

# Framework for shifting bilateral programmes to local actors

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# Contents

<b>Contents</b> .....	<b>1</b>
<b>1. Introduction</b> .....	<b>3</b>
1.1 Context.....	3
1.2 Social protection and humanitarian responses to COVID-19 .....	3
1.3 Flipping the paradigm.....	4
1.4 Re-framing bilateral programming .....	5
<b>2. Redesigning delivery models</b> .....	<b>6</b>
2.1 Approach.....	6
2.2 Conventional/current models .....	6
2.1.2 Current Model: Case Study .....	7
2.3 Separation of functions Model – hybrid 1.....	8
2.4 Separation of functions model – hybrid 2.....	9
2.5 Separation of functions: locally led model.....	10
<b>3. Separation of functions framework</b> .....	<b>10</b>
3.1 Approach.....	10
3.2 Separation of functions.....	11
<b>4. Value for money framework</b> .....	<b>13</b>
4.1 Approach.....	13
4.2 VfM: overall framing .....	13
4.3 VFM: case study example .....	14
4.3.2 International staff costs .....	15
4.3.3 Retention of economies of scale.....	16
<b>5. Risk assessment and mitigation framework</b> .....	<b>16</b>
5.1 Risk: overall framing.....	16
5.2 Risk: a country case study.....	16
<b>6. Engaging community voice and leadership</b> .....	<b>17</b>
6.1 Approach.....	17
6.2 Community leadership: overall framing.....	18
6.3 Community leadership: a country case study .....	18
<b>Annex 1: Options appraisal table</b> .....	<b>20</b>
<b>Annex 2: Value for money assessment</b> .....	<b>22</b>
<b>Annex 3: Risk management assessment</b> .....	<b>23</b>

# List of abbreviations

AAP	Accountability to Affected Populations
CLA	Cluster Level Associations
DRC	Democratic Republic of the Congo
FCDO	Foreign, Commonwealth & Development Office (UK Government)
FSP	Financial Service Provider
GB	Grand Bargain
GBV	Gender-Based Violence
GCT	Group-Based Cash Transfers
INGO	International Non-Governmental Organisation
ISC	Indirect Support Costs
LNO	Local and National Organisations
LSAC	Localisation Support and Administration Costs
MEAL	Monitoring, Evaluation, Accountability, and Learning
MIS	Management Information Systems
NPAC	National Police Aid Convoys
ODA	Overseas Development Assistance
RRF	Recovery and Resilience Facility
SHGs	Self Help Groups
SP	Social Protection
SPACE	Social Protection Approaches to COVID-19 Expert Advice Service
VFM	Value for Money
UN	United Nations
WB	World Bank
WFP	World Food Programme

# 1. Introduction

## 1.1 Context

Despite numerous commitments to partner with local actors more meaningfully, there is dramatic underinvestment in local and national organisations (LNOs) – less than 1% of ODA, and only 0.4% of humanitarian assistance, reached local actors directly in 2018.

If local actors are going to realise a central role in funding and design processes (which is a prerequisite for them to have more voice and power in humanitarian and development priorities and efforts), mechanisms to leverage more funding from bilaterals – who account for over 95% of ODA - are key.

Leading ODA funders are unable to make significant direct investments into individual LNOs. They need an intermediary that can coordinate a holistic response, at scale, that is grounded in the evidence base for impact. Existing intermediary models do not address donor needs: traditional intermediaries continue to monopolise the system without ceding power, and many local initiatives and programmes focus on individual sectors, are short term (e.g. pooled funds), and/or focus on individual leaders rather than a multi-dimensional response.

The vast majority of bilateral donor funding is channelled into programmes that are delivered through partnership models – coalitions or consortiums of international, national and local actors working together to deliver multi-dimensional program activities, typically through a UN or INGO intermediary structure. This is also often the case with government-led models, where design and implementation sit with centralised government structures rather than engaging local governments through decentralised mechanisms. The difficulty with these models is that they are typically based on a ‘sub-contracting’ format, with high overhead costs, with local actors having little to no power and funding ceded directly to them.

## 1.2 Social protection and humanitarian responses to COVID-19

Countries across the globe are using or adapting social protection systems and programmes, as well as humanitarian cash assistance, to respond to the COVID19 crisis. Getting assistance to those who need it quickly is critical to safeguard the wellbeing of individuals and families by enabling them to meet unexpected costs and compensate for the loss of income – both in the immediate and long-term as countries enter periods of recession.

Since April 2020, the FCDO-funded Social Protection Approaches to COVID Expert helpline (SPACE) service has been supporting decision-makers across national governments, donors and implementing partners to think through how to establish, maintain or adapt systems and programmes to meet rapidly growing needs, through the integration of humanitarian cash and social transfers. The SPACE team developed a [Strategy Decision Matrix](#), to facilitate a comparison of multiple options for delivering humanitarian/social protection programming, comparing the various advantages/disadvantages of delivering a range of policy and programming functions through different actors.

As one aspect of this support, the FCDO SPACE team has been working with country offices to establish frameworks to critically evaluate how core programmatic funding operating in the humanitarian and social protection nexus can be shifted to be more competitive, moving away from major programmes dominated by oligopolies of international actors, and prioritising local and national actors by identifying how large portions of programmatic funds can be redeployed to local actors directly. However, the majority of our support has used the Strategy Decision Matrix to compare UN and/or INGO consortiums –where they are delivering government-led social protection (e.g. WFP in the Sahel) and/or humanitarian transfers (e.g. World Bank-funded humanitarian cash in DRC). The majority of these actors are in turn subcontracting implementation to a range of local actors – but their leadership on programme design and delivery has remained subsumed under the strategic advantages of major institutions, and presented an opportunity to begin to call out more specifically the roles of local actors in programming.

This narrative has been particularly relevant in the COVID-19 response, where social protection and humanitarian systems have had to respond to large increases in caseloads, almost entirely implemented via UN and INGO consortiums. It is also equally applicable to strengthening government systems for delivery, where devolution of power and funding to Local Government counterparts, as well as accountability and transparency mechanisms between government and civil society actors, are critical.

## 1.3 Flipping the paradigm

“In its most basic form, power is an obstacle to localisation because power remains in the hands of international actors to decide who has capacity or not, what capacity counts, who gets funding or not, what types of partnerships prevail, and who gets access to coordination structures and strategic decision making forums.”

Barbelet et al 2021

One significant opportunity to channel much more funding and power to local actors is to flip partnership models on their head, separating functions such that coalitions of LNOs lead on programme design and delivery, supported by INGOs and the UN system, or coordinated by government, on more centralised/backend functions.

A June 2021 paper by ODI<sup>1</sup> reviewed the evidence base on humanitarian localisation, though the findings are equally relevant to localisation for wider Social Protection and development programming:

- A major finding of the study is **a lack of strategic approaches to localisation**. There has been little evidence generation on the impact of localisation on human outcomes, as well as little focus on the perspectives of people affected by crises independently of those organised as humanitarian or civil society actors.
- **Collective models built on partnership and complementarity can support a shift to localisation**. Evidence shows that quality partnership approaches, where prioritisation is given to strengthening local leadership, contributing to overheads, co-designing programming, and flexibility of funding and reporting arrangements, can support broader localisation objectives. Complementarity between local and international actors tends to be increased in long-term and strategic partnerships. And country-level initiatives can be important in fostering collective action on national priorities. “Consortia are an increasingly popular partnership model for local actors to work with other local organisations or with international organisations. Consortia are an opportunity to strengthen the interaction between local actors and donor representatives, which can build trust and facilitate a mutual understanding of requirements and constraints.” Partnership models can also facilitate local actors to be able to deliver at scale.
- **There is an opportunity to reconceptualise the role of the intermediary**. “International agencies have explored reconceptualising their role in humanitarian response as an ‘intermediary,’ including through partnerships rather than as an implementer. There are numerous examples of where this shifting of roles, coupled with redefining partnership and capacity approaches, have enabled greater local leadership for partners; sharing learning; increased access to institutional funding; engagement with broader networks; better quality partnerships; and a strengthening of local and national positions.”
- **Localisation strategies will benefit greatly from a better articulation of the impact of working through local actors**. Despite numerous claims in the literature on the positive benefits of localisation, these are almost entirely based on perceptions rather than empirical evidence. Measuring and demonstrating the impact of localisation on the quality of programming for local people is critical, and Value for Money analysis is a key tool to demonstrate to donors how localisation can deliver more cost-effective programming than current models, as well as to more robustly understand contextual differences in localisation agendas.

