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FINAL REPORT

Evaluation of the potential effectiveness and efficiency gains of working directly with local NGOs in the humanitarian interventions of the Commission

May 2012 – January 2013

prepared for:

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1 Executive Summary

1.1 Background

i.   Long promoted by Development actors and the Red Cross Movement, and reinforced by lessons learned from natural disasters since the 2004 Asian tsunami, a trend has developed in humanitarian aid which seeks for global actors to decentralise, build or develop capacity of local stakeholders in third countries, and consider them as partners rather than recipients. This global trend aims ultimately at handing over the responsibility of response to local actors, reducing their dependency to external aid, and increasing resilience. However, the trend has not as of now been fully streamlined with the parallel demand for increased professionalization and accountability. [§3-5, 128-130]

ii.   Within that framework, a report of 2011 from the Commission's Internal Audit Service (IAS) recommended that "*ECHO should, on a sample basis, evaluate the efficiency and effectiveness of the funds channelled through local NGOs. The objective of such evaluation would be to assess whether efficiency gains can be achieved by working directly with these organisations, and if so, to seek an amendment to the current regulation to enable it to do so*". [§12]

1.2 Objectives and methodology

iii.   The evaluation should support the Commission (TOR, section 3) in assessing the potential gains from working 'directly' – or at least 'more closely' - with local NGOs (LNGOs)[1] in humanitarian interventions, as compared to the present practice consistent with the Humanitarian Regulation[2] (art. 7-9) of working exclusively with EU-based NGOs, IOs and UN agencies, signatories of the FPA or the FAFA[3]. The evaluation had also to identify direct and indirect costs and effects of developing direct working arrangements with LNGOs, map (Annex VII) and analyse existing practices of relevant agencies and donors, and provide corresponding options/concepts and recommendations. [§13]

iv.   The scope of the evaluation had to cover the whole of ECHO humanitarian activities (including preparedness, DRR and LRRD), contexts (slow and rapid onset situations), and geographical areas. This approach was to be carried out on the basis of a selected sample of four country field visits, complemented by a desk review and online surveys. The evaluation had also to take into account the different contextual and operational factors that may have an influence on the effectiveness of LNGOs, such as the geographical, political, socioeconomic, cultural and time-related aspects prevailing in the areas of interventions. [§14]

v.   The evaluation team consisted of three core team consultants and three short term supporting experts. The inception period started in mid May 2012. A Desk Report with a comprehensive documentary review was submitted at the end of August. The draft report had to be submitted by mid-November, and the finalised report by mid-December. The field phase included visits to Cambodia, Bangladesh, Kenya and Ethiopia. Four separate online surveys were launched between mid-August and mid-October to all FPA partners, ECHO field staff, donors, IOs and UN agencies, and to the ECHO partners who have worked in Haiti after 2010. The methodological approach through desk study, field visits and online surveys (chapter 2.4) resulted in a triangulation of findings which has led to a pattern of conclusions (chapter 3) and corresponding recommendations (chapter 4). [§15-24]

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[1] The terms Local NGO or LNGO are used throughout the report, although other terms exist such as National NGOs (with nation-wide scope, whereas local NGOs are those based in some regions or areas of the countries). The evaluation has prioritised NGOs (with legal status) over community- based organisations (CBOs). Locally-registered members of global NGO families have also been accepted as local NGOs, though some of their activities and needs may be different from the majority of LNGOs.
[2] (EC) No 1257/96 of 20 June 1996

[3] Framework partnership Agreement (NGOs, IOs); Financial and Administrative Framework Agreement (UN)

vi.   Some constraints have appeared due to the lack of consistent statistics or information about local implementing partners, and the decision of ECHO in July to the effect that the Humanitarian Regulation would not be revised in the foreseeable future. That decision, which precluded any direct working relationship with LNGOs, has somewhat diluted the application of the IAS recommendations and has imposed in some cases the use of caveats in communicating about the evaluation objectives. [§25-26]

1.3   Main findings and conclusions

(through triangulation of desk study, field visits and online surveys)

