

FINANCING FOR LOCALLY-LED ACTION

Understanding options, accelerating impact

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Acronyms

AFS	Aid Fund for Syria
CBPF	Country-Based Pooled Fund
CSO	Civil Society Organisation
DEC	Disasters Emergency Committee
ERC	Emergency Relief Coordinator
ERR	Emergency Response Room
HF	Humanitarian Fund
GCT	Group Cash Transfer
ICRC	International Committee of the Red Cross
ICVA	International Council of Voluntary Agencies
IFRC	International Federation of Red Cross and Red Crescent Societies
INGO	International Non-Governmental Organisation
LNA	Local and National Actor
LRPF	Local Response Pooled Fund (South Sudan)
NEAR	Network for Empowered Aid Response
NGO	Non-Governmental Organisation
NNLP	National Network of Local Philanthropy
NSIA	National Societies Investment Alliance
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
RC/HC	Resident Coordinator / Humanitarian Coordinator
Sclr	supporting community-led response
SHF	Sudan Humanitarian Fund
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees

KEY CONCEPTS AND DEFINITIONS

Noting that terminology around localisation remains variously defined and contested, this framework uses the following definitions:

Localisation is the process that “aims to reform international aid structures by shifting power and fostering equitable partnerships”.¹ This report uses the term ‘localisation’ to refer to the overall reform agenda.

Within the overall localisation reform movement, the report includes a spectrum of action that spans ‘**localising**’ elements of the existing international system at one end, and actions to support **locally-led action** at the other end, 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 of a transformed humanitarian response capability. The framework uses this spectrum from localising to locally-led with possible hybrid or transitional models and approaches in between, to situate design choices. It is important to note however that the spectrum does not imply a hierarchy of value.

The framework also uses the term **local or national actors (LNAs)** as an umbrella term for formal and informal organisations and networks delivering humanitarian responses.³ The term is used with recognition that it is both broad and reductive⁴, and wherever possible types of LNAs are differentiated.

Localising

Hybrid

Locally-led

SUMMARY OVERVIEW

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 is a key priority in the Inter-Agency Standing Committee (IASC) Humanitarian Reset and the ways in which this is delivered could profoundly impact the shape of the system and its responsive capabilities. The global humanitarian community 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 they seek to support: 'purpose first' rather than 'instrument first'. However, there is no shared vision of the purpose of localisation. Divergent expectations and a lack of clarity permit limited, contingent change and the prioritisation of modalities that centre the interests of powerful institutions rather than local and national actors.

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, it requires trust, built through sustained relationships, honest negotiation of risk, and genuine recognition of local actors' legitimacy and leadership.

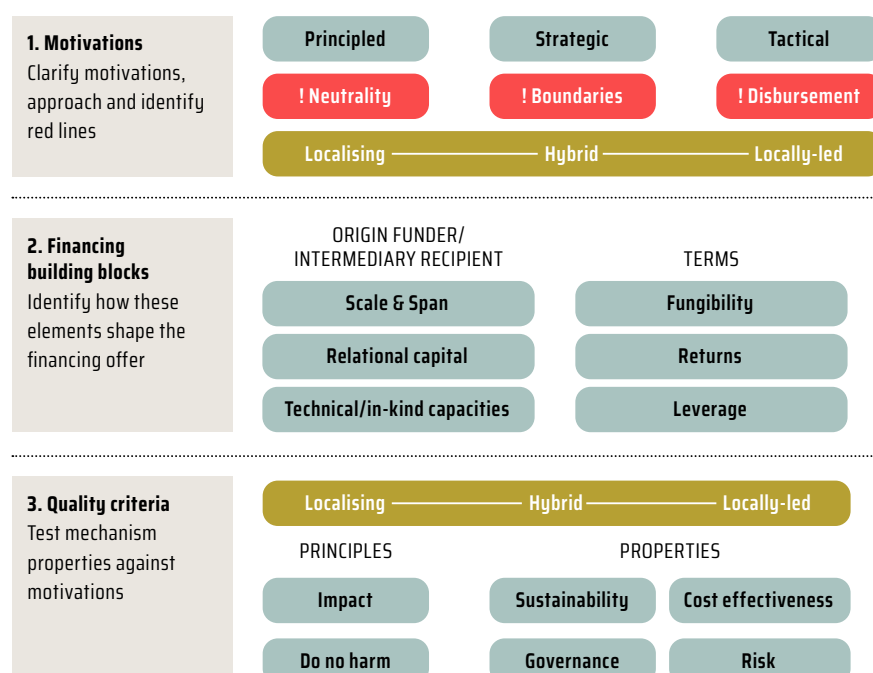
Commissioned and supported by DCA, this paper provides a shared diagnostic framework for funders, intermediaries, and local and national organisations, to understand and negotiate where their resources and capabilities can best be deployed to advance financing for localisation.

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. Second, it proposes a **typology and set of building blocks for financing instruments**. 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.

The framework is intended as a practical tool to support more intentional and transparent decision-making about financing pathways towards a more resilient and diverse ecosystem. A step towards anchoring negotiations in shared language and criteria, it is intended as a living, co-iterated tool - which users are encouraged to use and adapt.

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



A community-led response in white Nile state,
Rabak locality, Sudan, led by local actors and
community groups, 2025. /
Photographer: Mohammed El Fatih



INTRODUCTION

Context: the case for transformation

Localisation has risen to the top of the humanitarian policy agenda, yet progress has been limited, and under financial pressure, backsliding is already evident.⁵ The humanitarian system is likely to face a 50% contraction in funding in 2026, from the 2023 peak.⁶ It has also lost, with the closure of USAID, a key champion of localisation among donors.

Localisation has been framed as a major priority in the Inter-Agency Standing Committee (IASC) Humanitarian Reset. However, the ways in which this is delivered could have profound impacts on the shape of the system and its responsive capabilities. The global humanitarian system has a narrow window of opportunity to ensure that the choices made now do not further unravel hard won progress in advancing localisation. Recent proposals from the UN Emergency Relief Coordinator (ERC) to channel 50% of humanitarian funds through the OCHA Country Based Pooled Funds (CBPFs) for example⁷, with 70% of that dedicated to local and national actors, could result in significant unintended consequences and distortions at both country and global levels.⁸

Local and national actors are extremely diverse, and it is likely that meeting needs in crises will require different configurations of actors, and different financing modalities to meet those needs. That diversity should be a source of resilience yet is now under threat. Local and national actors have been hit hard by funding cuts in 2025 with fewer resources to manage funding losses.⁹ An ecosystem of financing mechanisms and approaches supporting locally-led humanitarian action has emerged over a period of years, yet progress is now precarious, with several funds consulted during this research at risk of closure. Without urgent action, key local and national capabilities are likely to be lost. Decisions made now must therefore be precisely targeted, strategic and cognisant of their future consequences.

Towards a shared framework

Even before the current funding crisis, localisation lacked a common definition.¹⁰ Often, organisations are simply at cross purposes, holding divergent visions, expectations and understandings of localisation. This lack of clarity permits limited, contingent change, prioritisation

of modalities that centre the interests of powerful actors, including convenient 'monoculture' options, that do not meet the needs and priorities of local and national actors.

This guidance provides a common diagnostic framework for all stakeholders to understand and negotiate where their position and resources can best be deployed to advance financing for localisation.

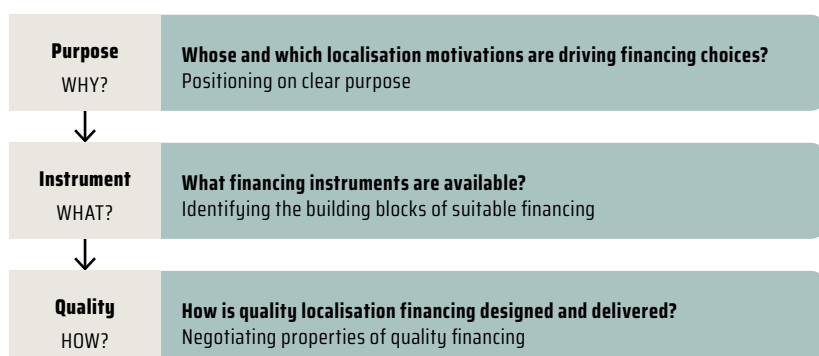
Structured in three parts, it begins with an assessment tool for **situating stakeholders' positions** on the objectives of localisation – identifying both their motivations and their red-lines, and where they sit along the spectrum from localising to locally-led. Second, it proposes a **typology and set of building blocks for financing instruments**, for navigating and choosing options that align with these motivations and red-lines. These are categorised by the origin of the funding, the terms and conditions attached, and the first level recipient. And finally, the framework offers **quality criteria** for designing and agreeing what constitutes 'good' localised or locally-led financing.

Throughout, the framework draws on examples of financing tools. The paper does not seek to present a fully representative or comprehensive picture of the current financing ecosystem, instead building on the extensive mapping exercises undertaken by others.¹¹

Commissioned and supported by DCA, this work has been developed through a review of existing literature and interviews with twenty-five experts and practitioners actively engaged in locally-led financing. The draft framework was also presented to the Grand Bargain Community of Practice on Localisation Sub-Group on Financing local and national actors whose members have been consulted in shaping its elements through an online discussion and a survey.

Intended as a living tool, this framework is a first step to be iteratively improved through use. Its impact depends on uptake and constructive adaptation by an engaged global community of practice during this current critical window for transforming financing. A series of 'self-assessment worksheets' are included in Annex 1 to support users to work through the diagnostic steps.

FIGURE 2: STRUCTURE OF THE FRAMEWORK



Ploek Phyrom is a Bunong Indigenous woman from Laoka village in Monduliri, Cambodia. Phyrom is one of the many environmental and land rights defenders in her village and plays an active role in forest patrol against illegal logging from companies. / July 2025 / Photographer: Mollika Chum



1. PURPOSE AND MOTIVATIONS

Form follows function: stakeholders must be clear on their localisation purpose before they consider which financing instruments are fit for that purpose. This part of the guidance helps stakeholders to situate themselves in the spectrum from 'localising' to 'locally-led'. It identifies the principled and pragmatic¹² motivations for the financing path they pursue and identifies a series of potential 'red lines' that are key determinants of financing choices.