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<sup>1</sup> Barbelet, V, G Davies, J Flint, and E Davey (2021). “Interrogating the Evidence Base on Humanitarian Localisation.” Overseas Development Institute.

- **Along similar lines, while the risk is used as an argument against localisation, this is almost entirely based on perceptions.** “The focus on fiduciary and legal risks has led to a zero-tolerance approach to fraud, corruption and aid diversion, with the perception that local actors are susceptible to higher risks than international organisations, in part due to perceptions of low capacity, and proximity to communities, leading to increased vulnerability to pressure and bias. However multiple reports reviewed questioned these assumptions, finding that both international and national organisations were susceptible to these risks.”

## 1.4 Re-framing bilateral programming

This document presents an initial framing developed to support analysis of separation of functions, Value for Money and risk, to help facilitate a shift from UN/INGO led programmes, to locally-led models that draw on the complementarities between UN, INGO and LNO key strengths. It also reports on the findings from the application of these frameworks to a major FCDO country investment (anonymised for reporting publicly). The intention is that these frameworks could be used across donors, international intermediaries and LNOs to critically assess options for flipping programme delivery models. It also presents a framework for considering how networks of local actors can complement more centralised Government programmes by establishing a strong social contract and enabling transparency and accountability. The context will influence how this ultimately looks, e.g. local actors could play quite a

### Country Case Study

The framework presented here was applied to a major FCDO funded country programme, (over \$150m over 8 years), focused on multi-sectoral humanitarian and development activities. The programme is a consortium of local, national and international actors – including LNOs, local government authorities and the private sector - and the aim of this work was to apply analysis and framing to critically evaluate how the programme could separate out functions to ensure that power and funding are shifted more directly to local actors. In each section, the findings from applying the framing presented in this paper, to this specific programme, are presented as an illustrative example.

The programme operates at the nexus of humanitarian and resilience programming in a fragile context with nascent social protection mechanisms in place. However, it is seen as a key building block for government led social protection programming, by building capacities around wider systems for cash transfers, cash plus interventions, and ‘graduation style’ layering and sequencing of activities to build wider resilience.

different set of roles in countries with nascent SP mechanisms in place as compared with countries with government systems with more established nexus programming.

It is emphasised that the information presented in this report is intended to provide an initial framing, with numerous hypotheses around predicted impacts. These are hypotheses only, and will need to be tested in different country contexts. When we refer to collaborative models, we use the terms coalition and consortium interchangeably. Partnership refers to instances where LNOs and international actors can identify areas of complementarity and support each other in different programme functions.

The paper is presented as follows:

- **Section 2: Re-designing Delivery Models.** This section outlines a range of possible delivery models that can help to transition major programmes from a hierarchical structure grounded in the Global North, to a more inclusive, participatory and flat structure that shifts power and funding to coalitions of LNOs, supported by UN/INGOs and coordinated by the government.
- **Section 3: Separation of Functions Framework.** This section summarises a long options appraisal table (with a replicable table included in Annex 1) that can be used to assess the pros and cons of programme design and delivery by different actors, and prioritise functions for leadership by LNOs.
- **Section 4: Value for Money Framework.** This section provides a framework for exploring VfM implications of a shift to greater localisation, with an outline of a full options appraisal table in Annex 2.

- **Section 5: Risk Assessment and Mitigation Framework.** This section provides an overview of risks and investments required in mitigation measures that can facilitate greater risk appetite with local actors. An outline of a more detailed risk appraisal framework is in Annex 3.
- **Section 6: Engaging Community Voice.** This section considers options for more direct support to local community structures, to ensure that the re-design of major programmes does not favour only large and high capacity national NGOs, and continuously engages the leadership of those affected.

## 2. Redesigning delivery models

### 2.1 Approach

This section outlines a range of possible delivery models that can help to transition major programmes from a hierarchical structure grounded in the Global North, to a more democratised structure that shifts power and funding to the Global South, via coalitions of LNOs, supported by UN/INGOs.

The framework should be used as part of a participatory process to:

#### **Create a roadmap from a current UN/INGO led model to a locally led model.**

- **Identify existing LNO partners and map the ecosystem to continue to engage new partners:** who else should be a part of the current partnership, what is required to incorporate them, how can the system continue to be democratised to mitigate against the replacement of international bureaucratic structures with national bureaucratic structures, and ensure that the leadership of those most affected is engaged?
- **Design transition and future coalition structure and governance:** identify and define a governance structure for each phase of the transition. What are the limitations and trade-offs, i.e. where are the tipping points at which a coalition is too large with loss of value through high coordination costs and weaker systems?
- **Design joint action plans:** work with a coalition of LNOs to design a joint action plan, supported by UN/INGOs, with clear separation of functions, and capacity building plans/organisational strengthening. A clear timeline and strategic plan (including resource requirements) for each of the phases of the transition with benchmarks and milestones will be required. Interlinkages with government systems, particularly around accountability and transparency, will be key.

### 2.2 Conventional/current models

#### 2.1.1 Overall framing

Most collaborative models typically work through an INGO or UN lead/prime (Tier 1), who is in charge of a whole range of functions: for example, grant management, project design and implementation, capacity building, MEAL, and communication with affected communities (this list is only indicative, and can include many other aspects of programming). Many of these functions are then subcontracted out to a set of Tier 2 organisations, typically INGOs, who hold responsibility for different geographic or sectoral components of the programme, and who in turn subcontract out to a set of LNOs for implementation. Figure 1 offers a *stylised* conventional programme structure (clearly many variations exist).