The legal and operational framework of DG ECHO

vii.   The current legal framework either forbids direct working relations with LNGOs, or is not conducive to that approach. Art 7.1. of the Humanitarian Regulation, the legal basis of ECHO, *does not allow* the direct funding by ECHO of NGOs or bodies (except international organizations and agencies – UN, RC - as per art 10.2) which are not legally based in the EU. Some provisions of art 7.2 of the Regulation, which lists the criteria of capacity and professionalism required from ECHO partners, would also strongly restrict the acceptance of often under-capacitated LNGOs in the demanding FPA (see SWOT below). [§1-11, 27-33]

viii.   The EU Financial Regulation (FR) [4] and its Implementing Rules do not include any specific provisions regarding the funding and capacity building of non-European NGOs, although they do not prevent such activities either. Some of the provisions of the current FR are however not much conducive for LNGOs, which may be impacted by weakened funding sources (due to reduced national budget and effects of the economic crisis) or are not members of an international family or alliance. These provisions may dissuade most LNGOs from the onset. Some of the most contentious articles may nonetheless be amended in the proposed FR revision, and others, more favourable, may be added. [§34-42]

 ix.   Although the ERC (Enhanced Response Capacity) fund managed by ECHO is closely related to the capacity building of LNGOs, the current approach aims at supporting capacity building projects with a global application designed to enhance the response of the humanitarian system as a whole, and not the direct funding of LNGOs. [§51-55]

 x.   Partly due to the lack of legal reference to LNGOs, ECHO knows little about the interaction[5] of the FPA or FAFA partners with their own local implementing partners (e.g. through inconsistent information in the Single Form), even in cases where the LNGOs implement near to 100% of the field activities. Although the regular ECHO field monitoring provides some insights, LNGOs are often not sufficiently visible in the chain of humanitarian aid delivery. There are also no clear and consistent instructions to the ECHO Technical Assistants (TAs) in the field on how to deal with the involvement of LNGOs in terms of information to be collected, reporting requirements, or coordination tasks.[§61-63, 72-78, 135, 137]

 xi.   A better insight of "who is doing what" is required. It seems critical that ECHO staff should know more, for the sake of ultimate accountability and transparency, about the aid delivery chain and the role of key LNGOs. For ECHO TAs, all actors in the aid delivery chain should be visible and the donor should be aware of their individual contributions, to assure good donorship throughout the aid delivery process. [§64, 73-77]

xii.   Similarly, the lack of consistent figures (only fragmented information was available) and a wide range of influential contextual factors did not allow statistically relevant comparisons. However, 51% of the 1.072 operations reviewed over 2011 and 2012 mentioned some involvement of LNGOs (Annex VII).

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xiii.   According to online surveys, when LNGOs are involved in a given project, the range of management and supporting costs amounts to a rough average of 18,5% of the total budget (Annex IV). Fragmented data from field visits (Annex VIII) indicate that this figure should be subdivided between several "layers" of management, i.e. generally 7% of indirect costs for the international/EU partners' HQ overheads, and between 3-10% for direct staff and operational supervision costs by INGOs/agencies and one or several layers of implementing LNGOs at national and/or grass roots levels. Analysis carried out in Annex VIII further demonstrates that no significant savings should be expected from the current salary costs, either from expatriates or national staff. [§131-132, 136, 143-147]

xiv.   To these relatively transparent costs (i.e. shown in the project budget) should be added the overall support and capacity building efforts undertaken in the framework of partnership policies, and often paid from the general basket of the partners' own funds. [§56-68, 71, 131, 141-142, 146]

xv.   As outlined in the SWOT analysis (below), there is a wide consensus on the fact that e.g. continuous capacity building and monitoring of LNGOs would be still required in the foreseeable future, to ensure appropriate quality of implementation, principled approach and risk mitigation. As a result, it would be highly questionable to consider that, in terms of cost-effectiveness, closer working relationships between ECHO and LNGOs would result in a significantly better value for money situation. ECHO would arguably endorse a moral obligation to take over these functions currently provided by FPA partners. This would come at a significant cost, by e.g. expanding the ECHO field structure since the current number, workload and level of authority of TAs would not allow such additional tasks. Replacing some of the supervision functions of INGOs by increasing the local staff of ECHO field offices may help to mitigate corresponding costs. [§65, 131-132, 138-142, 147]

xvi.   In an entirely different approach, some development donors (e.g. USAID, DFID, SIDA) have been working to "directly reach" community based organisations, contracting out the entire grant management of their programs to third parties, although still assuring audits, reporting and adherence to contractual requirements. This benchmark indicates that such services are also likely to cost an average of 15-20% of the grant value, depending on the level of supervision and support. [§66, 148-149]