1.1: Identifying principled motivations

Many consider localisation 'the right thing to do' but are driven by a range of principled motivations. These motivations contain very different visions of how power should be distributed, what optimal humanitarian response capability comprises, what the end goal of localisation is,

and ultimately how much system change is required to achieve it. The questions below are a prompt for stakeholders to identify their motivations before approaching financing choices.

BOX 1: IDENTIFYING PRINCIPLED MOTIVATIONS

Which of the following statements best describe your organisation's **principled motivations** to localisation?

- ☐ **(Meeting needs in crises)** Localisation supports principled humanitarian action by contributing to better outcomes for crisis-affected people.
- ☐ **(Equity)** Localisation can address power imbalance and unfairness in the humanitarian system.
- ☐ **(Devolution)** Decision-making should take place closest to the people affected by those decisions.
- ☐ **(Pluralism)** Diversity and pluralism (of actors, approaches, epistemologies and principles), are a source of resilience and should be supported.

Is the following a **red-line** issue?

- ☐ **(Neutrality)** Partners must strictly adhere to the humanitarian principle of neutrality.

Meeting needs in crises: For many international humanitarian actors, localisation supports their commitments to principled humanitarian action, when it is an enabling factor in delivering more efficient and effective humanitarian response.¹³ In this framing, localisation is a means to an end; strengthening local response capacity may be a secondary objective or by-product.

Equity: Organisations may also be motivated to provide local and national actors with a 'fairer deal', including providing better terms for the work delivered and a role in decision-making.

Organisations motivated by these two positions - meeting needs and equity - are likely to be committed to a 'localising' position. This includes a 'decentralising' approach to shifting power, whereby there is an increase in power delegated to the local level, the system is more inclusive, offers fairer terms, but international actors retain overall control of decision-making and leadership.¹⁴

Devolution: Some believe that a fundamental redistribution of power towards those closest to people in crises is 'the right thing to do' based on principles of justice, subsidiarity and legitimacy. In some cases, this is expressed with reference to decolonisation.¹⁵ In a devolved approach,

there is a genuine and systemic shift in decision-making power and leadership to local and national actors.

Pluralism: Additionally, actors may explicitly value preserving and supporting diversity of actors, approaches, and epistemologies as a core principle.¹⁶

Organisations identifying with the principles of devolution and pluralism are likely to be committed to supporting locally-led humanitarian action.

These four characterisations may not capture the full range and combinations of organisational positions. They are used here to help identify where organisations are positioned on the spectrum of localising to locally-led action, which influences funding choices around how to manage risk and share decision-making power and accountability.

Neutrality: Across the spectrum, where funding organisations require partners to comply with the humanitarian principle of neutrality, this can be at odds with principled motivations of local and national actors, whose motivations might include solidarity and justice. It can therefore be a red-line for pursuing a locally-led approach.

1.2: Identifying pragmatic motivations

Strategic motivations

A range of strategic motivations are frequently cited in organisational localisation policies and commitments. These include aspirations around

'sustainability'¹⁷ and potential 'exit strategies' or 'responsible transitions' resulting from enhanced domestic responsive capabilities.

BOX 2: IDENTIFYING STRATEGIC MOTIVATIONS

Which of the following statements best describe your organisation's **strategic motivations** for localisation?

- ☐ **(Exit strategies)** Strengthening local capabilities enables international actors to exit responsibly.
- ☐ **(Sustainability)** Investing in local and national capabilities including financial sustainability, reduces the need for international action in the future.
- ☐ **(Nexus)** Local and nationally led action is more likely to facilitate addressing root causes and recovery – the 'nexus' between emergency action and long-term solutions.

Is the following a **red-line** issue?

- ☐ **(Boundaries)** It is not within our remit or competence to address root causes or recovery.

These three motivations – exit strategies, sustainability and nexus - exist on a spectrum. Whether organisations select more than one option may be determined by their interpretation of the scope of humanitarian action and relatedly, the extent to which their programmatic mandate extends into upstream prevention and downstream recovery activities.

For some organisations, the boundaries of their scope of action will be a red line issue that means they will not extend the scope of their activities into longer-term capacity strengthening or investing in addressing root causes or recovery. It is important for partners to be clear when this is the case.

Tactical motivations

There is a long list of tactical motivations for supporting localisation. Many are truisms, even if not always true in practice, and it is likely that organisations would agree with most or all of them. For example, the argument that locally-led humanitarian action is more cost-efficient, and that local and national actors are more likely to have access to the most at-risk populations.

BOX 3: TACTICAL MOTIVATIONS

Which of the following statements best describe your organisation's **tactical motivations** to localisation?

- ☐ **(Cost efficiency)** Local and national actors deliver impact with fewer resources.
- ☐ **(Timeliness)** Local and national actors are present and therefore are typically first or early responders.
- ☐ **(Effectiveness)** Local and national actors have capacities, in-sights and networks that can achieve more relevant and effective responses.
- ☐ **(Access)** Local and national actors are present, can negotiate access and/or have higher risk tolerance and therefore are more likely to be able to reach crisis-affected people.
- ☐ **(Legitimacy)** Local and national actors have greater acceptance from communities, authorities and conflict actors.

Is the following a **red-line** issue:

- ☐ **(Disbursement volume)** Funding recipients must be able to absorb a critical mass of funding.

Circumstantial motivations

External pressures may also provide important motivations and constraints. The normative shift of the Grand Bargain localisation commitments, and donors' reliance on their partners to deliver on these, have created powerful incentives for international intermediaries to foreground localisation to secure their own funding. Such motivations are important to identify as they could mean that commitments to localisation may be superficial and vulnerable to shifts in external conditions.

Localisation may also be subject to in-country circumstantial drivers and conditions. Internationally led action is increasingly not welcomed or accepted by host governments and even communities, creating pressures for localisation. In other circumstances, localisation may not be feasible, including where programmes are highly technical, such as demining, and local counterparts may not yet be available. In other cases, working with civil society may be prohibited, or may pose significant and insurmountable risks to LNAs.

BOX 4: IDENTIFYING CIRCUMSTANTIAL MOTIVATIONS

Which of the following statements best describe your organisation's **externally-driven motivations** for localisation?

- ☐ Pressure from donors to meet our and/or their localisation commitments.
- ☐ Fundraising opportunities.
- ☐ Cost-saving in the context of funding constraints.
- ☐ Pressure from affected country governments to work with or through local partners.

Which of the following statements best describe your organisation's **external constraints** to localisation?

- ☐ Host country government restrictions on working with civil society actors.
- ☐ Risks to civil society actors.
- ☐ Delivery of technical programmes that cannot currently be delivered by LNAs.



A mine risk education team talk with villagers about the dangers of unexploded ordnance near the South Sudan town of Bor, which has been the scene of heavy fighting between government troops and rebels since December 2013. The program also deploys explosive ordnance disposal teams to locate and safely remove dangerous items from this most recent conflict as well as ordnance left over from earlier decades of civil war. / November 2020 / Photographer: Paul Jeffrey

2. FINANCING BUILDING BLOCKS

Once stakeholders have positioned what their localisation objectives are, they need to apply this to choices of financing instruments. This part of the framework provides a typology of instruments and their building blocks to navigate what is currently and potentially available. It sets out how the origin funders, the terms, and the channels of financing shape their financing offer to LNAs.

2.1: A typology of financing instruments

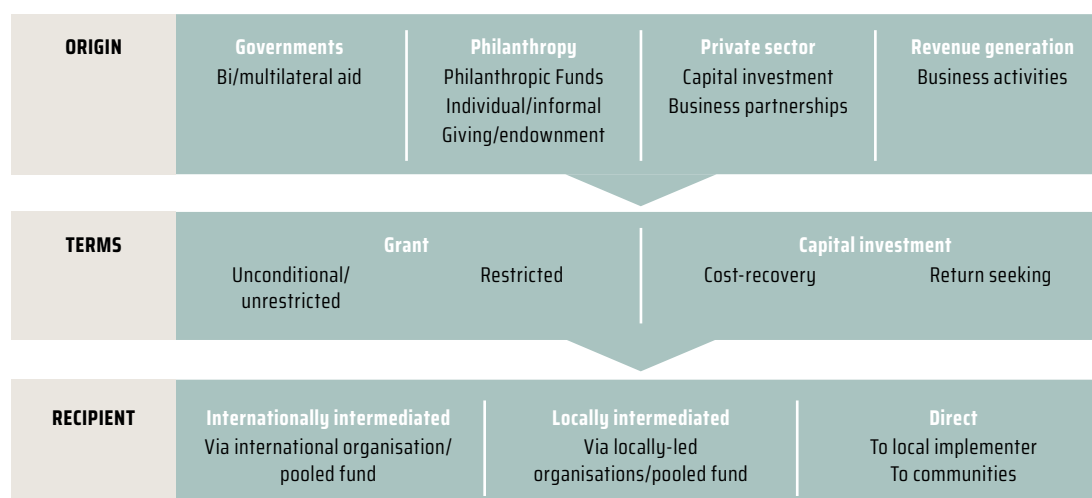
Following the logic of this framework, choices to invest in financial instruments should be guided by the objective they seek to support: 'purpose first' rather than 'instrument first'. In the context of extreme financial constraints, there is a risk of 'instrument first', particularly with elevated attention on 'innovative' financing instruments. A clear view of the viability and suitability of options can be clouded both by technical financial language and by the pressure to secure new funds.

Without a shared framework for 'seeing' the full range of options, path dependency on existing models is reinforced for both funders and recipients. In particular, there is a tendency to see localisation financing as synonymous with grant-based pooled funds. The typology below (see figure 4) therefore provides a common starting point for situating

instruments in a wider financing landscape, considering the three basic 'building blocks' that constitute any instrument:

- **Origin: where does the financing come from?** This spans public international sources (bilateral and multilateral donors) philanthropic giving (philanthropic funds and individual giving) and private finance (investment and income generation).
- **Terms: on what conditions is the financing provided?** This spans grant-based support (unrestricted and restricted or projectised), loans, and return seeking investments.
- **Recipient: to whom is the financing given?** This spans the spectrum of intermediation – from financing via international organisations and funds, to that which goes directly to communities.

