounts for around 14% of the total amount received by eight UN organisations in 2016. It goes on to illustrate that despite commitments to reinforce local and national capacities, only 2% of international humanitarian assistance, in 2016, went directly to local and national responders, and that national and local non-governmental organisations (NGOs) received just 0.3% directly. Tracking on un-earmarked funding for local organizations is not reported and/or even known, which should change.

It is clearly recognized that funding for INGOs and UN agencies, has historically and continues to be a mix of restricted and unrestricted resources. Donor agencies and international actors, continue to argue, this necessity, to ensure their own organizational capacity, sustainability and innovation. The trend however has been to move towards increasing earmarked funding. The position of the Grand Bargain has been to reduce this trend. Much of the current discourse since the World Humanitarian Summit and the years before has focused on increasing local capacity and the importance of unrestricted/core funding. This brief, calls for this to now be an action in Somalia and redress the historical imbalance between local/national and international actors as a critical requirement to enable independent organizational capacity strengthening, by way of a collective local and national actor commitment and target.

As much as it is recognized that for any agency to ensure due diligence and quality ‘requirements’ as well as organization sustainability and systems strengthening, requires unrestricted investment, this is currently left to international agencies discretion, within ‘their partnerships’ with local and national actors. This discretion, even when not within a current tight funding environment,

“It is the investment made by Northern national governments in their civil society organizations that has allowed these organizations to become professional aid organizations. It is through multi-year guaranteed partnership frameworks where each NGO (or UN) can expect to get funding from their national governments for operational and program expenses. We in the south have never had this investment nor will we ever have this from our own governments or any other group. Therefore, donors and tax payers need to be more risk willing, as we will not achieve the level of professionalization that northern NGOs have achieved in the past 50 years without some challenges along the way.”

Degan Ali, Executive Director, ADESO

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historically has resulted in no, unpredictable or at best limited commitment, with currently no incentive to change.

As stated in an Oxfam report in 2015\(^5\) ‘International actors’ rhetoric of building humanitarian local capacity are in many cases empty of real content and reduced to a set of trainings and instrumentalisation of local NGOs which are subcontracted as implementers particularly in the most risky areas…..’.

And as noted in the Charter for Change (C4): From commitments to action Progress Report 2016-2017 – June 2017: ‘Being able to support partner organisations with “adequate” administrative support is particularly challenging….. most agencies reported lacking a clear or consistent approach to the issue, citing differences in country contexts and in the nature of projects and programmes, making it difficult to define a specific organisational policy on this issue. Such practices by INGOs do not contribute to higher levels of transparency between INGOs and their partners…..’

The Charter For Change (C4C) initiative has been instrumental in the discourse and forwarding practical action in the sector on change however even in the C4C report, noting upcoming actions in 2017/8, the main upcoming focus is on how International NGOs will organize the provision of capacity building support, but does not answer the consistent message and the increasing call by local and national actors in setting a clear and monitored target for unrestricted support.

This briefing paper argues, that there is a necessity to address the consistent message, voice and call of local actors, in Somalia, on organisations sustainability, longer-term professional capacity development and ensure independence, ownership, flexibility and choice of contextual relevant support.

There is a need to change the existing power and control of international actors over national and local own organizations capacity development. There is a need to ensure core funding is a priority, for all actors by harmonising allocations already in place for international actors. It is crucial that a clear target of core funding is established in Somalia and monitored by a collective, as a clear commitment to local actors and actions.

“Our organization has identified the need to develop our next 3-5-year strategy; we want to work on strengthening our existing policies and our preparedness capacity, in addition to leadership development for our senior teams and Board. Our international partners, both UN and INGOs, provide some non-financial support to implement the projects, for which we have specific MoUs, but none will invest in the areas we have identified. We feel these areas are crucial for our organization’s performance and to meet the needs of the communities we serve. If we had more flexible financing we could respond to these areas and, even more crucially, to identified needs in underserved rural areas before a crisis, which is not a priority for our international partners.”

Somaliland Organization Director

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\(^5\) A Fresh Analysis of the Humanitarian System in Somaliland, Puntland and South Central Somalia: http://policy-practice.oxfam.org.uk/publications/a-
It is imperative to ensure legitimacy of the humanitarian sector in Somalia and Somaliland, in its stated aims of investment in local action, to increase trust, independence and empowerment of context specific, long term capacity and solutions. Due diligence assessments are already in place, within existing partnership arrangements, where reporting requirements and general organizational reports are expected.

There is a realistic opportunity for change and to realise commitments made on increasing financing and capacity strengthening combined, by way of a call to action by Somalia Humanitarian Donors, UN and INGO to ensure all financing mechanisms, currently being explored and/or implemented, commits to ensuring a 15% unrestricted investment.