Partnership policies

xvii.   The desk review has revealed a wealth of existing policies and guidelines on partnership among major humanitarian actors, i.e. INGOs, IOs, UN agencies and also among networks/alliances, from which patterns of good practices can be defined. The Desk Report has provided a mapping and detailed analysis of the policies and guidelines on Partnership currently followed by some 23 key humanitarian and development actors, which was mostly based on a pre-selection made during the inception phase. [§83-88]

xviii.   Such Partnership policies usually include organisational development, multi-actor dialogue on partner development strategies and civic engagement in new aid modalities, all considered as valuable elements in the capacity building of LNGOs. Most partnership policies reviewed insist on similar principles of mutual respect, trust, equality, accountability, transparency, ownership and participatory approaches, joint learning and open communication. Common visions and goals are also outlined, together with mutual/shared responsibilities, long-term commitment and sustainability. [§87, 89-125]

xix.   These findings further outline the key support in capacity building/development provided to LNGOs through international partnerships, an aspect which has been consistently triangulated by the online surveys and field visits. This support, which is being received to a various extent by almost every LNGO assessed and which must be considered on the very long term, constitutes an essential added value of the current system. Any types of closer working relationships between LNGOs and a donor such as ECHO will have to include some kind of continued support and monitoring, either from the donor, a "partner organisation" INGO, or from a third party contracted for this purpose, leading to the conclusion that accountability, quality and respect of principles have their own necessary costs. [§64-65, 88]

Key SWOT factors from field visits and online surveys

xx.   Most INGOs see the involvement and comparative advantage of local implementing partners as essential to the successful implementation of projects. For their part, many LNGO implementing partners

accept the added value of INGOs. Key perceived strengths and weaknesses are as follows, although there was often little commonality between the operating environments and therefore the needs of LNGOs in different countries or even areas of the same country. A regular statement was that "context is everything". [§56, 63-65, 68-82, 142]

Strengths of INGOs/international actors
- Access to funds and trust from donors, compliance with donors' requirements, financial strength and management skills, report writing skills (in English), INGO families/alliances, continued support after the end of humanitarian funding, transfer of knowledge, technical assistance, M&E and, specifically for ECHO, internet access to e-tools.
- Ensured respect of humanitarian principles (neutrality, impartiality, independence) and of procurement procedures.

Strengths of LNGOs/local actors
- Presence, assessment, cultural sensitivity, access and acceptance by beneficiary communities, participatory approaches, sustainability and resilience. LNGOs are often locally respected and trusted as they are "from" the community and they can stay in times of uncertainty. The technical work and reports (often in local language) are generally of good quality.

Weaknesses of INGOs/international actors
- The added value is not always cost-effective (limited sometimes to contract signature, overall QC and access to ECHO e-tools) and takes away project funds from the final beneficiaries.

- Tendency to sub-contract LNGOs for the duration of a given project rather than setting up longer term partnerships, which often amounts to "outsourcing workload and problems" to LNGOs.

Weaknesses of LNGOs/local actors
- In cases of short-term subcontracting (above), local actors have no margin for sustainable institutional development, they find themselves in a fight for survival from contract to contract, and tend to replace mandate and values by opportunism.

- There are often limited numbers of eligible local partners in a country or region, who could easily get overstretched especially in the case of acute and/or large emergencies through commitments to multiple donors, thus risking losing quality.

- Corporate structures can be rather weak below the upper level of a few key managers. The high turnover of staff leads to a lack of technical expertise, often compounded by low educational skills (and 'poaching' of the best staff by international organisations). This in turn results in poor levels of administration, financial management, M&E, procurement, narrative (in English) and financial reporting, and in continuous needs of capacity building.