FIGURE 4: TYPOLOGY OF FINANCING INSTRUMENTS

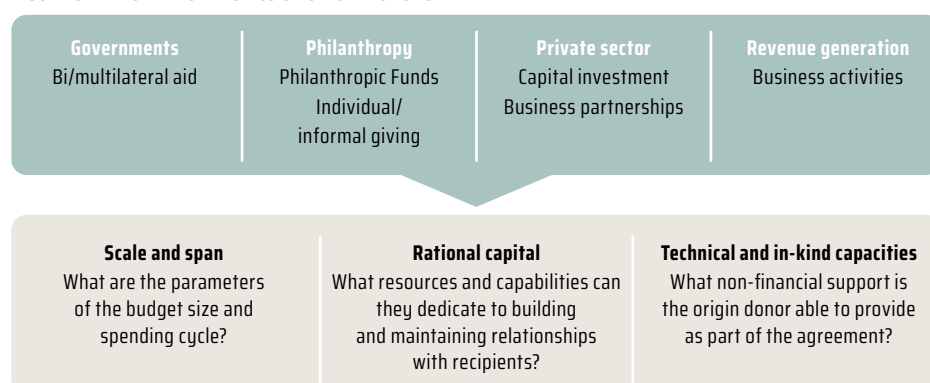


2.2: Origin funder of the financial instrument

The source of the financing - whether international, domestic, public or private - does not pre-determine whether an instrument is localising or locally led. Each type of funder brings a different set of benefits and constraints. Their motivations, red lines (see part 1), risk appetites and

capacities shape their financing offer to LNAs. Three characteristics of origin funders are particularly relevant: the parameters of their budget size and spending cycle, their capabilities to invest in funding relationships, and the technical and in-kind capacities they bring.

FIGURE 5: KEY CHARACTERISTICS OF ORIGIN DONORS



Scale and span

Harnessing financing of appropriate scale and duration is a key determinant of the transformative potential of origin donors. Government donors and the EU have the potential to provide support at a scale that tips the balance of distribution in the system, albeit substantially reduced by the USAID cuts. However, donor red-lines on disbursement volumes (see section 1.2) and annual budget cycles can limit their ability to offer financing instruments that provide appropriate funding volumes, predictability and duration.

Philanthropic funding is proving to be an important source of international financing for locally-led actors. Although their overall budgets may be smaller, they are investing significant sums in localisation financing instruments – the NEAR Change Fund (see boxes 13 and 15 below), for example, is mostly funded by a group of philanthropic foundations, and the new Resilio Fund is also backed by philanthropic entities (see box 5). Bound by different accounting and accountability parameters to public funds, these philanthropic funds tend to have cycles. These will however vary between funders – but may also have red-lines around disbursement size driven by founders' wishes or financial management requirements of the investments or endowments they hold.

Relational capital

The capacity to invest in establishing and maintaining contracts with recipients shapes funder's choices of instruments, and their offer as a localisation partner. It is a significant red-line shaping bilateral donors'

ability to finance LNAs directly: pressures on civil servants administrative resources are widely cited as factor in shaping their preference to channel funding through a small number of international intermediaries who then onward grant.¹⁸

Several philanthropic foundations however have demonstrated how their institutional models enable them to invest staff time and resources in building relationships with locally-led networks and intermediaries. Their staffing and accountability models position them to build their financing instruments on longer, more trust-based funding relationships, making them attractive to recipients.

Technical and in-kind capacities

Funders can offer additional financial capacities to augment their funding offers, provide financial management capabilities and technical assistance. As discussed below (see 'leverage'), bilateral donors might be able to provide guarantees or de-risking facilities to absorb risks their own balance sheets, enabling recipients to operate through uncertainties and to secure additional funds. Philanthropic funds may be able to offer financial mentorship and incubation as part of their funding relationship.

It is worth noting that in-kind additionality of origin funders extends beyond these kinds of formal financial capacities. Those working with local individual giving, particularly for community-led responses and mutual aid, have observed how financial, technical and in-kind support are part of a combined offer in community giving.¹⁹

BOX 5: PHILANTHROPIC SUPPORT TO SCALE UP FINANCING TO COMMUNITY ACTION: THE RESILIO FUND

Resilio is a new fund designed to strengthen mutual aid responses to humanitarian crises by enabling national CSOs to learn from and support mutual aid groups. Resilio builds on years of experience accumulated by partners following sclr approaches in 'doing least harm' to mutual aid.

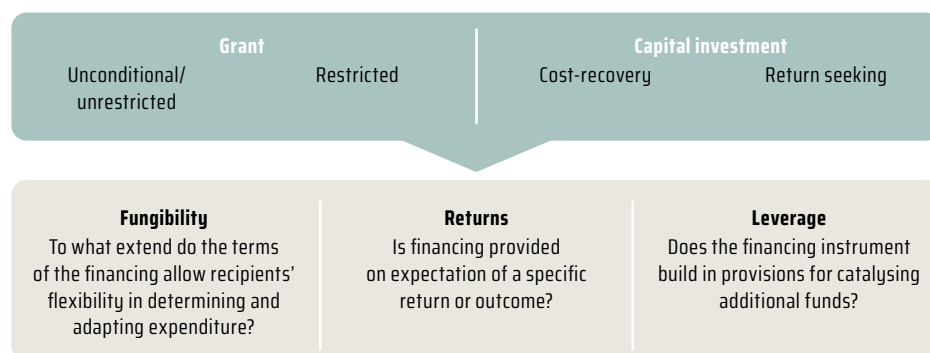
The fund will support CSOs with funding and co-design, training, mentoring and networking services, with the aim of supporting and learning from mutual aid groups without damaging their local ownership and voluntary spirit. Set to officially launch in November 2025, the Fund has been established with \$10m from the philanthropic Legatum Foundation which then mobilised a further \$20 million from four additional philanthropic 'anchor' funders. Resilio is building on Legatum's track record of funding sclr in multiple countries with more than \$4m of grants since the end of 2021.

The Fund aims to direct at least 80% of its funds to national and local organisations who will then microgrant a target of 65% of the funding to mutual aid groups. Grants will be in three phases: an ignite phase with a small initial grant to test and scope suitability; and invest phase of around two years; and an influence phase, to demonstrate proof of concept and mobilise onward financial support from others. Technical support is integral to the approach, with grant-making accompanied by facilitation of networking, co-design and learning opportunities for national NGOs and CSOs as well as donor agencies. The exact terms and operational protocols for the Fund will be developed over its first year of operation in collaboration with local organisations.

2.3 Terms of the financial instrument

The terms of the financing instrument are also driven by both donors' institutional parameters and their motivations. These terms can range from financing which is provided with no pre-set conditions and no expectation of returns, to that which is provided on condition of pre-set

operational deliverables or financial returns. Three features of the financing terms are important in shaping the parameters of funders' offer for LNAs: the degree of fungibility allowed, the expectations of returns, and the provision for leveraging additional funds.

FIGURE 6: KEY CHARACTERISTICS OF FINANCING INSTRUMENTS' TERMS

Fungibility

Unrestricted or 'core' grants are regarded as the bedrock of organisational survival enabling recipients to cover organisational costs and adapt to changing contexts. The Abot Kamay Fund and Oxfam's PIF for example (see boxes 16 and 19 below), provided funds to partners for them to spend at their own discretion. However, 'restricted' grants cover a wide continuum of terms – from those in which donors set strict conditions, and to those which loosely frame high level goals. Along this continuum, instruments can build in terms which enable investment in LNAs' organisational development and running costs, and contingency clauses and fungible budget lines which grant LNAs degrees of latitude and discretion to adapt their activities. The degree to which they can do this will be shaped by funders' accountability and accounting requirements as well as red-lines around boundaries of action.

Commercial income generating activities can offer a source of unrestricted financing that will yield a sustainable revenue stream, albeit subject to market conditions. There are specific examples of these offering important unrestricted funds, including examples of yields from property investments, and from commercialised activities by Red Cross/Red Crescent National Societies (see box 15 below). While they do offer unconditional funds, they also require organisational capacities to ensure responsible business management and legal compliance.

Returns

Grant-based funding, unlike loans or capital investments, does not come with expectations of financial return. The focus of most locally-led financing efforts are grant-related, which is appropriate given the financial constraints facing LNAs, and that the goals of the support are linked to social impact rather than monetary profit.

However, bilateral grant funding from donor governments contracts, there is renewed attention on the potential role of private capital to invest in 'innovative' instruments, which are structured to pay back the investment or generate returns. While these models offer the promise of yielding new funds, they are also likely to be appropriate to a specific set of projects and activities. Live examples of innovative financing instruments for LNAs are scarce: they have not translated at scale due to the high risks to investments in fragile and crisis-affected contexts; limits on alignment of purpose; and prospects for financial returns. DCA is among international organisations which have been exploring innovative financing models in several countries. While its blended finance Social Cycle Fund in Uganda (see box 6 below) shows a potential model for private sector investment and returns, its Development Impact Bond for demining in Syria²⁰ has not yet found a capital investor.

Leverage

Financing can also be designed to catalyse additional funding – including through guarantees or through seed-funding. Examples from other areas of bilateral aid financing illustrate the potential of this – for example small scale 'de-risking' guarantees that enable small local enterprises to attract funds, or injections of funds into regional risk financing instruments to enable them to become going concerns.²¹ In the case of the IFRC/ICRC National Society Investment Alliance, investment in National Societies' business development plans brings potential and support to leverage funds from other sources.

Funders can also use their initial investments to mobilise funds from others in their networks. Financing from one bilateral donor can act as a down-payment on co-financing requirements, backed by another. In the case of the Resilio Fund, origin funding from the Legatum Foundation, provided the basis for financing from three additional philanthropic 'anchor funders'.

BOX 6: SUPPORTING BUSINESS INCOME GENERATION: IFRC/ICRC NATIONAL SOCIETY INVESTMENT ALLIANCE

The IFRC/ICRC National Society Investment Alliance (NSIA) is a fund directed to investing in organisational development of Red Cross/Red Crescent National Societies with two windows: Bridge Funding to develop and pilot plans ahead of scale up, and Accelerator Funding for deeper institutional change. Around 60% of all initiatives focus on resource mobilisation and financial sustainability of National Societies including through business revenue development.

