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EXECUTIVE SUMMARY:

FINANCING LOCALLY-LED ACTION

A framework for understanding options and accelerating impact

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What problem do we face?

Local and national actors are at the heart of effective humanitarian action - relied upon by communities to provide timely and relevant support, and by the international system to provide legitimacy, expertise and reach. Securing their financial futures is crucial. An ecosystem of financing mechanisms and approaches supporting locally-led humanitarian action has emerged, yet severe funding cuts mean that progress is now precarious and without urgent action, key local and national capabilities will be lost.

"Localisation" has been positioned as a major priority in the Inter-Agency Standing Committee (IASC) Humanitarian Reset and the ways in which is delivered could profoundly impact the shape of the system and its responsive capabilities. Of particular note, current proposals to significantly increase the proportion of funding channelled via the OCHA Country-Based Pooled Funds (CBPFs) could result in significant unintended consequences and distortions at both country and global levels. The global humanitarian system has a narrow window of opportunity to ensure that the choices made now, do not unravel hard won progress in advancing localisation.

Choices to invest in financial instruments should be guided by the objective that they seek to support: they should start with 'purpose first' not 'instrument first'. However, there is no shared vision for a reformulated humanitarian system nor for the purpose of localisation – and financing for it. Often, organisations are simply at cross purposes, holding divergent visions, expectations and understandings of localisation. This lack of clarity permits limited, contingent change, with prioritisation of modalities that centre the interests of powerful actors and do not meet the needs and priorities of local and national actors.

How does this framework address the problem?

Commissioned and supported by DCA, the guidance provides a shared diagnostic framework for funders, intermediaries, and local and national organisations, to understand and negotiate where their position and resources can best be deployed to advance financing for localisation.

Structured in three parts, it begins with an assessment tool for **situating stakeholders' positions** on the objectives of localisation and identifying critical 'red line' issues that will have a significant impact on mechanism design and operation. Clarifying this purpose is essential for navigating and negotiating fit-for-purpose instruments. Second, it proposes a **typology and set of building blocks for financing instruments,** for navigating and choosing options that align with purpose and red-lines. These are categorised by the origin of the funding, the terms and conditions attached, and who the first level recipient is. And finally, it offers **quality criteria** for designing and agreeing what constitutes 'good' localised or locally-led financing.

Each section includes illustrative examples of live or recent financing instruments which highlight good practice and emerging lessons.

FIGURE 1: A THREE-PART DIAGNOSTIC FRAMEWORK FOR LOCALISATION FINANCING

1. Motivations Clarify motivations, approach and identify red lines	Principled	Strategic	Tactical
	! Neutrality	! Boundaries	! Disbursement
	Localising	Hybrid	Locally-led
2. Financing building blocks Match elements of funding mechanisms to motivations	Origin	Terms	Recipient
3. Quality criteria Test mechanism properties against motivations	Localising	Hybrid	Locally-led
	PRINCIPLES	PROPERTIES	
	Impact	Sustainability	Cost effectiveness
	Do no harm	Governance	Risk

How do the steps work?

1. Motivations

The framework emphasizes that choices about instruments must follow clarity of purpose: whether actors are pursuing localisation[1] as a form of decentralisation, or are committed to devolved, locally-led humanitarian action. Within the overall localisation reform movement, the report includes a spectrum of action that spans the range from 'localising' elements of the existing international system, to actions to support locally-led action, which "focuses on resourcing initiatives driven by local and national actors, often outside the aid system."[2]

Each offer different 'pathways for change' and different visions for what a transformed humanitarian response capability would comprise. The framework uses this spectrum from localising to locally-led with possible 'hybrid' or transitional models and approaches in between, to situate design choices – noting that the spectrum does not imply a hierarchy of value.

2. Financing building blocks

Without a shared framework for 'seeing' the full range of options, path dependency on existing models is reinforced for both funders and recipients. The framework provides a typology for situating instruments in a wider financing landscape, considering the three basic 'building blocks' that constitute any instrument:

1. **Origin:** where does the funding come from?
2. **Terms:** on what conditions is the financing provided?
3. **Recipient:** to whom is the financing first given (via intermediary or direct)?

For each of these building blocks, the framework encourages users to identify the key characteristics of the financing instrument that could accelerate localisation goals.

FIGURE 2: FINANCING BUILDING BLOCKS AND CHARACTERISTICS

ORIGIN FUNDER / INTERMEDIARY RECIPIENT	**Scale and span** What are the parameters of the budget size and spending cycle?	**Relational capital** What resources and capabilities can they dedicate to building and maintaining relationships with recipients?	**Technical and in-kind capacities** What non-financial support is the origin funder able to provide as part of the agreement?
TERMS	**Fungibility** To what extend do the terms of the financing allow recipients flexibility in determining and adapting expenditure?	**Returns** Is financing provided on expectations of a specific return or outcome?	**Leverage** Does the financing instrument build in provisions for catalysing additional funds?

1. This report uses the term 'localisation' to refer to the overall reform agenda.
2. Posado Bermudez, A. (2025) Explain: Localisation and locally-led action | Quick read. ALNAP/ODI Global. https://alnap.org/help-library/resources/explain-locally-led/

3. Quality criteria

The framework proposes five shared quality criteria - governance, risk, sustainability, and cost-effectiveness - to anchor dialogue across diverse stakeholders, supported by twin framing principles: positive impact and do no harm. These criteria provide a basis for evaluating existing models, designing new mechanisms, and negotiating equitable partnerships.

FIGURE 3: PRINCIPLES AND PROPERTIES OF 'GOOD' LOCALISATION FUNDING MECHANISMS

Localising —— Hybrid —— Locally-led

Impact: Does the mechanism deliver impact for crisis-affected people, and the humanitarian ecosystem?

Do no harm: Does the mechanism take measures to avoid doing harm to crisis-affected people and the humanitarian ecosystem?

Governance:	**Risk:**	**Sustainability:**	**Cost effectiveness:**
Does the governance of the financing mechanism distribute power appropriately?	Does the financing mechanism address risk management fully and fairly?	Does the financing mechanism support longer-term systems and resilience?	Does the financing mechanism represent a cost effective use of resources?

What next?

Local and national actors have been hard hit by aid cuts, but they could be at the forefront of a reset and resilient humanitarian system. No single financing model will be sufficient. Locally-led humanitarian action requires an ecology of instruments – public, philanthropic, and private – that balance speed, scale, accountability, and sustainability. Above all, positive change requires trust, built through sustained relationships, honest negotiation of risk, and genuine recognition of local actors' legitimacy and leadership.

The framework is intended as a practical tool to support more intentional and transparent decision-making about financing pathways towards this future. A step towards anchoring negotiations in shared language and criteria, it is intended as a living, co-iterated tool. The full guidance report includes a series of 'self-assessment worksheets' to support users to work through the diagnostic steps and mechanism alignment assessments. We encourage users to use and adapt these tools, and to share feedback on where they can be improved.