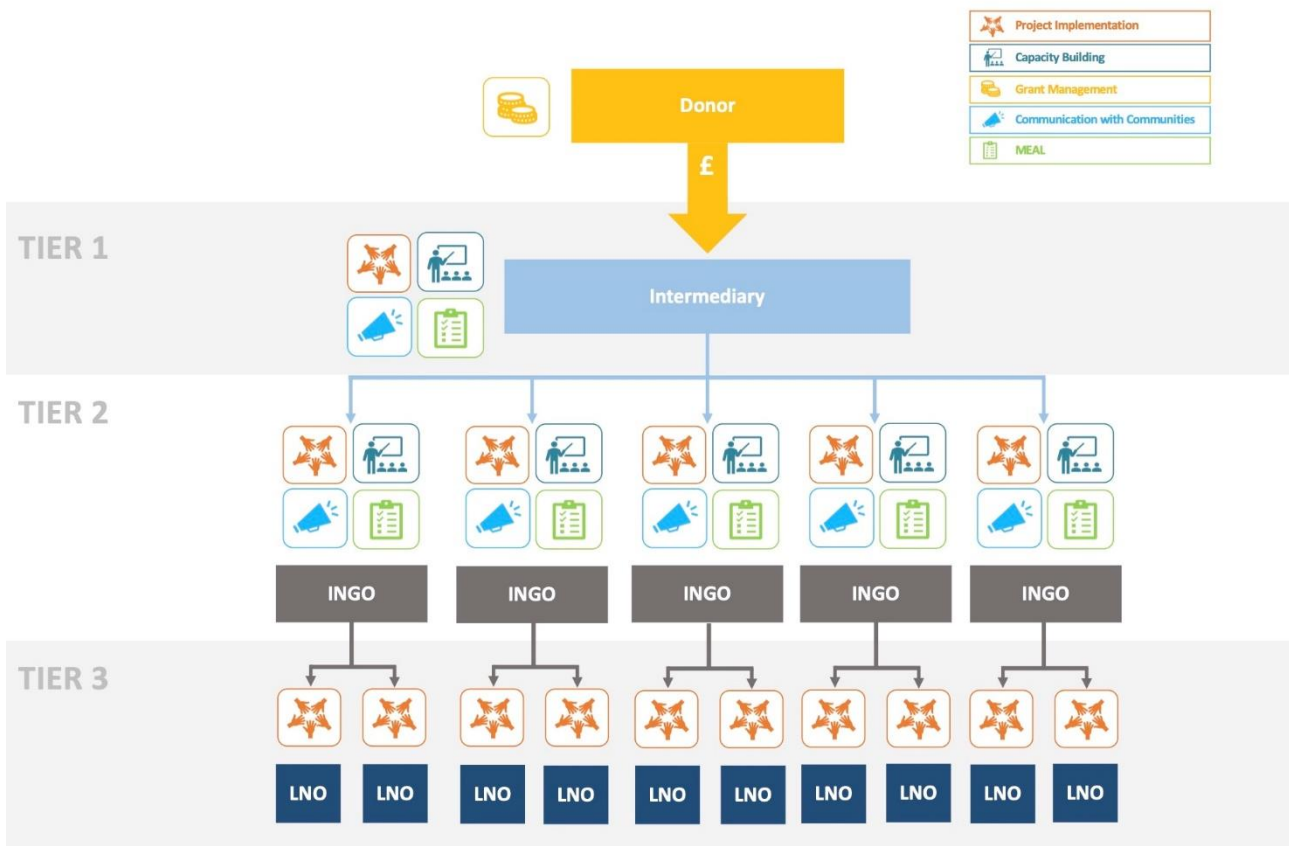
This model is characterised by numerous limitations:

- **Favours generalists rather than specialists:** This has benefitted UN/INGOs as a ‘one-stop shop’, at the expense of smaller but more specialised organisations. This in turn has suppressed competition and therefore the quality of programming, as there are only a handful of agencies that can fill this role while managing funds at the scale that a bilateral requires. The result is a form of oligopoly, where established players are protected from new entrants by a variety of barriers. It can

also limit inclusion, by creating multiple layers between those most affected and programme design and implementation

- **Suppresses the market for specialist service providers:** as a few suppliers control large parts of the market, they have the power to either bring ‘specialisms’ in-house, or to contract for them on their own terms. This limits the ability of specialist service providers to survive in the market, as they are unable to create any form of consistent service at scale.
- **Limits innovation and new ideas:** The linear nature of the grant chain limits critical feedback loops at every ‘node’ (link) of the chain. Organisations that ‘do everything’ never have the opportunity to operationally interact with organisations that do things differently, limiting both opportunities to learn and to be held accountable. Where service providers do survive, they have to form a close partnership with larger actors and, as in commodity markets, provide a standard product rather than a quality product.
- **Leaves accountability lines clear but weak:** reporting lines are hierarchical and linear in this model. Each downstream partner is under considerable pressure to provide positive reports to the implementing partner that manages them. This has led to unrealistically rose-tinted programme management reports, which lack critical thought and identification of mistakes or missteps, as well as weakening the ability to produce effective learning and programme course corrections. The system does provide a form of risk management, which is based on contract law, but it does not assure transparency and effective risk management throughout the chain, and does not enhance adaptable and quality programming; it therefore cannot guarantee the best value for money outcomes.<sup>2</sup>

Figure 1. Stylised conventional model



### 2.1.2 Current Model: Case Study

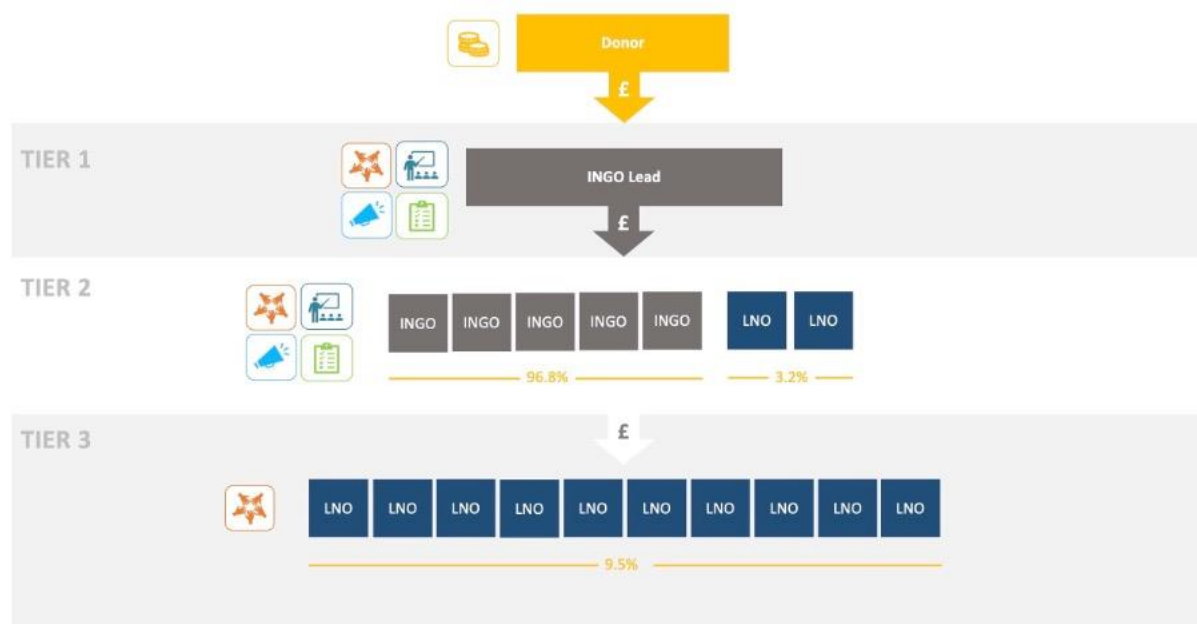
In the country-specific example, the current model operates via one Tier 1 INGO, subcontracting to seven Tier 2 organisations – five of which are INGOs, and two of which are LNOs (accounting for 3.2%

<sup>2</sup> FCDO Think Piece on Decoupled Project Management, Stephen Williams, May 2021.



of the total budget) - and further subcontracting to 10 Tier 3 LNOs (accounting for 9.5% of the total budget). This shows that there is still very little funding going to LNOs, even indirectly with a total of about 13%. Figure 3 is a simplified representation of the programme structure. Some support functions are carried out by Tier 3 LNOs, for example, Tier 3 actors engage in some components of activities such as MEAL through feedback loops to encourage complementarity and adaptive management across the tiered structure.

**Figure 2. Current Case Study Structure**



## 2.3 Separation of functions Model – hybrid 1

As a first step, a separation of functions can help to transition a major programme towards more local ownership. A model that separates key grant functions could work through an intermediary to provide grant management services separately from project implementation functions. Currently, intermediary structures include UN, INGOs and private consultancy companies. While these agencies can meet compliance and have systems in place for handling large grants with numerous partners, their role needs to be fundamentally reframed to focus on centralised grant management, with LNOs leading on project design and implementation, as well as other specialist functions.