While the contributions to the Fund originate from international sources – a mix of ICRC core funding, Swiss government aid, and Norwegian Red Cross contributions, it directs much of its resources to supporting National Society led proposals for generating local income through business activities. Although return on investment is not a condition of allocation this is a measure of impact – with the 'multiplier effect' or each Swiss Franc invested estimated in annual reporting.

Examples include support to the Malawian Red Cross to develop a business plan for a commercial building project, where rental income would generate a sustained income stream for disaster management activities. NSIA grants leveraged match-funding from the Malawian government. In Uganda, NSIA support catalysed support from other National Societies to the Ugandan Red Cross Society, contributing to the growth of its commercial first aid activities.

Source: ICRC and IFRC (2025)

BOX 7: BLENDED FINANCING IN THE SOIL CYCLE FUND

As DCA explores the potential of 'blended' or 'innovative' financing approaches to support specific interventions, it has co-developed the Soil Cycle Fund in Uganda. A two-year pilot which seeks to address a cycle of land, soil and water challenges, it connects agro-ecological farmers with local agro-ecological enterprises (AEEs) to support a virtuous cycle of benefits for small-holder farmers, for the local market and for the environment.

DCA has invested the majority of the financing for the pilot, with implementation led by a national partner Shona Business. Another branch of Shona – Shona Capital – is managing a 'working capital fund' for which is jointly funded by Shona Capital's own funds and by DCA, with a plan to progressively increase the Shona Capital share as returns accrue.

While advancing locally-led financing is not an explicit primary objective of the initiative, the co-design and co-ownership with Shona does seek to share design, implementation and governance. And although the intervention may only be replicable to other specific contexts and interventions, it illustrates potential when local needs, markets and capacities align.

2.4: First recipients of the financial instrument

The recipient of the financing is the third building block of the instrument. In most cases, financing flows via intermediaries: as noted above, red-lines and institutional realities for bilateral donors tend to limit their capacities to directly fund large numbers of LNAs and so necessitate intermediation.

ALNAP and ShareTrust distinguish four kinds of locally-led intermediaries contained in Figure 7 below - single local intermediary; local actor intermediary networks; network of mutual aid practitioners; Multi Donor Trust Fund/Pooled fund managed by local actor network.²² These first

recipients of financing may hold multiple roles as brokers, partners, sub-granters and implementers – and so the line between intermediated and direct financing can be blurred.

Whether an intermediary is international, national or local, it is their motivations, red-lines, and capabilities that determine what they bring to the financing instrument.²³ As with origin funders, important characteristics are their granting scale and cycles, their relational capital and their technical and in-kind capabilities.

FIGURE 7: KEY CHARACTERISTICS OF FIRST RECIPIENTS



Scale and span

Although funding size and cycles may be pre-determined by origin donors, in some cases intermediaries' organisational red lines around disbursement sizes and boundaries can introduce these into the financing mechanism. International intermediaries on the 'localising' end of the spectrum may introduce requirements to spend funding within pre-set 'emergency' or annual budgetary cycles – as is the case of the CBPFs – while those motivated towards a locally-led approach may find ways to stretch the financial duration and tailor disbursement sizes to LNAs' organisational requirements and absorption capacity.

Relational capital

The motivation and capacities of organisations to invest in equitable partnerships drive their role as localising or locally-led intermediaries. Their relational capital is a function of organisational positionality, dedication of appropriate staff time and institutionalised ways of working. Locally-led pooled funds and local intermediaries may bring

relational capital by virtue of being or comprising LNAs but still need to invest in appropriate levels of capacity to engage with grantees. Several INGOs had been investing in their staffing models and approaches to be able establish and foster trust-based relationships with their funding partners (see risk section below) and interviewees noted that organisational cuts and restructurings variously posed a threat and an opportunity for these organisational capabilities.

Technical and in-kind capacities

Much discussion of the added value of international intermediaries has focussed on what they bring to the financing chain in terms of enabling access to funders, brokering agreements, and absorbing financial risks and compliance requirements. They can act as the 'fiscal host' for networks and LNAs to incubate them and relieve them of bureaucratic burdens. For example, the South Sudan Local Response Pooled Fund (LRPF), initiated by a network of local NGOs, engaged Save the Children as a funding custodian and to work with the LRPF to develop financial

management protocols²⁴ and facilitate access to donors.²⁵ Intermediaries on the locally-led end of the spectrum may intentionally establish their

role to harness their capacities in a combined technical and financial aimed at supporting the autonomy of their LNA partners.

BOX 8: COMBINING FINANCIAL AND TECHNICAL SUPPORT: THE LOCAL COALITION ACCELERATOR

The Local Coalition Accelerator (LCA) model, spearheaded by The Share Trust and Warande (based in Kenya) aims to support local and national organisations (LNOs) to lead in the design and execution of large-scale systems change, and directly access bilateral and multilateral financing. It aims to build the infrastructure to shift resources and power to local actors, in line with their own priorities thus providing a single-entry point for donors to fund coordinated collective action, while enabling local actors to stay centred on their communities but deliver holistic community-centred programmes.

Each Coalition is provided with an intensive 3-year package of financial and technical support to enable local coalitions to become 'investment ready' for bilateral support – drawing on the expertise of existing Global South Networks and sharing learning between an intentionally multi-sectoral mix of members who are rooted in community self-help models. Currently operational in five countries: Uganda, Nigeria, Bangladesh, Ethiopia, and Kenya funding has been provided by diverse philanthropic funds and foundations and one bilateral donor.

For example, the Uganda LCA includes 13 LNAs targeting underserved communities across Kampala and is now registered as an individual entity having graduated from the programme in 2024. Similarly, Bangladesh's LCA comprises 14 CSOs and 2 mentor organisations and focuses on building resilient communities in the Sundarbans. Finally, Ethiopia's LCA – is a coalition of over 250 Self Help Groups in the Adama region, collectively impacting over 50,000 people directly. Source: The ShareTrust and Warande (KII)

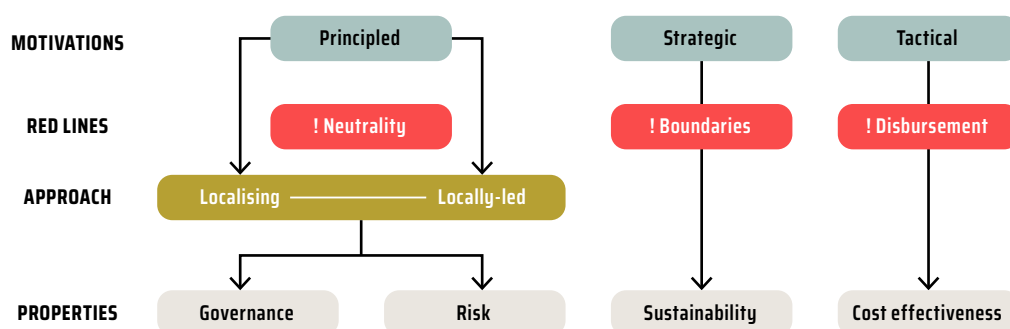


Locally-led rehabilitation in Dabiq, northern Aleppo. / Photographer: SARD

3. MECHANISM PROPERTIES

This part of the framework helps stakeholders across the localising/locally-led spectrum map their key motivations against major properties and functions of financing mechanisms. It sets out two over-arching principles and four specific properties and functions, illustrates how these apply to existing instruments, and provides suggested questions and quality criteria users can apply.

FIGURE 8: PATHWAYS FROM MOTIVATIONS TO PROPERTIES

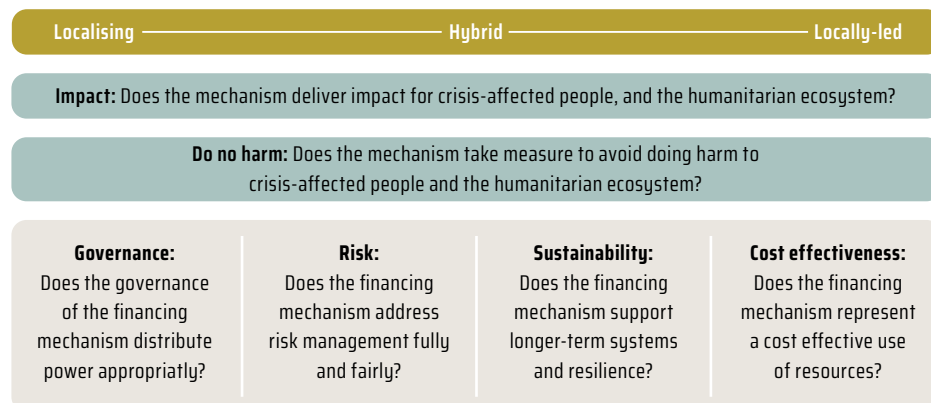


3.1: Establishing shared quality criteria

This part of the guidance builds on established quality funding frameworks and guidance, including on risk sharing, equitable partnerships. It organises a range of ‘quality’ funding properties under a set of two **overarching principles** – achieving impact and ‘do no harm’ and four **properties and functions** – governance, risk, sustainability and cost-effectiveness. Together, they form a framework for assessing the properties and ‘fit’ of financing mechanisms according to the organisational motivations identified in section 1 above.

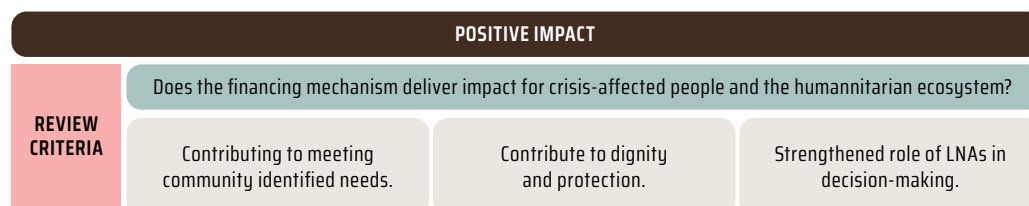
Judgement of quality against these properties depends on who is measuring it. There therefore needs to be mutual recognition and negotiation of where legitimacy lies in agreeing what is valued, how this is measured, and what counts as evidence. Investment in locally-led measurement systems is therefore in itself an important part of a localisation financing strategy.