Key opportunities
- The need for an independent (voluntary) verification/accreditation system of LNGOs, which would also propose corresponding training on the model of the Cambodian CCC[6]. Such a system, country-based or (preferably) global, would focus on quality of implementation and standards of humanitarian aid and may provide a strong basis for selecting suitable quality LNGO partners for ECHO.

- The use of (suitably experienced) EU Aid Volunteers[7] for strengthening administrative and technical skills of some of the 'stronger' LNGOs (see §68) would be advisable, as it is already the case for e.g. VSO and Australian volunteers.

- INGOs are increasingly aware of their own cost-efficiencies and looking at their value-added. This is leading them to consider exit strategies, e.g. by setting up strong LNGOs.

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[6] Cooperation Committee for Cambodia
[7] Formerly "EVHAC" (European Voluntary Humanitarian Aid Corps)

Potential threats

- The level of capacities and presence of LNGOs is much dependent on contextual factors, such as the regularity and scale of disasters. In countries where disasters are not recurring, it is difficult to justify maintaining permanent capacities. This situation creates a "dilemma", leading to a downward spiral of skills. Feedback from the field visits showed that it is far less relevant to break down this issue by form of response (e.g. slow or rapid onset) than by context and capacity.

- LNGOs may be subject to pressures from local authorities. Endemic corruption, strong politicisation or tight control through NGO laws by government of foreign donations and influence – perceived as potentially detrimental to the country's independence - may put pressure on e.g. impartiality of beneficiaries' selection and an LNGO's capacity to act.

1.4   Key recommendations

Rather than focusing on the "black and white" approach hinted by the IAS question ("either ECHO works directly with LNGOs or it maintains the current situation"), and considering the present Humanitarian Regulation which prevents funding directly LNGOs, ECHO should better acknowledge the complementarity of the respective strengths and weaknesses of INGOs and LNGOs in delivering humanitarian aid with due efficiency and effectiveness. There is a large "in-between" area that needs to be streamlined. The role of LNGOs, who are often not sufficiently visible although they implement near to 100% of project activities, should be made more transparent for the sake of accountability. In parallel, the crucial capacity building and guidance provided to LNGOs by many international actors through their Partnership policies should also be better recognised and supported by ECHO.

Considering the decision of ECHO not to amend the Regulation at present and the strict parameters of the Financial Regulation, recommendations are subdivided among longer-term and short-term ones.

Longer-term recommendations (upon amendment of the Regulation)

Policy and advocacy

- ECHO should ensure that on-going internal policy discussions take into account the issue of LNGOs; an internal policy approach on the subject should be developed.

- A sector-wide process is gradually initiated, in which ECHO could take an important lead role, in order to define the parameters for working with local actors in the future. This phased approach should be accompanied by a pilot phase with case studies.

- A set of definitions should be adopted. Based on the findings of the report, a definition for LNGOs potentially acceptable as direct ECHO partners is proposed by the evaluation.

Systems and procedures

- To take the opportunity to revise and upgrade accordingly the ECHO field network, with improved capacity, authority and numbers of TAs - and perhaps even more crucially local assistants or local experts - needed to accommodate the LNGO approach in due time (e.g. in setting up verification systems, regular mapping and assessing of LNGOs). This would however clearly lead to extended responsibility of ECHO in many aspects.

- To adapt HQ procedures to LNGO registration, audit control etc, e.g. by contracting out such tasks.

- ECHO should consider adapting its procedures for measuring accountability of LNGOs, by focusing less on the quality of logical frameworks and English in proposals and narrative reporting, but more on ex-ante accreditation, monitoring, and ex-post/meta evaluations and audits.

- A preliminary methodology for the selection of eligible LNGOs is proposed in Annex V. This should be further adapted and pilot-tested as feasible.

Potential gains in (cost-)effectiveness

- Should ECHO want to directly contract LNGOs, the top layer of (maximum) 7% of indirect costs may possibly be transferred from management charges onto direct assistance to beneficiaries, which would provide gains in (cost-)effectiveness. However, a number of strong caveats should also be considered.