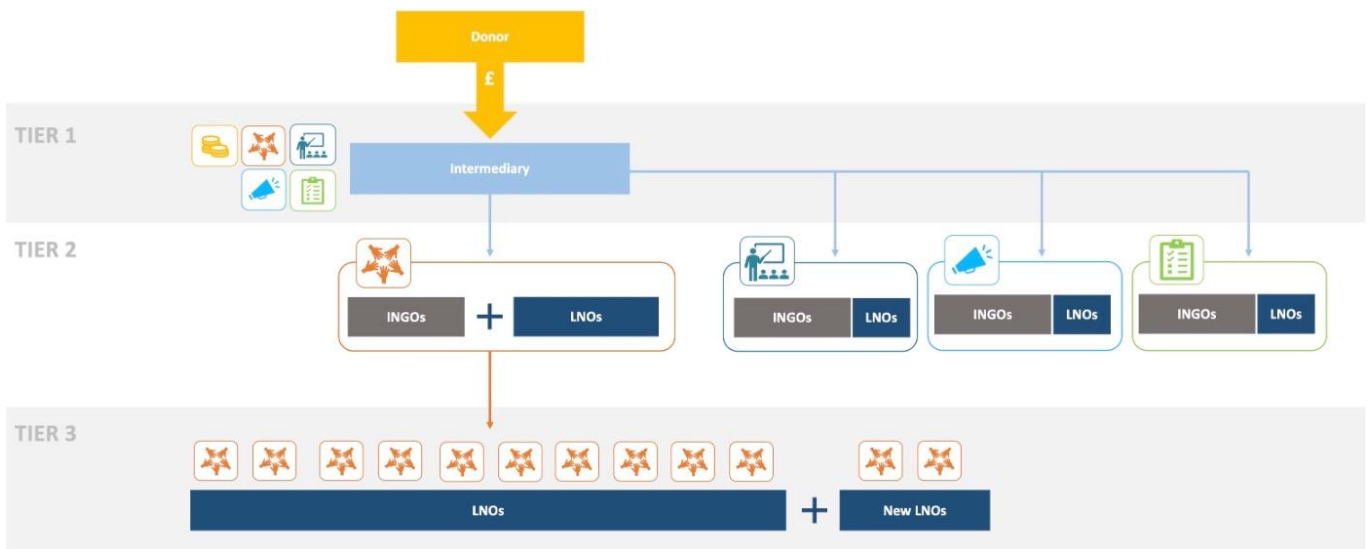
Further, separation of functions could include identifying specialist partners to lead on capacity building, MEAL, etc. Wherever possible, these partners should be local/national, and/or can include capacity building and peer-to-peer learning to facilitate leadership by local actors. Where an international lead is required, there should be an intentional and timebound strategy to build the capacity of an LNO to take over this role.

To shift more funding and programming to LNOs, we suggest undertaking a consultation/analysis to determine the following:

- What activities can be shifted relatively easily from Tier 2 INGOs to Tier 2 LNOs? What would be the cost in terms of capacity building, etc? (perhaps prioritise low hanging and less expensive options). Can this be funded by reallocating indirect support costs? Qualitatively articulate potential other benefits – e.g. sustainability, timeliness, better responsiveness, better targeting – to test and build the case for localisation.
- Where can LNOs draw on their key strengths and highlight the specialised skills that make them unique (e.g. very localised knowledge of a specific area or livelihood group, expertise at women’s empowerment or at creating a partnership with the private sector), while simultaneously using a coalition model to allow them to work as a multi-dimensional team, at scale.

- Which Tier 3 LNOs can be shifted to Tier 2? What support and resources are needed to get them there in what timeframe? What are the possible costs and savings?
- What other LNOs could be brought in as Tier 3 organisations to continue to build the local ecosystem and enabling environment?

**Figure 3. Separation of Functions Model – Hybrid 1**



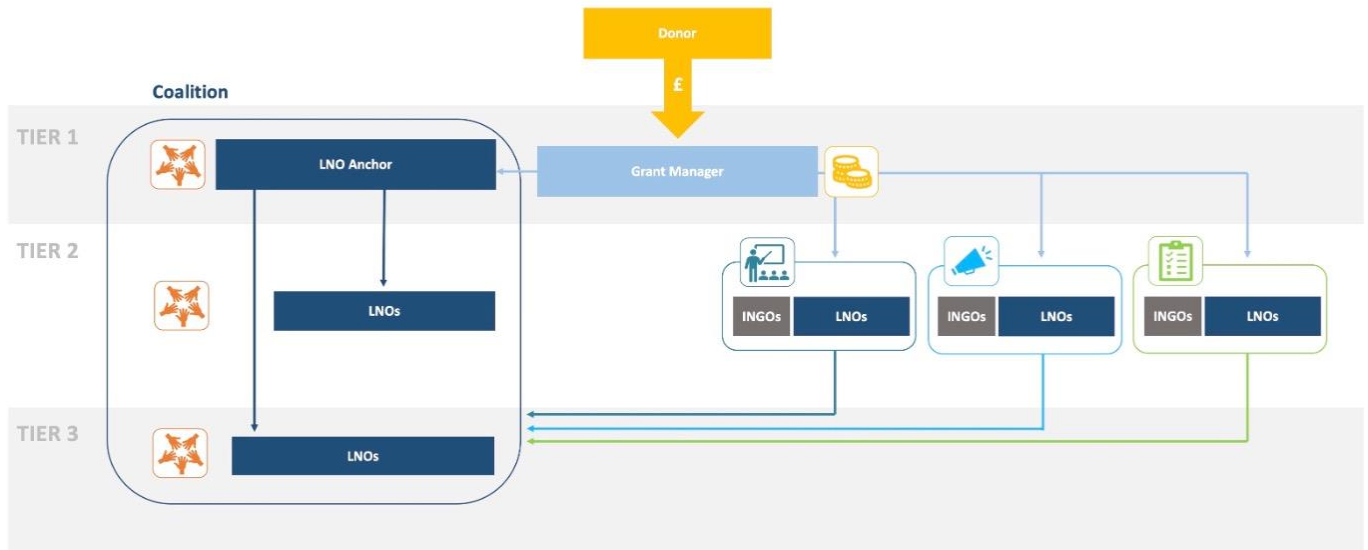
## 2.4 Separation of functions model – hybrid 2

There is a further step in this model where an LNO becomes part of the leadership taking on complementary functions to the INGO. Investing in clear capacity and governance models for the partnership will be critical to ensure effectiveness. This model intends to begin to transfer grant management functions to a local or national anchor organisation, or registered coalition structure, to act as grant manager. INGOs would have primary responsibility for backstopping functions, such as financial management and compliance, but would actively work to build the capacity of an anchor to transfer grant management, while LNOs would lead on design and implementation via community engagement.

In addition to the questions raised above, which are still relevant here, additional consultation could look at:

- What are the criteria for designating an LNO as a Tier 1 organisation? What are the resources and the timeframe required?
- How can clear governance structures be developed to ensure the clear designation of roles and ways of working in Tier 1?
- What functions need to continue to rest with the INGO/UN, such as technical backstopping, production and dissemination of knowledge, and engagement with the private sector (see the separation of functions table below)?
- What is the optimal number, geographical split and mix of expertise of Tier 2 actors to continue to provide outcomes that are larger than the sum of its parts?
- How can Tier 2 organisations continue to be expanded and how can direct support to communities be expanded (this should already be tested in the previous transition model to get better evidence for ways of doing this effectively)?