FIGURE 9: PRINCIPLES AND PROPERTIES OF ‘GOOD’ LOCALISATION FUNDING MECHANISMS



3.2: Overarching quality principles: positive impact and do no harm

FIGURE 10: POSITIVE IMPACT – REVIEW CRITERIA



Humanitarian actors - wherever they situate themselves on the localisation/locally-led spectrum - would agree that their overall purpose is to have a positive impact for people living through crises.

Where they may diverge is on their vision of desired impacts of localisation on the humanitarian ecosystem, including what a desirable balance of capabilities, resources and power for local, national, and international actors would be. From a localisation perspective, system change is a by-product; from a locally-led perspective, system transformation is central. So, if a shared set of quality criteria for financing are to be honestly negotiated, impact on the eco-system must be framed at the outset.

There are specific targets and aspirations which point towards the positive impacts sought for local actors. From a financing perspective, these include having the resources to reach a greater number of people and the capacities to provide support which is relevant to their needs. It also includes having the core resources to enable them to influence and participate in humanitarian decision-making on equal terms with their international peers.

A starting point for designing and assessing the quality of a financing pathway is to consider what intended and unintended positive impacts for the balance of the humanitarian eco-system including whether it will it consolidate or challenge the distribution of power and resources.

FIGURE 11: DO NO HARM – REVIEW CRITERIA



The twin of this 'doing good' principle, is the 'do no harm' principle²⁶, of avoiding negative impacts on crisis-affected populations. This principle also applies to the LNAs who serve and are often part of those populations.

The risks of instrumentalising and homogenising local actors through heavy compliance, and shifting incentives away from accountability to communities, towards accountability to funders are substantial. Many actors consulted pointed to the prevalent practice of funding 'donor darlings' while overlooking smaller community embedded organisations which creates competitive funding markets. 'Commodification'²⁷ of local

solidarity, co-opting of community-led approaches, and offloading of risk onto last-mile responders are also live concerns.²⁸ Emerging approaches to working with community-led initiatives or mutual aid organisations, including sclr, are modelling new principles and practices in supporting locally-led responses, while minimising harm (see Box 11).

Potential harm to LNA diversity of approaches, legitimacy, and resilience should be considered across all aspects funding: particularly around compliance, assignment of responsibility for materialised risks, capacity strengthening, and disbursement volumes and timings.

BOX 9: DO NO HARM - LESSONS FROM THE UKRAINE POOLED FUND²⁹

A 2022 report commissioned by the Disasters Emergency Committee (DEC) found that less than 1% of humanitarian funds were being transferred directly to local and national NGOs in Ukraine. DEC members proposed establishing a new pooled fund, with reduced, tiered due diligence requirements to facilitate more direct access to funding for local and national actors. The National Network of Local Philanthropy Development (NNLPD)³⁰ was selected through competitive tender to develop and deliver the UPF in 2023, with DEC funds contracted via the START Network, which is hosted by Save the Children UK.

The fund was intended to be inclusive of organisations of all sizes, with a fast-track review process, tiered and reduced due diligence, and minimal administrative burdens (Noe and Samokhvalova 2025). NNLPD, jointly with the Start Network, developed the design of the fund through workshops with more than 70 local organisations. However, implementation was hampered and delayed by negotiations over the compliance requirements of Save the Children, which were in tension with the objectives of the fund. Concerns raised by NNLPD included complex legal contracts provided in English and enforceable under UK law; transfer of liability for risk, including risks that could not be insured in active conflict; requirements to comply with a range of Save the Children policies, which in some cases exceeded the requirements of the DEC; and requirements to transfer intellectual property rights to Save the Children. These issues ultimately delayed the start up of the fund, reduced the amount available to grant to partners, increased administrative expenses and led to strained relationships (Noe and Samokhvalova 2025).

The fund ultimately disbursed GBP 300,000 to local organisations and START and NNLPD held a public webinar to share transparently the challenges they navigated during the partnership. The UPF has subsequently been refined and adapted with support from new donors, including DEC members, building on lessons learned from the start-up phase. The fund is now led by a consortium of Ukrainian organisations. Changes include simplified bureaucratic requirements including greater delegation of control over setting the terms of partner agreements to NNLPD and a reduction in the minimum grant size to GBP 10,000 to increase accessibility to smaller organisations.

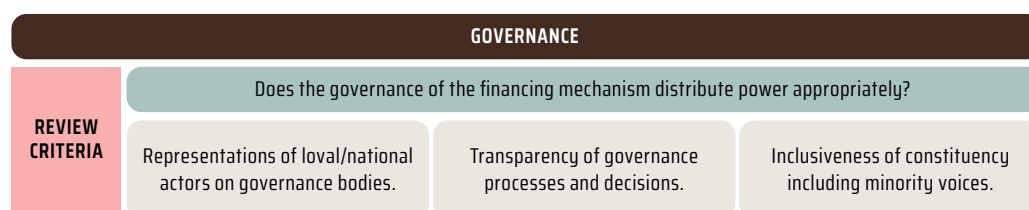
BOX 10: DO NO HARM - COMMUNITY-BASED PARTNER VETTING

A number of funds and partners include communities in their assessment of partners, to avoid selecting partners without genuine community roots and accountability. Partners in Sudan working with mutual aid organisations in some cases consult directly with communities to confirm the presence, suitability and legitimacy of prospective partners. The Aid Fund for Syria uses its networks and civil society partners to triangulate and verify that organisations are genuinely present and accountable to affected communities.

BOX 11: COMMUNITY-LED INITIATIVES – SCLR

Supporting community-led responses” (sclr) is an example of a community-led initiative (CLI). This approach uses microgrants, or Group Cash Transfers (GCTs) to transfer power and resources to existing and emergent self-help groups and organisations that mobilise to respond in times of humanitarian crisis or protracted needs, and to scale up interventions and increase impact. Grants are distributed to groups based on simple project proposals, and can be one-off payment, or provided in multiple instalments. They may be provided to one or several groups within the target area and are used for responding to priorities that members of affected populations have themselves identified. Through sclr, the GCT modality is accompanied by a participatory approach that directly supports crisis affected peoples’ own collective efforts to survive, protect, recover, and reduce vulnerabilities and prepare for shocks. The approach aims to support these first responders in initiating and/or continuing community-led actions and responses, rather than building a parallel system, and has been proven to strengthen resilience, improve response relevance, and ensure community ownership and sustainability despite challenging environments.³¹

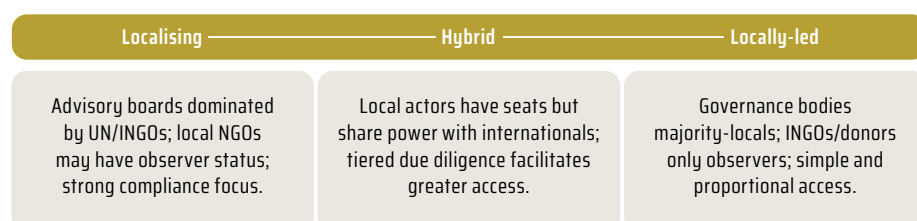
3.3: Properties: governance, risk, sustainability, cost-effectiveness

FIGURE 12: GOVERNANCE – REVIEW CRITERIA

Choices made around how funds are governed are a direct expression of the intended distribution of decision-making power and can have a powerful influence on access to funding. Representation in financial decision-making is a key element in ensuring governance arrangements align with partner objectives and principles on localisation.³² This includes consideration of the degree of leadership which LNAs hold and of who is included in what level of representation in decision-making.

International labels of ‘local’ and ‘community’ can overlook the importance of being intentionally inclusive of those who are often marginalised in decision-making. Learning, in part, from the work of Feminist Funds, several philanthropies are prioritising measures to improve inclusive representation: for example, one interviewee from a philanthropic foundation noted their adoption of the Asia-Pacific Network of Refugees’ (APNOR) refugee participation index.³³

Figure 13 below sets out a spectrum of possible models. At one end are internationally dominated governance structures, where priority is given to donor and intermediary oversight and control. Risks of gatekeeping, bias, and exclusion in vetting and allocations are considered higher where more powerful actors have a high level of discretion and control over these decisions. In the middle, there are transitional or hybrid models, where representation may be more balanced between international and national actors. And finally, funds designed to support locally-led humanitarian action where decision-making power is fully or largely held by local and national actors.³⁴ This could include models which build from and support existing forms of local governance, rather than introducing new external models.

FIGURE 13: ILLUSTRATIVE GOVERNANCE MODELS

BOX 12: LOCALISING GOVERNANCE STRUCTURE

The OCHA CBPFs typically have country-level advisory boards with balanced representation across contributing donors, UN agencies, and international and national NGOs. CBPF advisory boards review and advise on allocation strategies, priorities, and risk frameworks. They provide input on the overall strategic direction of funds, but they do not make decisions on allocations or partner eligibility. These responsibilities ultimately rest with the RC/HC and OCHA Humanitarian Financing Unit/CBPF secretariat respectively.

BOX 13: HYBRID GOVERNANCE STRUCTURE: THE AID FUND FOR SYRIA (AFS)

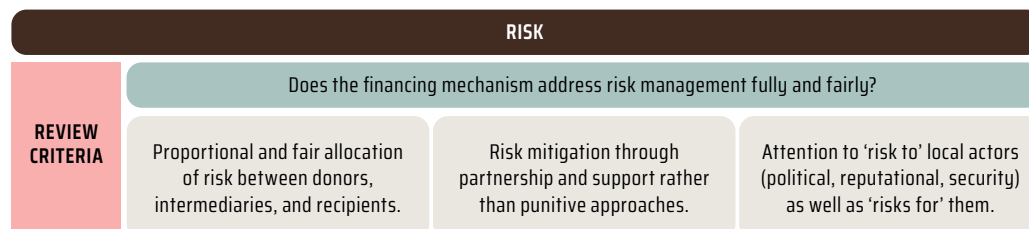
The AFS (see also box 18 below) is in a transitional, hybrid phase, moving from a governance structure balanced between donors, INGOs and national NGOs to one that favours local and national actors. The model retains three donor seats; INGOs move to non-voting observer status; all remaining seats are reserved for national NGOs and civil society representatives. As part of this shift, Board discussions and correspondence will be conducted both in Arabic and English.