- The "Do No Harm" principle must be applied, which would involve the prior agreement of both the concerned INGOs and LNGOs to the procedure.

- Only those LNGOs who have been duly certified (e.g. though a CCC-like process) should be eligible for direct funding, although still with adapted accountability procedures (above).

- Direct contracting would imply some moral obligation for ECHO to continue providing the necessary support to the concerned LNGOs, to avoid the short-term vision of "outsourcing workload and problems to LNGOs" followed by those partners who do not want to bear the costs of partnership policies. This could be done through the (already overloaded) field network of ECHO. Anecdotal evidence indicate that the workload of INGOs' field staff may increase by up to 40% to cover support and supervision of partner LNGOs.

- A relevant alternative (already followed e.g. by AusAID, see field reports) would be to acknowledge the complementary roles of INGOs and LNGOs, and to include with due transparency in the project LFA and budget a specific result for (measurable) capacity building activities.

Short- to medium-term recommendations

- Collection of information about funds channelled through LNGOs, and LNGO involvement in general should be improved (this applies to ECHO and to the sector more generally). This may be achieved through the definition of minimum requirements of information concerning local implementing partners in the Single Form, in the form of guidelines for FPA partners. Guidelines should also be prepared for ECHO (HQ and field staff) on good practices, strengths and weaknesses of LNGOs, how to monitor the involvement of local implementing partners (e.g. scope, information to be collected and ways of registering and sharing the collected data).

- To contribute developing minimum standards / code of conduct (or to adopt an existing set) on how the partnerships between international and national actors are handled, to avoid "outsourcing workload and problems" of ECHO partners on LNGOs while denying institutional strengthening. ECHO could generally stimulate the sector wide reflection on interactions with local implementing partners to gain common understanding and a concerted approach (e.g. in terms of compliance requirements, minimum standards, good humanitarian donorship – also by INGOs and UN agencies -, or ensuring that proper overheads are offered).

- Relevant partnership policies that include measurable capacity development by INGOs and UN agencies should be better supported by ECHO (and other Commission services in the framework of LRRD), through e.g. a funding scheme for capacity building of selected LNGOs in parallel to - or using relevant provisions of - the ERC, or through specific results in the LFAs and project budgets.

- ECHO should support in every relevant country the establishment of an independent system for (voluntary) verification/ certification/ accreditation of quality LNGOs, in which the INGO community needs to be involved. A sector-wide, consistent approach on the above (with agreed rating system) could follow the implementation standards promoted by the JSI (Joint Standards Initiative).

- To stimulate coordination and participation between ECHO / INGO / LNGO, bringing them around a table in a joint exercise during HIP definition or planning, and on ad-hoc basis in case of difficulties;

key LNGOS should also take part in cluster coordination meetings and be considered in ECHO-promoted consortia.

- To promote alignment of cooperation approaches amongst all INGOs with respect to working with LNGOs in a given country or region. ECHO could contribute to achieving better information, less workload for local actors, early warning on overstretching risk and harmonised compliance requirements, with an expected positive effect on efficiency and risk management.

- Closer coordination should be considered with DEVCO in particular regarding measures aiming at mapping, capacity building and sustainability (out of humanitarian emergency periods) of potentially relevant LNGOs. Cooperation should cover e.g. DRR, CCA, LRRD, EIDHR and ROM monitoring.

- To consider the use of EU Aid Volunteers to provide administrative and technical strengthening to key LNGOs; this option should be limited to relatively secure environments (e.g. Bangladesh), selected experienced LNGOs which would need to strengthen some internal capacities (management, report drafting, English, technical skills), and to e.g. experienced professionals, young graduates seeking experiences for their career path, or retired professionals).

- When faced with potential pressures from local authorities which may impact on the performances of LNGOs, ECHO projects would require robust M&E budget lines for frequent and targeted monitoring by the partner INGOs during project implementation.

- ECHO would need to be looking into the funding of Emergency Response teams or "sleeper cells" in the case of infrequent cyclical crises.