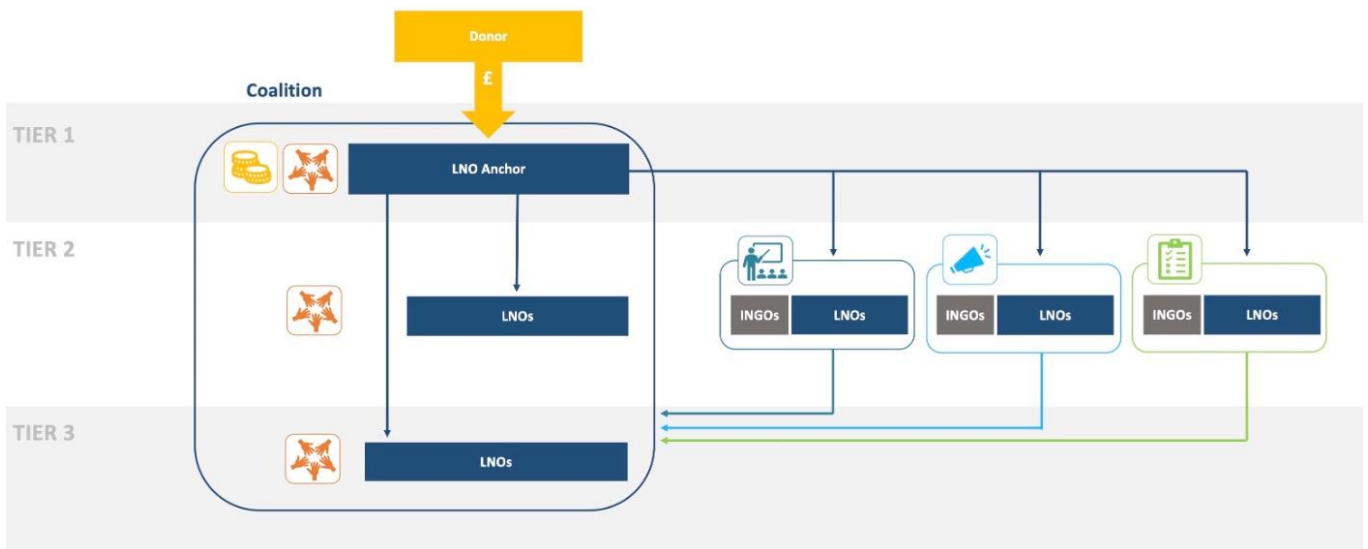
**Figure 4. Separation of Functions Model – Hybrid 2**



## 2.5 Separation of functions: locally led model

A locally led model would put an LNO fully in the lead, with the ability to subcontract UN/INGOs for support and specific functions as required, effectively flipping the current paradigm. In this way, UN/INGOs still play a key role in certain functions but are brought in as required. Tier 3 organisations should continue to be identified and supported to become coalition members. This is critical to ensure that the consortium does not become a more localised gatekeeper but continues to invest in an enabling environment such that there is a rich ecosystem of local actors operating.

**Figure 5. Separation of Functions – Locally Led Model**



## 3. Separation of functions framework

### 3.1 Approach

This section summarises a long options appraisal table (included in Annex 1) that can be used to assess the pros and cons of programme design and delivery by different actors and engage with LNOs to prioritise functions for leadership by LNOs. The appraisal table was developed by the FCDO SPACE

team to assess a range of delivery options for Social Protection and Humanitarian programming and has been adapted to consider the separation of functions between different actors.

The framework should be used as part of a participatory process to:

- **Consult on shifting functions and activities:** What activities do LNOs want to lead on? How can LNOs be shifted into Tier 1 and Tier 2 with clear leadership of functions?
- **Capacity diagnostics:** where are the capacity strengths and gaps (including on risk mitigation systems), which local actors could take on which roles, what do they identify as capacity needs?
- **Design capacity-building** support curated to local needs, invest in peer to peer learning, invest in external capacity building programmes with a specific mandate to hand over leadership once diagnostic meets key criteria. Estimate the costs and timelines of capacity building and develop a resourcing plan.
- **Build a knowledge platform** to institutionalise cross-learning between all Tier 2 and 3 partners.

## 3.2 Separation of functions

The models presented above depend first and foremost on a process to separate functions and identify the pros and cons of delivery via UN, INGOs, and LNOs. Critically, this process should be led by LNOs, through a participatory and consultative process, to identify:

- Functions where LNOs feel that they could directly lead in the short term.
- Functions that could be transferred to LNOs but where more capacity/support may be required.
- Functions that sit more logically with centralised UN/INGOs systems, and/or functions that LNOs prefer not to lead directly.

Annex 1 presents a framework to assess delivery options, identifying separation of functions via UN/INGOs or LNOs. This framework was conceptualised through work with the LNOs in our FCDO country case. The intention is to identify areas where LNOs could (want to) be leading on:

- **Policy coordination** (policy advocacy, humanitarian/development/peace nexus coordination, contribution to humanitarian reform objectives).
- **Programme design** (sustainability and local ownership, ability to build the capacity of others, ability to freely operate, minimising exclusion and last-mile registration, flexibility to adjust for beneficiary preference, ability to deliver direct community cash grants).
- **Programme delivery** (information systems and data sharing, outreach and communications, registration and enrolment, payment delivery, service delivery, AAP framework, capacity to monitor and document programme outcomes, third party monitoring).

The table summarises the key functions that could sit with INGOs and with LNOs, along with key strategy recommendations to facilitate a shift of certain functions to LNOs. As stated previously, the statements in this table present an initial framing that needs to be tested and adjusted depending on context.

**Table 1. Summary table – Separation of Functions Framework**

	UN/INGOs	LNOs	Strategy
<b>Policy and coordination</b>	<p>Influence policy and advocacy, advocate for local actors to have a seat at the table</p> <p>Humanitarian, development and peace nexus coordination</p>	<p>Enhance policy and advocacy role by having a seat at the table and an active voice</p>	<p>The mandate for local actors to be at key forums and discussions.</p> <p>Ensure that local actors have resources so that they have more voice on design and implementation.</p> <p>Track funding direct to LNOs</p> <p>Track shifts in the number of ‘pass-throughs’ where direct is not yet possible/applicable.</p> <p>Advocacy training</p> <p>Document shifts in power, funding and process to report to GB2</p>
<b>Programme Design</b>	<p>Build organisational, fiduciary and technical capacity of local actors, through direct funding, twinning.</p> <p>Support negotiations on access in hard to reach places</p> <p>Establish open source registries as part of govt systems, help to coordinate on eligibility/qualifying conditions, in coordination with local actors.</p>	<p>A consortium of local actors leads on design and implementation for a more local and sustainable response, including joint action planning, capacity building, monitoring and accountability.</p> <p>Complement centralised open-source registries to minimise exclusion, help to define eligibility/qualifying conditions based on field realities, identifying at-risk populations and last-mile registration.</p>	<p>Test and invest in a collaborative model – ecosystem mapping of local actors, coalition design and governance, capacity diagnostic, joint action planning.</p> <p>Conduct diagnostic of LNO capacity needs (driven by local actors rather than externally), invest in peer to peer learning where appropriate, invest in external capacity building programmes with a specific mandate to hand over leadership once diagnostic meets key criteria.</p> <p>Invest in capacity building of local actors and provide commensurate o/h to manage security risks.</p> <p>Engage with local trusted community representatives to identify and register last mile/excluded groups, build systems to verify assistance reaching most vulnerable.</p> <p>Transfer leadership on program design to LNOs with clear beneficiary feedback mechanisms to adjust design depending on needs, and also to test and verify the assumption that local actors are more responsive.</p> <p>Identify entry points to adjust donor systems to allow for flexible and agile design management</p> <p>Test models for expanding direct delivery of cash through local community groups and structures.</p>