BOX 14: LOCALLY-LED GOVERNANCE STRUCTURES

The governance structures of the NEAR Change Fund and Sudan Local Response Pooled Fund (LRPF) were designed and are led by local and national memberships.

The NEAR Change – a pooled fund managed by NEAR, a locally-led network largely funded by philanthropic funds – has a fund governance committee comprising 12 NEAR members (local organisations) chosen as representatives by the members in each geographic region.

The LRPF has undergone governance reform and transition to a nationally registered, fully independent, nationally governed pooled fund in South Sudan. It operates with a locally elected Board of Trustees, a Compliance Committee, and a professional Secretariat. The General Assembly of over 200 national NGOs serves as its ultimate authority.

FIGURE 14: REVIEW CRITERIA: RISK

Approaches to risk diverge substantially, principally on the question of where responsibilities for holding, and therefore bearing the costs of materialised risks lie. Key elements to consider include fair allocation of fiduciary and compliance risks, flexibility in donor approaches to flagged issues, and proportional compliance requirements. Design and assessment of financing approaches should also take a broader view of risk, beyond financial legal and reputational risks, to include operational, security, information, and ethical risks.³⁵

At the localising end of the spectrum, many donors and international intermediaries impose control-based approaches with the intention of reducing the potential for fiduciary and reputational risk. This may include rigorous vetting criteria and compliance with a range of financial and accountability standards and policies.³⁶ Such management requirements may exclude smaller and less formalised organisations. They may also mean that funding recipients are disproportionately exposed should risks materialise: analyses of risk-sharing in international-local partnerships, suggest that the default is to prioritise mitigating the 'risks of' LNAs, rather than the substantial 'risks to' them.³⁷

In the middle of the spectrum, a hybrid approach recognises that risks should be shared more equitably among donors, intermediaries and

funding recipients. This broader 'risk-sharing' view may prompt choices around how to jointly manage the costs of preventive measures and the responsibility for the consequences of risks that materialise.³⁸

Donors may take a trust-based partnership approach to managing risks, that relies on regular dialogue, and constructive rather than punitive responses to issues identified.³⁹ Many donors and partners cultivate strong trust-based relationships across the spectrum, but often alongside compliance-based systems. Currently trust-based relationships in lieu of control-based approaches to managing risk are practiced more commonly among philanthropic donors and towards the locally-led end of the spectrum.

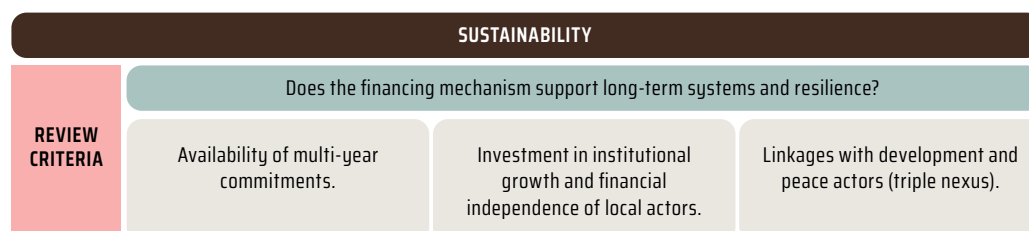
Across this spectrum, there are a range of choices to ensure that due diligence, proposal, and reporting requirements are proportionate to grant size and risk. A growing range of potential tools are available to enable more equitable risk sharing, including tiered risk frameworks, pooled insurance, or contingency reserves.⁴⁰

FIGURE 15: ILLUSTRATIVE RISK MANAGEMENT MODELS**BOX 15: ADAPTING RISK MANAGEMENT: MUTUAL AID IN SUDAN**

Shortly after the outbreak of conflict in Sudan in April 2023, groups of volunteers often referred to as 'Emergency Response Rooms' (ERRs) mobilised to provide life-saving aid. International actors have had to re-evaluate and adapt their approaches to enable them to partner with these informal groups, including overcoming institutional reluctance to work with partners that do not comply with the humanitarian principle of neutrality, and legal and fiduciary risks associated with working with unregistered and verified groups.

The Localisation Coordination Council (LCC), a coordination body representing many ERRs and 9 local Sudanese NGOs, have played a key role in these adaptations, including developing a standardised planning, reporting and monitoring system, the "F-System"⁴¹ which many international actors working with ERRs, including the OCHA CBPF, the Sudan Humanitarian Fund (SHF), have agreed to accept in lieu of their own. The SHF has also introduced a new rule to allow partners to disburse up to USD 6,000 to mutual aid groups, without prior authorisation, and amounts above USD 6,000 up to USD 20,000 with a light and rapid approval from the SHF.

Building on the Sudan experience, OCHA endorsed a new process that allows 'Exceptional Procedures' including derogations from the CBPF standard guidelines when rapid deteriorations in humanitarian crises warrant a shift in operational approaches.⁴²

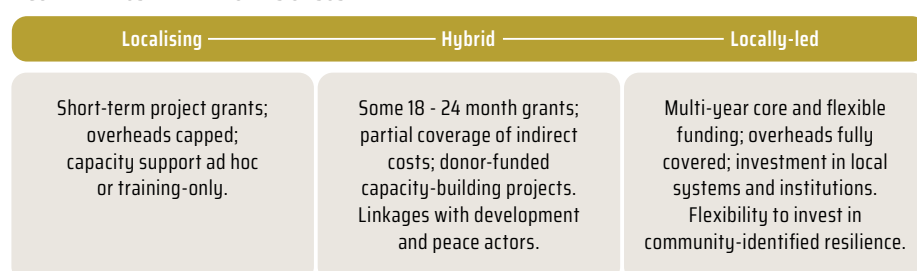
FIGURE 16: REVIEW CRITERIA: SUSTAINABILITY

In this context, sustainability addresses a range of pragmatic motivations outlined in 2.2 above. These include aspirations to support responsible exit strategies for international actors, to support the long-term resilience and financial independence of LNAs and to invest in addressing root causes and building resilience of communities.

of core costs, and investments in partner systems and capabilities. Sustainability objectives would typically require predictable multi-year funding. Where organisational sustainability is a priority, this may include allowing flexible funding and targeted technical assistance to invest in organisational strategy and capabilities.

Key elements to consider in ensuring funding supports sustainability objectives include the predictability and duration of funding, coverage

In addition, funds may look to broker and facilitate relationships with actors across the nexus, and with alternative funders.

FIGURE 17: ILLUSTRATIVE MODELS OF SUSTAINABILITY

BOX 16: FLEXIBLE AND CORE FUNDING: THE NEAR CHANGE FUND

The NEAR Change Fund provides overhead costs of up to 15%, which partners are encouraged to use flexibility including for institutional strengthening, with no requirement to justify what partners choose to prioritise.

BOX 17: PILOTING FULLY FLEXIBLE GRANTS: OXFAM GB'S PARTNERS' INVESTMENT FUND (PIF)

Oxfam GB's Partners' Investment Fund is a 5-year experimental pilot project, which aimed to understand the difference that flexible funding could make, influence financing practices in the sector, and shift Oxfam towards models of more equal partnership.

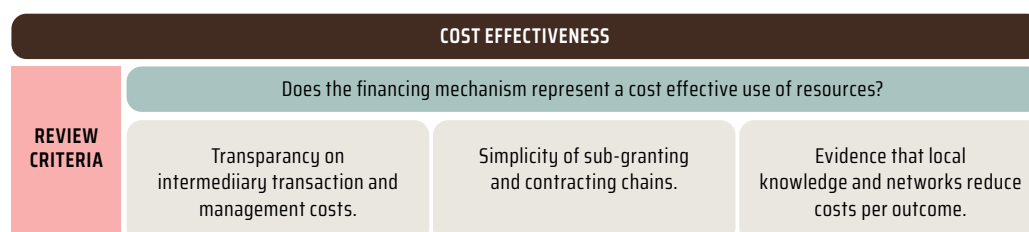
The £1.5m funding came from Oxfam's own internal unrestricted funds and was given directly partners in 4 countries – Nepal, Myanmar, Palestine and Yemen – and one region, Southern Africa. Grants were for three years and fully flexible – with no earmarking, freedom to adapt to changing contexts, and no reporting required beyond what was required under the recipients' local law and what the partner found interesting and useful to communicate.

As the programme ends in 2026, emerging findings suggest that recipients chose to spend the majority of funds on organisational development including staffing, technical and office costs, which strengthened the organisation and increased programme quality. The reduced reporting burden also freed up time for project delivery and built trust.

BOX 18: WORKING ACROSS THE NEXUS: THE AID FUND FOR SYRIA (AFS)

AFS, formerly the Aid Fund for Northern Syria, has evolved from its early beginnings as a contingency mechanism for the UN OCHA Syria cross-border humanitarian fund into a fund prioritising locally-led recovery across Syria. A key driver of this shift is a change in the operating context with the fall of the former regime. The fund develops allocation strategies through bottom-up design with local and national actors, while coordinating within the humanitarian system, and prioritises community-level interventions rather than household assistance. It invests in the capacity sustainability of small civil-society organisations and community-based organisations, and expands into strengthening civic spaces, social cohesion and community leadership. Grants can be awarded for up to 24 months.

The fund applies a nexus approach, addressing immediate needs, recovery, and capacity strengthening, and it actively engages humanitarian, development and peacebuilding actors to facilitate complementarity, notably with the Syria Recovery Trust Fund (SRTF), which focuses on stabilisation and infrastructure. AFS has developed an 'Adapt, Strengthen, Transition' model, with the Transition phase focusing on shifting responsibility for recovery efforts from external actors to Syrian-led institutions.⁴³

FIGURE 18: REVIEW CRITERIA: COST-EFFECTIVENESS

Cost effectiveness typically focuses on the relationship between the costs of an intervention and the outcomes or impacts achieved. Assessing the cost-effectiveness of financing models will be placed under far greater scrutiny in a reduced funding environment.