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1.5   Summary matrix

Table 1: Summary matrix: Main conclusions and key recommendations

Main conclusions	Key recommendations
Despite the current lack of a conducive legal framework for ECHO, this evaluation should be seen in the framework of the sector-wide reflection on north-south partnership relations that is taking place pro-actively among humanitarian aid actors, and aims at handing over response responsibility to local actors, and reducing their dependency towards external aid.	On the longer-term and pending revision of the Regulation, ECHO should initiate an internal policy reflection on LNGOs, gradually take part to the sector-wide reflection on this issue, and start envisaging to upgrade its field structure, to adopt definitions and plan some pilot projects.
The very limited information that ECHO is able to collect regarding the use of the funds channelled through LNGOs and the large share of projects' work that these local implementing partners are carrying out, appears detrimental to overall accountability.	On the short and medium term, a number of measures could be initiated to improve accountability, e.g. improving collection of information on LNGOs, providing guidelines to partners and staff, better supporting relevant partnership policies as well as field coordination and alignment, promoting a global certification system, enhancing coordination with DEVCO and funding the assistance of (experienced) volunteers to key LNGOs.
Only fragmented figures could be collected, which are furthermore subject to strong contextual factors. It is however unlikely that closer working relations of ECHO with LNGOs would result in a significantly better value for money situation, as lower management costs of LNGOs would still have to be compensated by continuous capacity building and monitoring.	
These tasks are currently part of the added value of INGOs when they implement a longer-term partnership policy aiming at capacity development of LNGOs.	
Indeed, the SWOT analysis of the current system shows key strengths from both INGOs (quality assurance, financial and technical support, principles etc) and LNGOs (access, participation, sustainability, resilience), but also respective weaknesses (some poor cost-effectiveness of INGOs, weak finances and management skills by LNGOs).	
Opportunities include e.g. the setting up of a certification system for LNGOs, and the use of (experienced) EU Aid Volunteers.	
Threats for LNGOs can be found in the impact of contextual factors (e.g. irregular disasters) on LNGOs' capacities, or in the potential pressure from local authorities on independence and impartiality.	

2   Main Report

2.1   Background

1.   The Directorate-General for Humanitarian Aid and Civil Protection (ECHO) is the service of the European Commission responsible for managing humanitarian assistance to third countries, although it does not provide humanitarian assistance directly. Its assistance is implemented by its partners, namely Non-Governmental Organisations (NGOs), International Organisations (IOs) of a humanitarian nature such as the IFRC and ICRC, UN agencies, and some specialised agencies of the Member States.

2.   The legal basis of ECHO - i.e. the Council Regulation (EC) No 1257/96 of 20 June 1996 concerning Humanitarian Aid[8] - does not allow the direct funding by ECHO of NGOs or bodies (except international organizations and agencies – UN, RC - as per art 10.2) which are not legally based in the EU. As detailed below under 2.3, in its article 7.1 the Regulation states that eligible NGOs must be legally registered in "*a Member State of the Community under the laws in force in that Member State*". This does not exclude the funding of limited capacity building efforts for strengthening local responses - an approach which has been reinforced in the European Consensus on Humanitarian Aid.

3.   The partnership between ECHO and its partners is established through the signing of a Framework Partnership Agreement (FPA) which defines the common principles governing this partnership, as per Article 163 of the Implementing Rules of the Financial Regulation. The FPA is designed to ensure that ECHO-funded humanitarian partners and operations meet the highest standards of performance and quality. The initial selection process involves a thorough analysis of the administrative, financial, technical and logistical capacity of the applicant. Accepted partners, which are classified into "A" and "P" categories (see chapter 2.3) undergo annual assessments on a documentary basis, in-depth assessments every three years, and are also subject to regular audits by ECHO. This approach has ensured a high degree of professionalism among the partners, which is consistent with the overall effort towards applying better standards of accountability (e.g. those of HAP, SPHERE, People In Aid etc.)[9].

4.   However, this continuous (and justified) search for performance and cost-effectiveness to improve the delivery of aid has led to a predominance of the "top twenty" most professional partners, i.e. some large INGOs, often from northern Europe and France, the Red Cross family and some key UN agencies. Many of these organisations are also implementing partners of other key bilateral donors. The approach has also often imposed the use of EU-based INGOs as "middle-men" between ECHO and LNGOs, with varying levels of added value.