<b>Programme Delivery</b>	<p>INGOs develop centralised open-source information systems and data sharing</p> <p>Negotiate procurement at scale</p> <p>Help to coordinate a multi-dimensional response, bring to bear best practices on service delivery/layering and sequencing</p> <p>Coordinate a centralised AAP system</p> <p>Facilitate centralised MEAL systems</p>	<p>Outreach and communications with local populations</p> <p>Registration and enrolment</p> <p>Complement programme delivery with a clear strategy on the inclusion of vulnerable groups and last-mile registration</p> <p>Design and deliver multi-dimensional service delivery</p> <p>Complement centralised AAP with local trusted community representatives to identify and mitigate risks (particularly GBV, protection, unrest)</p> <p>Design and implement MEAL</p>	<p>Ensure/invest in systems that are open-source and accessible across UN/INGOs/LNOs</p> <p>Build a network of local trusted community representatives to engage local actors on inclusion, last-mile registration</p> <p>Work via UN/INGOs to leverage systems and economies of scale on programme delivery, but critically complemented by a strong LNO component for inclusion of vulnerable groups and last-mile registration.</p> <p>Engage local partners to design a multi-dimensional, layered and sequenced response, with an equal seat at the table on co-design and implementation.</p> <p>Engage UN/INGOs where capacity is high to run centralised mechanisms for AAP and referral mechanisms, with the equal engagement of local actors to flag critical risks through trusted networks.</p> <p>Engage UN/INGOs on the overall framework and systematic data gathering, with the equal engagement of local actors who are collecting most of the data.</p>
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## 4. Value for money framework

### 4.1 Approach

This section provides a framework for exploring VfM implications of a shift to greater localisation. An outline for a full options appraisal table is in Annex 2.

The framework should be used as part of a participatory process to:

- **Develop a VfM strategy** that contributes to estimating the costs of the transition, tracks the costs of the transition, explores areas for economies of scale and other savings, analyses where budget reallocations are possible and identify VfM indicators to feed into the MEAL strategy.
- **Design a clear MEAL strategy** to test the assumptions around transferring to local actors, risks and VfM Money, as well as ensuring beneficiary feedback and AAP.

### 4.2 VfM: overall framing

Evidence on the benefits and impact of localisation are anecdotal and based on perception, with little empirical evidence. This represents a critical gap and is an extension of the already existing power imbalance in the international aid architecture that has prioritised evidence generation around international actors.

Articulating the Value for Money of locally led programmes is critical for shifting power and funding, but also for understanding what works, and what doesn't, for local actors and local communities (especially in different contexts).

Table 2 summarises some of the potential benefits and costs of localisation that could be considered in a full VfM analysis (Annex 2 contains a detailed framework for considering Value for Money implications of a shift to greater localisation). However, many of these potential benefits and costs will be context-specific and further work is required to monitor and learn from localised programming, and to identify where these costs and benefits hold.

**Table 2. Potential Benefits and Costs of Localisation**

Potential Benefits	Potential Costs
<ul style="list-style-type: none"> <li>• Indirect support costs stay in-country delivering multiplier effects to the local economy</li> <li>• Lower international staff costs</li> <li>• Retention of economies of scale through bulk procurement, joint negotiation with service providers and community involvement</li> <li>• Timeliness – ability to respond before negative coping strategies results in reduced humanitarian assistance costs and avoided losses</li> <li>• Responsiveness – local actors are responsive to local needs</li> <li>• Better access – local actors can access local populations during shifts in conflict</li> <li>• Greater equity from better targeting</li> </ul>	<ul style="list-style-type: none"> <li>• Increased coordination costs</li> <li>• Increased initial investments to build organisational and technical capacity</li> <li>• Increased initial investment in compliance, communication and risk mitigation measures (both for partners and internal to FCDO)</li> <li>• Increased MEAL investment</li> </ul>

One of the major barriers that have kept donors from funding a more local response has been the perceived additional costs required to build local capacity and the perceived fiduciary and reputational risks of funds flowing through local actors directly (see the following section on risks). It will therefore be important to start specifying the costs and benefits, building on the list above, monitoring and adequately resourcing costs during any transition, as well as ensuring that benefits are incorporated into a robust MEAL strategy and defined by local actors.

Further, VFM must not be used as a perverse justification to keep costs low. While implementation via local actors is in theory less expensive and could bring greater impact for local communities, the lower costs of LNOs are often due to a lack of funded overheads costs, risk management systems, etc. The VFM argument should be used to show where cost savings can be made on international overheads and redeployed to build systems, capacities, and fund core support for LNOs so that they can deliver a quality response.

## 4.3 VfM: case study example

A start was made to explore what additional costs would need to be incurred, how these additional costs could be funded in the transition of the FCDO Country Case study, by looking at typical cost drivers and how they could be reallocated.

### 4.3.1 Indirect support costs

An analysis of budgets shows that indirect support costs (ISC) are an important cost driver. ISC is paid to Tier 2 partners (INGOs and LNOs), but not to Tier 3 partners. ISC to INGOs do not come into the country but are retained at the HQ level. In the last year of the programme analysed, for example, the ISC not coming into the country amounted to close to \$2 million. At the same time, LNOs in Tier 3 that do not get paid ISC cannot invest in systems as they don't have the resources to do so. Paying ISC to Tier 3 LNOs would be the first step to enable systems building and it has the added benefit of the ISC remaining in the country with a certain multiplier effect. For moving LNOs up the tiers, ISC needs to be paid.<sup>3</sup> These extra resources should be used to build risk mitigation systems (such as financial,

<sup>3</sup> The FCDO Humanitarian Funding Guidelines state: "For RRF funding and for other funding mechanism using these guidelines the LSAC (Localisation Support and Administration Costs) calculation requires that the lead partner must pass on their own NPAC rate to all local and national downstream partners, or use a rate of 10%, whichever is highest."

safeguarding, etc. as identified in the risk section) and other capacities required to move up the tiered system towards greater leadership.

At the same time, indirect support costs to INGOs could only be paid on the value that they implement themselves and not on the total budget that includes the pass-through to LNOs. This way, some of the costs for system building and added coordination can be covered by a reallocation of budgets rather than an increase in the budget.

### 4.3.2 International staff costs

A typical cost driver in programmatic budgets are international staff costs, and a shift from to more national staff should free up resources. We tested if this was the case in the Country Case Study, by analysing the budgets in two steps, first identifying how many local (country-based), regional (Global South country of origin) and international staff (Global North country of origin) are working in key positions, and secondly, looking at the salary differentials.

This particular Country Programme is highly localised, due to a focused effort to ensure that INGO staff are as proximate as possible. An evaluation of key personnel – country directors, programme managers and coordinators – found that over half of the staff was local, and 80% of senior positions are held by local/regional leadership.

**Table 3. Staff balance**

	Local	Regional	International
<b>% of total</b>	56%	22%	22%

Analysing the cost differential between local, regional and international staff, Table 4 shows what savings would be possible from a shift to national actors. Leadership roles are split according to programme leadership (e.g. country directors, labelled as “support”) and programme implementation (e.g. programme managers and coordinators, labelled as “direct”).

**Table 4. Salary cost differentials**

	Support International	Support National	Direct International	Direct National
<b>Average monthly salary</b>	£4,245	£3,749	£4,834	£2,119
<b>Salary cost differential</b>		12%		56%

The average monthly salary of national support staff is 12% lower than international staff filling the same role, and the salary of direct national staff is 56% lower than comparable internationals. In other words, shifting to a greater proportion of national staff can generate savings of up to about 56% in the direct cost category.

Using actual costs to calculate the savings that the programme could achieve in absolute terms, we can estimate that by shifting from the current structure, which is already heavily localised, the annual staff budget would reduce by £151,335, funds that could be redeployed for LNO core support, capacity building and risk management systems. Considering that this programme is already highly localised, at least in staffing, compared to other programmes, we also calculated the potential total savings by shifting from a starting point of all international senior staff to all national senior staff to estimate the overall magnitude of change. The estimate provides an annual saving potential of £429,830.