There are many dimensions of cost-effectiveness. The interpretation presented here includes considerations of which models of 'scale' are privileged in cost-effectiveness assessments, the timeliness of funding, and appropriateness of costs across sub-granting transaction chains.

Particularly on the localising end of the spectrum, organisations often assess scale in terms of funds disbursed and donors are often motivated to disburse relatively large volumes of funds within annual budgetary cycle windows, and to minimise the number of funding transactions for back-donors. This interpretation of cost-effectiveness in relation to scale

may exclude many potential partners who cannot quickly absorb large volumes of funds and may be in tension with supporting community-led responses, diversity and pluralism.⁴⁴

Alternatively, on the locally-led end of the spectrum, actors supporting community-led responses consider scale can be achieved through the cumulative impact of leveraging existing local and national capabilities and networks.⁴⁵

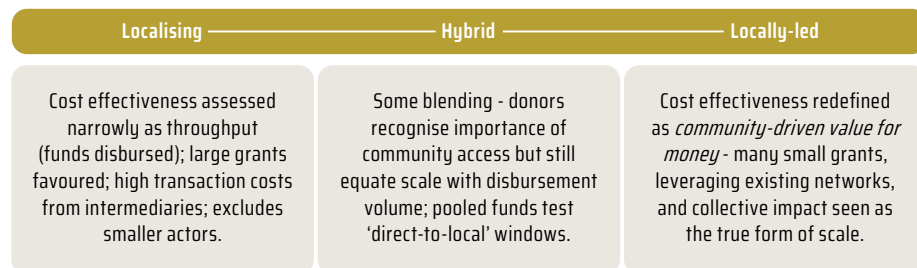
Achieving a balance between economies of scale for donors, and appropriately sized and accessible funding for local and national actors should be considered carefully.

A key tenet of the Grand Bargain commitments of localisation is providing funds 'as directly as possible'. Pooled funds introduce an additional layer

into the transaction chain. In many cases, and particularly with smaller and community-based organisations, pooled funds pass funding on to an intermediary who will incur further costs before funds finally reach the last mile local and national delivery partners. Across the spectrum

of localisation approaches, scrutiny of transaction costs and efforts to encourage more direct funding, including dedicated windows, and benchmarks or targets for levels of expected pass-through should be applied.

FIGURE 19: ILLUSTRATIVE MODELS OF COST-EFFECTIVENESS



BOX 19: MANAGING TENSIONS IN SCALE AND COST-EFFECTIVENESS: MUTUAL AID IN SUDAN

ERRs are often the only actors able to reach crisis-affected populations. Costs incurred by the ERRs are low. The Mutual Aid Sudan Coalition reports for example that in the first quarter of 2025, the average amount transferred for ERR Activity Plans was USD 7,545, and the average cost of assistance per person was just USD 1.79.⁴⁶ Scale and impact are also amplified by the labour and networks of the ERR volunteers and communities.

The SHF channelled USD 15 million to mutual aid groups, via national and international partners in 2024, of USD 208 million allocated that year.⁴⁷ This represents a relatively small share of total funds disbursed but nevertheless reflects a rapid scale-up. The value for money of the share of funds retained by intermediaries in this transaction chain has also been a matter of debate. OCHA has adopted a target to encourage pass-through of funds to local and national actors of at least 60% of funds allocated. Some intermediaries have raised concerns however that the funds passed on do not cover the real costs of key activities, including mentorship of mutual aid groups, which have been cross subsidised from organisational funding.

BOX 20: ACHIEVING SCALE AND IMPACT THROUGH COMMUNITY CAPACITIES: THE ABOT KAMAY COMMUNITY SOLIDARITY FUND

The Abot Kamay Fund is hosted by Centre for Disaster Preparedness Foundation, a Filipino NGO as the grant-making facility for an 'Assets, Agency Trust' (AAT) programme. It combines financial with non-financial support and focusses on self-determined priorities. The (AAT) programmatic approach takes as its starting point that communities have more than just financial resources (social, intellectual, environmental) (assets), that they already have capacities (agency), and that relationships with partners will be actively nurtured to build trust.

The first 1.5 years of the fund's USAID funded pilot phase (2022-2023) involved extensive action research, surveying more than 100 organisations and conducting focus group discussions to understand community assets and agency. The grant-making facility was initiated after this period, providing small grants to community-based organisations.



South Sudanese NGO provides tailoring class in IDP Camp, Jongei State, South Sudan.

CONCLUSIONS

At this critical juncture for humanitarian financing, the global system faces not only a dramatic contraction in resources but also an urgent window of opportunity to reconfigure how those resources are allocated and governed and to resuscitate localisation commitments.

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. The framework presented above is intended as a practical tool to support more intentional and transparent decision-making about financing pathways towards this future.

It emphasizes that choices about instruments must follow clarity of purpose: whether actors are pursuing localisation as a form of decentralisation, or are committed to genuinely devolved, locally-led humanitarian action. It proposes 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.

Ultimately, 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, it requires trust, built through sustained relationships, honest negotiation of risk, and genuine recognition of local actors' legitimacy and leadership. This framework is a step towards anchoring those negotiations in shared language and criteria. Intended as a living, co-iterated tool, its utility will depend on how it is taken up, adapted, and applied by the diverse actors engaged in shaping the humanitarian system during this pivotal period.

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ANNEX 1: Self-assessment worksheets

Section 1. Purpose

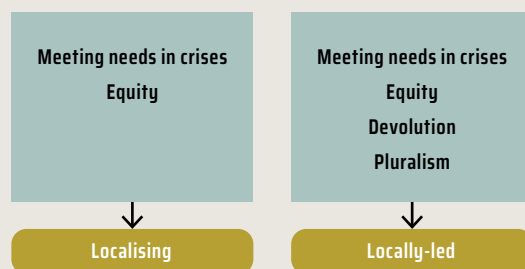
The following questions are designed to help clarify the principled and pragmatic motivations of funders, intermediaries, and recipients.

1. Which of the following statements best describe your organisation's **principled motivations** to localisation?

- ☐ **(Meeting needs in crises)** Localisation supports principled humanitarian action by contributing to better outcomes for crisis-affected people.
- ☐ **(Equity)** Localisation can address power imbalance and injustice in the humanitarian system.
- ☐ **(Devolution)** Decision-making should take place closest to the people affected by those decisions.
- ☐ **(Pluralism)** Diversity and pluralism (of actors, approaches, epistemologies and principles), a source of resilience and should be supported.

If you agreed with the statements on devolution and pluralism, it is likely that your approach aims to support **locally-led** humanitarian action, including resourcing initiatives driven by local and national actors, often outside the aid system.

If you did not agree with these statements, but you did agree with statements on meeting needs and equity, it is likely that you support a **'localising'** approach, which includes actions to increase access and inclusion of local and national actors within the existing international system, and to improve the fairness of funding terms and conditions.



2. Which of the following statements best describe your organisation's **strategic motivations** for localisation?

- ☐ **(Exit strategies)** Strengthening local capabilities enables international actors to exit responsibly.
- ☐ **(Sustainability)** Investing in local and national capabilities including financial sustainability, reduces the need for international action in the future.
- ☐ **(Nexus)** Local and nationally led action is more likely to facilitate addressing root causes and recovery – the 'nexus' between emergency action and long-term solutions.

3. Which of the following statements best describe your organisation's tactical motivations to localisation?

- ☐ **(Cost efficiency)** Local and national actors deliver impact with fewer resources.
- ☐ **(Timeliness)** Local and national actors are present and therefore are typically first or early responders.
- ☐ **(Effectiveness)** Local and national actors have capacities, insights and networks that can achieve more relevant and effective responses.
- ☐ **(Access)** Local and national actors are present, can negotiate access and/or have higher risk tolerance and therefore are more likely to be able to reach crisis-affected people.
- ☐ **(Legitimacy)** Local and national actors have greater acceptance from communities, authorities and conflict actors.

4. Which of the following statements best describe your organisation's **externally-driven motivations** for localisation?

- ☐ Pressure from donors to meet our and/or their localisation commitments.
- ☐ Fundraising opportunities.
- ☐ Cost-saving in the context of funding constraints.
- ☐ Pressure from affected country governments to work with or through local partners.

5. Which of the following statements best describe your organisation's **external constraints** to localisation?

- ☐ Host country government restrictions on working with civil society actors.
- ☐ Risks to civil society actors.
- ☐ Delivery of technical programmes that cannot currently be delivered by LNAs.

6. Red line issues: Do you agree with any of the following statements?

- ☐ **(Neutrality)** Partners must strictly adhere to the humanitarian principle of neutrality
- ☐ **(Boundaries)** It is not within our remit or competence to address root causes or recovery.
- ☐ **(Disbursement volume)** Funding recipients must be able to absorb a critical mass of funding.

Section 2: Financing building blocks

The following questions are designed to help identify the properties of origin funding, funding terms, and first recipients/ intermediaries.

Origin funding:

Does the funding come from:

- Bi-multi-lateral aid from governments
- Private giving: philanthropic funds, endowments, individual giving
- Private sector
- Revenue generation

How do motivations, capacities and red-lines for the origin donor shape the limits of potential of the financing instrument in terms of:

1. **Scale and span:** what are the parameters of the budget size and spending cycle?
2. **Relational capital:** what resources and capabilities can the origin donor dedicate to building and maintaining relationships with recipients?
3. **Technical and in-kind capacities:** what non-financial support is the origin donor able to provide as part of the agreement?

Funding terms:

Is the funding provided on:

- ☐ Grant terms (no expectation of return payment)
- ☐ Loan or investment terms (expectation of cost recovery or returns)

What are the provisions in the terms of the financing agreement for:

1. **Fungibility:** to what extent do the terms of the financing allow recipients' flexibility in determining and adapting expenditure?
2. **Returns:** is financing provided on expectation of a specific return or outcome?
3. **Leverage:** is the financing instrument built in provisions for catalysing additional funds?

First recipients/intermediaries of financing:

Is the financing channelled via:

- International intermediary funds or organisations
- Local or national intermediary funds or organisations
- Directly to national, local or community responders

What does the channel of delivery offer in respect to:

1. **Scale and span:** what are the parameters of the budget size and spending cycle?
2. **Relational capital:** what resources and capabilities can the origin donor dedicate to building and maintaining relationships with recipients?
3. **Technical and in-kind capacities:** what non-financial support is the origin donor able to provide as part of the agreement?