The current analysis suggests that targets, galvanizes a stronger collective commitment and accountability, especially where current practice suggests this is not collectively in place. The 15% call, is recommended based on the average core allocations already in place, within the sector.

This paper has highlighted some of the current practice and issues on capacity development and core financing within the Humanitarian sector in Somalia and Somaliland for local and national NGOs, which have been dependent on external conditional or unpredictable investment for most of its history. This dependency and pattern of relationship between L/NNGOs, UN and INGOs systems is still in place, in Somalia and Somaliland. Local NGOs are accused of lacking accountability and quality in delivery, according to international standards. This does not match with the level of risk that local actors are requested to assume or the recognition of the work⁶.

As stated, with the Charter for Change annual 2017 report, there is a huge commitment to change systems and approaches to work better with and through local actors. By stating this, the signatories do not underestimate the challenges and barriers identified by many organisations both within their own institutions and within the wider humanitarian sector. It is encouraging to note that there has been significant progress on the part of signatories and they remain determined to drive this progress further, and to address the barriers at all levels which have prevented national and local actors from playing a more central and recognized role in humanitarian action.

This is a clear call to collectively listen but also to act!

“We know the benefits local actors can bring, and we also know how important it is that they receive un-earmarked funding, not only for operations, but also to strengthen their capacity.”

ICRC President Peter Maurer to the 1st Annual Grand Bargain Meeting, 20 June 2017, Geneva

CONCLUSION

This policy paper is a genuine call for equity and justice, in Somalia and Somaliland. UN agencies and International NGOs provide zero, unpredictable, limited or discretionary unrestricted funding to a local NGO, with no clear collective target, while receiving unrestricted/core funding to fund their operational costs.

While the narrative is that local and national actors don’t have capacity and there is a risk, the ability to control and develop capacity is undermined by not paying core and overhead expenses to strengthen capacity.

However there are opportunities to address this imbalance, as mechanisms for increased funding and capacity strengthening to support local actors in Somalia and Somaliland, are being realized, to respond to the Grand Bargain commitments.

RECOMMENDATIONS

The findings in this briefing note suggest the following recommendations;

- Somalia Collective coordination bodies, to include the Humanitarian Country Team and Somalia NGO Consortia, such as the Somalia NGO Consortium and the recently established Somalia National NGOs Forum (Sonforum) to jointly initiate a baseline survey on the overall financial contribution to local and National NGOs in Somalia, which have signed up to the Grand Bargain commitments. To additionally include the tracking of current allocations of unrestricted funding. This will allow targets to be monitored in Somalia and should be included on the current UN Financial tracking database.

- At least 15% of the budget allocated to local and national NGOs should be for investments in administrative costs and emergency preparedness in Somalia and Somaliland. Long-term investment in the emergency capacity of local and national organizations needs to be seen as a key part of delivery of services or goods to affected people. If there is serious commitment to capacity strengthening and thus the reduction of risk associated in increasing financing to local organizations, then it is essential that an unrestricted rate be provided to local organizations.

- Encourage a mindset change from an over-cautious risk aversion, toward listening to local actors, work in true partnership with Local and National NGOs and that donors take measures to incentivize their own partners to provide an
unrestricted, administration and emergency preparedness allocation and work in true partnership with local and national actors.

- **To build on the first ‘Grand Bargain’ Somalia localization meeting held in May 2017**, by initiating a regular Localization quarterly meeting in Somalia and Somaliland with Local/National NGOs, Donors, UN agencies and INGOs to continue the journey to build trust, monitor Grand Bargain commitments realized in Somalia and respond to and overcome challenges.

- Harmonize capacity assessment models and create an online portal with capacity assessment toolkits, information, learning materials and feedback processes that will allow organizations to prepare as well as understand what needs strengthening.

- Provide multi-year funding to local responders so that they can invest in staff, training, and equipment, building local capacity. It will also allow them to be better prepared to respond efficiently and at scale when a crisis hits.

- Develop frameworks to develop long terms strategic partnership models for working with Local and National NGOs.

- All actors, that are dispersing funds, including local actors, should **track and transparently report annually** on the percentage of unrestricted/core financing and how much has directly reached communities in need. Concrete targets, implementation and monitoring plans need to be established to ensure that commitments move beyond rhetoric and become a reality.

The above should be approached not as challenges but instead as an opportunity to build a more equitable and inclusive humanitarian architecture that is better able to support affected communities.

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Increase and support multi-year investment in the institutional capacities of local and national responders, including preparedness, response and co-ordination capacities, especially in fragile contexts and where communities are vulnerable to armed conflict, disasters, recurrent outbreaks and the effect of climate change.

The Grand Bargains, Commitments 1 and 2
This Policy Brief has been endorsed by the following agencies:
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