**Table 5. Actual annual salary costs**

	Support Int	Support Nat	Direct Int	Direct Nat	Total Monthly	Total Annual
<b>Current Programme, with ISC</b>	£6,796	£625	£21,045	£18,054	£46,519	£558,233



<b>Full Intl staff</b>	£6,796	£707	£21,045	£41,179	£66,727	£836,728
<b>Full National staff</b>	£6,003	£625	9,226	£18,054	£33,908	£406,898

### 4.3.3 Retention of economies of scale

There will need to be a focus to ensure that existing economies of scale are retained and potentially increased in the transition to a different structure. With potentially a larger number of local partners and greater capacity building needs but the same budget, the benefits of bulk procurement and joint negotiations with service providers need to be preserved so as not to generate diseconomies of scale. This is where a consortium structure with a lead or anchor LNO can help to maintain centralised procurement for economies of scale. The added value of the lead needs to continue with stimulating collaboration, fast track learning, replication of innovation, bulk capacity building, etc.

## 5. Risk assessment and mitigation framework

### 5.1 Risk: overall framing

This section unpacks the potential real and perceived risks of funding LNOs more directly, and potential mitigation measures required. Annex 3 presents a full risk assessment framework that can be used for analysis. Table 6 summarises key risk factors, in the most relevant categories of the FCDO global risk framework. These are safeguarding, public service delivery and operational, financial and fiduciary, and reputational risks.<sup>4</sup>

The perception is that LNOs more commonly present higher levels of risk. However, within the country case study, several LNOs already operate as implementing partners for WFP, UNICEF and others. A recent internal consultation of 14 FCDO country offices found that the majority indicated at least one LNO that could already be receiving funding from FCDO, because they were working with other funders with similar levels of compliance.

Several barriers prevent more consistent and equitable risk assessment. First, consistent mapping or stocktaking of LNOs and their capacities, including the different systems for risk mitigation and whom they are already funded by, is lacking. An additional problem identified in discussions with LNOs is that the benchmarks for risk mitigation systems that are accepted by donors are not clear. LNOs therefore do not know what systems and capacities they should be building. Further, LNOs rarely have budget lines for addressing these systems and capacities (the Barbelet et al paper cites one report that found that less than 19% of local actors report a budget for risk management)

This chimes with [findings from CaLP](#) on risk in challenging contexts, where it became clear that humanitarian agencies and donors do not appear to take a consistent, shared approach to risk identification and analysis. While risk analysis is being carried out, it is often not shared with implementers for example. CaLP concludes: “Operating in high-risk environments comes at a cost, and so donors must work with implementing partners to ensure they have appropriate risk mitigation mechanisms in place. Donors can also promote a pragmatic and open dialogue with implementing partners about acceptable risks and how they should be managed.”

### 5.2 Risk: a country case study

<sup>4</sup> FCDO risk framework has seven categories of risk. Strategy and context, policy and programme delivery, safeguarding, public service delivery and operational, people, financial and fiduciary, and reputational. FCDO globally is receptive for strategy and context, and delivery risks, but cautious for the other five risks.

Work on the country case study made clear that moving LNOs from one tier to the next provides the timeframe and opportunity for clear benchmarks in terms of what systems need to be in place for risk mitigation, and to allocate appropriate budgets for system building where necessary. Appropriate, regular follow-up will be required during the transition phase to assess if due diligence findings have been addressed in LNOs.

**Table 6. Risk Assessment and Mitigation Measures**

Risk Category	Required Programme Mitigation Measures
<b>Safeguarding</b>	Risks and mitigation measures are the same for INGOs and LNOs. LNOs need funding for putting the systems in place to robustly consider safeguards, and support from INGOs on what these systems need to look like.
<b>Public Service Delivery and Operational</b>	Operational risks are risks relating to the internal FCDO capacity to effectively oversee implementation. A step by step transition to locally led programming will allow these risks to be managed by the FCDO team. The MEAL component should support operational risk management by providing real-time information to FCDO. More FCDO programme management and advisory time will be required for the transition to engage in risk management and communication.
<b>Financial and Fiduciary</b>	The programme already has a strong fiduciary risk management framework, that includes LNOs in Tier 2, but also shows that the risks are not different between INGOs and LNOs. The same mitigation measures can be used, such as making monthly transfers to field accounts, having to expense 80% of previous tranches before receiving new ones, bulk procurement, etc. Good practice from pooled funds and other donors could be applied.
<b>Reputational</b>	The reputational risk is growing that FCDO is not localising despite the increasing evidence on the higher effectiveness of the local response. Even in this programme, which is often used as an example of greater localisation than elsewhere, only 13% of funding is going to LNOs (of which only 3% to Tier 2 actors). With several of the Tier 3 actors being implementing partners for the UN, the question arises why FCDO does not shift more funding. While there is a perception that local organisations could be affiliated with terrorist groups, this would have been checked for those organisations working for the UN as part of their due diligence. A clear communication strategy on the trade-offs between the risks and how risks are managed should be developed building on the existing risk framework.

It will be important to set out the risks and track them over time through the MEAL component, and adjust mitigations measures as necessary.

## 6. Engaging community voice and leadership

### 6.1 Approach

This section considers options for more direct support to local community structures, to ensure that the re-design of major programmes does not favour high capacity national NGOs and continuously engages the leadership of those affected.

The framework should be used as part of a participatory process to scale up and test direct support to and engagement of local groups:

- SHGs/other local groups as social accountability mechanisms.
- SHGs as a platform for delivery of cash and cash+/resilience activities – track timeliness, effectiveness, responsiveness, beneficiary feedback, etc.

- SHGs as trusted networks for sensitisation, inclusion, etc – track the degree to which SHGs improve on program design and delivery when engaged in these functions.

## 6.2 Community leadership: overall framing

According to the ODI report cited previously, the localisation literature has more recently called for a political economy analysis approach to localisation to ensure that efforts towards localisation do not replace international bureaucracies and power structures with consortia of local actors that represent the capital elite and simply replicate power dynamics at a national level. Indeed, there is a risk that working through local consortia for major programmatic funding will necessarily lean into high capacity LNOs that can in turn act as gatekeepers.

Ensuring that community voice and leadership are represented across all programmatic design and implementation is critical. Further, networks of community representatives are essential for certain design and delivery components of programming, specifically because these functions are most effective when they are delivered by people who are already trusted members of the community:

- **Sensitisation** around assistance packages – who are receiving programming, how are they being distributed and how is the amount determined?
- **Inclusion** - minimising exclusion errors by identifying vulnerable persons.
- **Last-mile registration** of vulnerable/excluded persons who may require extra assistance (e.g. child-headed households, disabled persons, etc).
- **Accountability and transparency** – are people getting the programmatic activities that they thought they were getting, feedback and grievance redressal.
- **Risk mitigation** – flagging concerns over violence, conflict, unrest, as well as GBV and child protection risks, which are not addressed adequately through more traditional mechanisms such as hotlines.