Section 3: Mechanism properties

The following questions and criteria may be used in evaluating financing mechanism for their fit with motivations, red lines, and funding properties. Note that the relevance of review criteria will vary depending on organisational approaches to localisation.

Review question	Criteria
1. Impact: Does the financing mechanism deliver impact for crisis-affected people and the humanitarian ecosystem?	☐ Contribution to meeting community identified needs ☐ Contribution to dignity and protection ☐ Strengthened role of LNAs in decision-making
2. Do no harm: Does the financing mechanism take steps to avoid damaging local actors or communities?	☐ Compliance requirements proportionate to risk ☐ Avoidance of elite capture or exclusion of marginalised voices ☐ Support reinforces solidarity and volunteerism
2. Governance: Does the governance of the financing mechanism distribute power appropriately?	☐ Representation of local/national actors on governance bodies ☐ Transparency of governance processes and decisions ☐ Inclusiveness of constituency including minority voices
3. Risk: Does the financing mechanism address risk management fully and fairly?	☐ Proportional and fair allocation of risk between donors, intermediaries, and recipients ☐ Risk mitigation through partnership and support rather than punitive approaches ☐ Attention to 'risks to' local actors (political, reputational, security) as well as 'risks of' them
4. Sustainability: Does the financing mechanism support systems strengthening and resilience?	☐ Availability of multi-year and flexible commitments ☐ Investment in institutional growth and financial independence of LNAs ☐ Linkages with development and peace actors (triple nexus)
5. Cost effectiveness: Does the financing mechanism represent a cost-effective use of resources?	☐ Transparency on intermediary transactions and management costs ☐ Simplicity of sub-granting and contracting chains ☐ Evidence that local knowledge and networks reduce costs per outcomes

ANNEX 2: List of organisations consulted

Aid fund for Syria

ALNAP

Centre for Disaster Philanthropy

Centre for Disaster Preparedness

Christian Aid

Danida

Danish Ministry of Foreign Affairs

DanChurchAid

DCA/ NCA Joint Programme Palestine

FCDO

Global Fund for Community Foundations

Groupe URD

Hilton Foundation

Humanitarian Aid International

ICVA

IFRC

Local 2 Global

National Network of Local Philanthropy Development

NEAR

ODI Humanitarian Policy Group

Refugees International

Resilio

Save the Children US

The ShareTrust

Social Finance

UK Foreign and Commonwealth Development Office

Endnotes

1. Posada Bermudez, A. (2025)
2. Ibid.
3. The Grand Bargain defines local actors as 'national and local responders comprising governments, communities, Red Cross and Red Crescent National Societies and local civil society'. See: <https://gblocalisation.ifrc.org>
4. Barbelet et al (2021) explain how defining who is a 'local' actor is a complex, relative and highly context-specific task.
5. ALNAP (2025) finds that direct and indirect funding to local and national actors fell to just 7.5% of total assistance in 2024, down from 8.7% in 2023.
6. Abdullahi et al (2025) based on ALNAP (2025).
7. Statement by Emergency Relief Coordinator Tom Fletcher - The Humanitarian Reset Phase Two 19 June 2025, <https://interagencystandingcommittee.org/inter-agency-standing-committee/statement-emergency-reliefcoordinator-tom-fletcher-humanitarian-reset-phase-two>. Also reiterated on the 14th of September IASC 'Humanitarian Reset and UN80 Stocktake & Next Steps' which noted, *"We have asked donors to meaningfully increase funding to country pooled funds, which would provide significantly more funding to local actors/frontline responders, with particular focus on women-led organisations. The IASC has not agreed a specific target for pooled funding, but my aspiration as ERC is to reach 50%, with 70% of that for local actors."*
8. ICVA (2025a) note that the earlier OCHA proposal to increase funding to CBPFs to 33% *"signals a major reconfiguration of how humanitarian financing is prioritised, governed, delivered, and made accountable"* and calls for greater scrutiny of these proposals.
9. CAFOD (2025) found for example that in Kenya and South Sudan "Unlike INGOs or UN agencies, most LNAs lack financial reserves and rely heavily on a few donors to sustain operations. Many affected LNAs had to immediately lay off programme staff and are at risk of shutting down in the absence of alternative funding."
10. A set of properties of localisation as a process have been codified in the Grand Bargain, Charter4Change and a range of measurement frameworks, but there is no common articulation of localisation's ultimate purpose. Barbelet et al (2021) argue that "the weak conceptualisation of the end goal of localisation and metric-led approach to measurement has meant that, overall, there is a relative scarcity of strategic approaches to conceiving of and implementing localization."
11. See The Share Trust (2025), ICVA (2025c) Posada Bermudez et al (2025).
12. Alternatively, Robillard et al (2021) describe two groups of normative and instrumental motivations: "Research highlights dual rationales: normative ("the right thing to do") and instrumental (necessary for access, sustainability, effectiveness)" Similarly, Frennesson et al (2022) describe rationales as being ideological and practical.
13. IFRC for example describes the goal of localization as "increasing the reach, effectiveness and accountability of humanitarian action" (IFRC, n.d.)
14. Posada (2025) describes "Localisation focuses on reforming the international aid system by shifting power and building equitable partnerships - though still shaped by the priorities of international and Minority World actors."
15. Singh (2025) argues for example that "Localisation is not about giving another form to the coloniality of power but rather recognising its deep-rooted presence in the subconscious of actors throughout the sector - a mindset that has persisted not merely for decades but centuries." The Global Fund for Community Foundations (GFCF) describes the use of 'localisation as a verb whereby "only those who are not local can "localize," and local actors become relegated to passive "objects," on the receiving end of the decisions and actions of others." (GFCF 2022).
16. For Singh (2025) for example, the desired outcome of localisation is: "Autonomy of communities, to function within their indigenous framework and thought leadership to manage their opportunities and challenges with control over their resources and method of knowledge production while having a mutual and reciprocal relationship with national and global communities."
17. DG ECHO's definition of localization for example includes the aspiration of promoting sustainability: "localisation means empowering local responders in affected countries to lead and deliver humanitarian aid. It aims at strengthening the capacity and resources of local organisations to respond to crises and promote long-term sustainability." (European Commission, n.d.)
18. Notably, however, resources can be secured where motivations support localisation to be a priority. KII noted that several USAID missions had entire staff teams dedicated to forging constructive, open door, regular, trust-based dialogues with local partners to support them to access and deliver funding.
19. Interviewees working with community -led response noted how local giving crowds in other kinds of support. And as one interviewee noted: *"\$1 given by a local person represents a completely different kind of legitimacy, accountability, and risk-taking than \$1 from a donor with no direct stake in the outcome [...] shifting the centre of gravity, negotiating on different terms, and surfacing uncounted forms of value: sweat equity, trust, networks."*
20. DCA's Syria De-mining Development Impact Bond is a four-year pilot project, currently in set-up phase, to test innovative financing for de-mining. The UK FCDO is the outcome payer and has committed £4.5 million to the project, but an investor is yet to be found.
21. See for example Sweden's [guarantee instruments](#), or the UK's investments in the African Risk Capacity with the expectation it would become a going concern in time.
22. The wide range of well-established locally-led pooled funds, which provide viable alternatives to internationally-led funds, has been clearly highlighted in recent mappings, See ICVA (2025c), The ShareTrust and Warande (2025).
23. Tellingly, Gibson and Mottola (2023) note that in the absence of a common definition of intermediary clear single definition of intermediary organisations tend to be defined on what they offer to donors rather than what grantees/sector needs. However, counter definitions are emerging.
24. Centre for Disaster Philanthropy (2025)
25. KII
26. The principle of 'do no harm' was originally framed in relation to the potential of humanitarian interventions to contribute to conflict (see Anderson 1999) or corruption but has since been used more widely to refer to the range of negative impacts that humanitarian action might cause.
27. Singh (2025).
28. This was a concern raised by several KIIs engaged with local action, particularly mutual aid and sclr.
29. See: <https://www.philanthropy.com.ua/en/projects/ukraine-pooled-fund/> ; <https://startnetwork.org/funds/national-start-funds/ukraine-pooled-humanitarian-fund>
30. NNLPD represents a network of Ukrainian community foundations with 22 members, many of whom have been established for over 15 years.
31. See: <https://www.local2global.info/sclr/>
32. 'Leadership and decision-making' are one of the criteria in the Local Intermediary Spectrum Tool (LIST) proposed by Share Trust and Warande Advisory Centre.
33. see <https://apnor.org/empowerment-and-leadership/index-scorecard/>

34. ICVA (2025b) defines locally-led funds as those in which "local or national actors lead (i.e. take the key governance and management decisions). If the governance or management group (i.e. steering committee), includes multiple actors, local or national actors should be in the majority"
35. Risk Sharing Platform (2023)
36. ICVA (2025) describes a range of control measures used by pooled funds, influenced by the ISO 31000 standard, including eligibility assessment, partner risk ratings (which determine grant values and management conditions based on capacity and performance assessments), standardized contracts linked to grant management guidelines, mandatory requirements relating to PSEAH, fraud and corruption, and partner performance assessments.
37. Stoddard et al 2019.
38. Based on ICVA (2025).
39. Interviewees from philanthropies noted that by virtue of having private rather than public funds, they have less default fiduciary risk aversion and more room to focus on opportunities and capacities of locals and risks of not supporting them.
40. Risk Sharing Platform (2023)
41. See: <https://lccsudan.org/fsystem/>
42. See: <https://www.unocha.org/publications/report/world/country-based-pooled-funds-exceptional-procedures-endorsed-usg-july-2025>
43. *Aid Fund for Syria (AFS) – Fund Strategy 2025-2030*, published April 2025. <https://aidfundforsyria.org/volumes/doc/AFS-Strategy-2025-2030.pdf?v=1747061524>
44. ICVA (2025) note that pooled funds "disproportionately allocate funding directly to INGOs and large national NGOs, while smaller often local actors often struggle to access funding directly."
45. A point raised consistently among KII respondents working with community-based actors.
46. Mutual Aid Sudan Coalition (2025)
47. OCHA (2024).