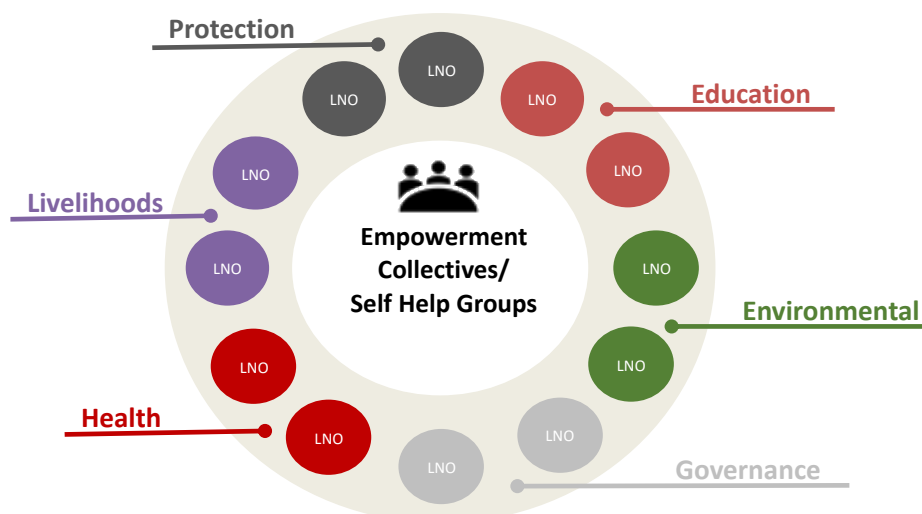
Cash transfers are only one component of a programme design but offer useful insights into direct support to community groups. [A 2021 research report by KeyAid Consulting](#) looked at the current state of play for Group-Based Cash Transfers (GCTs), with the overall goal of enhancing community-led responses for immediate survival and recovery needs. However, documented learning and research suggest that GCTs are also effective in promoting real participation through the explicit transfer of decision-making power; strengthening social cohesion; increasing the sense of dignity, psychosocial benefits, self-protection, self-reliance and resiliency, and gender equality; and improving groups' institutional capacities to respond even more rapidly to crises. In the case of women's groups, they can increase the role of women in responding to emergencies in their communities as well as prioritising the needs of women and other vulnerable groups.

## 6.3 Community leadership: a country case study

The FCDO Country team requested some analysis around how direct support to community structures – particularly Self Help Groups (SHGs)– could be scaled up within programming, to ensure that the most proximate leadership was engaged on programme design, as well as to leverage the benefits that can come from working through SHGs as local networks.

A very compelling evidence base indicates that SHGs deliver highly leveraged outcomes, particularly for women and girls, and particularly [when they are layered and sequenced with interventions addressing specific needs](#). Figure 2 provides a visual representation of Self-Help Groups as a core mechanism for engaging with local communities and proximate leadership, who are in turn supported by a range of LNOs providing support across a range of sectors as prioritised by the SHG members.

**Figure 6. Self Help Groups supported by Multi-Dimensional and Holistic Programming via Local and National Organisations**



SHGs are one of the most potent and well-tested approaches for promoting locally led development among deeply impoverished populations. Not only can such groups promote [economic development](#), [public health](#), and [societal resilience](#), but they have often served as the foundation for local collective efforts toward [improving government accountability](#), [ensuring the delivery of services](#), and [combatting gender-based violence](#).

A substantial evidence base indicates that:

- [SHGs increase self-efficacy and empowerment among women](#), and that these [social capacities are the most significant statistical determinant of whether someone can cope with a shock or stress](#).
- SHGs are highly cost-effective ([second most cost-effective intervention in Africa](#) because of their ability to address multi-dimensional needs).
- SHGs deliver significant sector-based outcomes, including substantial [reductions in maternal and neonatal mortality](#), [doubling in participation in local politics](#).
- SHGs realise systematic and positive impacts on [women's economic and political empowerment](#), [mobility outside of the household](#), and control over family size.

In the context of the delivery of programming, SHGs can continue to play a key role as a platform for social mobilisation and accountability as part of Social Protection programming, and they can also play a key role in service delivery, via sensitisation, risk management, etc as highlighted in the previous section. But the evidence base also suggests that SHGs could leverage outcomes from wider programming. This could happen in two ways: (1) organically, as SHGs typically work together to identify solutions and leverage opportunities in their community, and have the potential to increase the value of any programming provided to them, and as a result are likely to find ways to use and leverage existing support; and (2) through layered interventions, where specific curriculum (such as nutrition, education, health, child protection, etc) is layered with SHGs and shown to significantly leverage particular outcomes aligned with specific programmatic goals.

Further, [SHGs have a federated system](#) that facilitates advocacy on access to services, accountability and provides linkages with the government at a meso or regional level. Over time, when there are eight to 12 mature groups in the same area, SHGs elect two members to represent them in Cluster Level Associations (CLAs). CLAs form their own by-laws and remain an informal organisation without legal status. They focus on broader social, economic, and political issues in their area on behalf of their groups. Once there are eight to 12 CLAs, each CLA pays fees and elects two members to represent them in Federal Level Associations (FLAs). FLAs are registered with the government and have an official legal status and engage in political and justice matters to sustain the social and economic efforts of their CLAs and SHGs. The SHG federated structure could help to significantly strengthen regional and national advocacy by providing meso and regional interfaces between networks of SHG members and government systems.

# Annex 1: Options appraisal table

The Options Appraisal Table is adapted from SPACE's Strategy Decision Matrix for Social Protection and Humanitarian programming. It is intended to unpack the pros and cons of delivery via three groups of actors: UN, INGOs, and LNOs. The matrix compares the strengths and weaknesses of different actors against a detailed list of delivery components, across four categories: Policy and Coordination, Programme Design, Programme Delivery. The final column in the table recommends strategies and investments required to transfer leadership to local actors, where applicable. For each context, the delivery components should be adjusted, and the boxes filled in with context-specific knowledge. It might be helpful to put the pros in black and the cons in red.

Delivery Options	UN	INGOs	LNOs	Strategy to mitigate/investment required
<b>Policy and coordination (national and international)</b>				
Capacity to influence policy and advocacy (fundraising, access, enabling environment)				
Strong humanitarian, development and peace nexus coordination capability				
Contribution to humanitarian reform (in particular the Grand Bargain commitment to localisation)				
<b>Programme Design</b>				
Potential for sustainability and local ownership of response (incentive to exit)				
Ability and willingness to build the capacity of others				
Ability to freely operate				
The ability for and focus on reaching excluded populations (including the setting of eligibility criteria and qualifying conditions, last-mile registration, identifying excluded groups)				
Readiness to adjust for beneficiary preference: system reliability, flexibility, usability and familiarity, ease of access and choice.				
Ability and readiness to deliver direct community cash grants				
<b>Programme Delivery</b>				
Information systems and data sharing (MIS)				
Outreach and communications				
Registration and enrolment				
Payment delivery (usually through an FSP)				
Service delivery (health clinics, etc)				

Strong AAP framework including appeals system and referrals mechanisms				
Capacity to monitor and document programme outcomes				
Third-party monitoring	Third-party monitoring should be undertaken across the board			Third-party monitoring systems can help to <b>mitigate (perceived) risks</b> around local delivery concerns

## Annex 2: Value for money assessment

Delivery Options	UN	INGOs	LNOs	Strategy to mitigate/investment required
<b>Value for Money</b>				
Provides financial and cost transparency				
Capacity for scale (coverage and reach) to meet needs				
Financial management capacity including pre-financing mechanisms and absorbing currency fluctuations				
Cost drivers				
Use of Indirect support costs (ISC)				
Capacity for Timeliness/Early Warning/Early Action				
Willingness to separate functions to different consortium members				
Prioritises Equity <sup>5</sup> - as equality and inclusion improve the VfM through increased effectiveness				

<sup>5</sup> An approach that integrates equality and inclusion improves the value for money of programmes, through increased equity and effectiveness. It improves programmes' social impact, the focus on poverty reduction, and reduces the risk of unintended consequences. It can help us to better design, deliver and target our interventions and explain who is benefitting from our activities and funding.

# Annex 3: Risk management assessment

Delivery Options	UN	INGOs	LNOs	Strategy to mitigate/investment required
<b>Risk management</b>				
<b>Safeguarding risks</b>				
<b>Delivery and operational risks</b>				
<b>Financial and fiduciary risks</b>				
<b>Reputational risks</b>				



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