5.   Another trend has developed in parallel in recent years, which seeks to integrate essential lessons learned and global trends, to decentralise, build or develop capacity of key third countries, and consider them as partners rather than recipients. This trend, long promoted by the Red Cross Movement (e.g. "local volunteering is best" motto, increasingly decentralised logistics of IFRC), has been reinforced by lessons learned from recent natural disasters such as the 2004 Asian tsunami or the 2005 Pakistan earthquake (lessons from the 2010 Haiti earthquake are mixed, due to the very low level of local capacities).

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6.   The TEC (Tsunami Evaluation Coalition) has for example noted[10] the importance of cultural issues: " *...There was too much emphasis (from the international response) on speed and profile, leading to unnecessary and wasteful use of expatriate staff, many of whom had little relevant experience and were at a particular disadvantage in addressing the highly complex social structures of communities in the region. Structurally, this reflects an underestimation of local capacities, which were generally coping with most of the immediate problems*".

7.   These findings were further enhanced by the statements of IDRL (International Disaster Response Laws, Rules and Principles, an initiative of IFRC) concerning issues regularly raised from the "demand side," i.e. the receiving State, which include both existing laws that are obstructive or unhelpful, as well as legal vacuums where laws or principles ought to be in place and implemented but are not. As a result, immigration laws which may lack provisions for expedited procedures or waivers for visas for relief personnel or may require lengthy procedures for registration, are in fact limiting the use of foreign relief personnel and indirectly promoting the role of LNGOs (even if those are also the subject of restrictive legal and governance contexts).

8.   In addition, the increasing current emphasis on mainstreaming jointly DRR (Disaster Risk Reduction) and CCA (Climate Change Adaptation) in development and humanitarian programmes has further highlighted the need for adequate levels of preparedness and sustainability, which are both anchored in key principles of local participation and ownership.

9.   As outlined for example by ODI/HPG[11], the option of enhancing the role of "southern" partners in humanitarian (and development) operations - which have so far been led essentially by "western" approaches - has been steadily growing in recent years. The search for better accountability and feedback, together with new communication technologies has promoted the concept of participation of local communities and beneficiaries. INGOs and UN agencies are increasingly caught in the middle of armed or social and cultural confrontations between western and local stakeholders, which have resulted in restrictions of access and effectiveness.

10.   Historically, a small number of primarily Western governments have provided the bulk of the funding for humanitarian action and, through membership of international fora such as OECD/DAC, have tended to dominate public debates about the direction, purpose, principles and methodology of relief. However, the importance of new or "emerging" donors (Brazil, through UN agencies) and regional powers (China, India, Russia, Gulf States, Turkey) is also growing and will most likely be given increasing consideration in order to maintain a global overview of aid delivery, even though some of these actors – such as some wealthy Islamic states or China - operate outside, in parallel or in apparent opposition to the methods and principles that underpin the formal system of humanitarian assistance. This set of donors has accounted for up to 12% of official humanitarian assistance in recent years (i.e. before the current economic crisis), and their influence in certain crises, such as Afghanistan or the occupied Palestinian territories, has been significant[12]. Regional organisations such as the Association of South East Asian Nations (ASEAN), the African Union and the Organisation of Islamic Cooperation have also developed mechanisms and policies for humanitarian action.

11.   As a result, many humanitarian actors based in the "global South" now have strong links with the formal OECD sector. The 2012 State of the Humanitarian System Report by ALNAP identifies some 2,800 national NGOs with partnership arrangements with one or more parts of the formal international humanitarian system.

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[10] "Impact of the tsunami response on local and national capacities", TEC, July 2006

[11] "New players through old lenses: Why history matters in engaging with Southern actors" HPG Policy Briefs 48, July 2012

[12] HPG research report on "diversity in donorship", Sep 2005.

2.2   Objectives and methodology

12.   In 2011, a report from the Commission's Internal Audit Service (IAS) recommended that *"ECHO should, on a sample basis, evaluate the efficiency and effectiveness of the funds channelled through local NGOs. The objective of such evaluation would be to assess whether efficiency gains can be achieved by working directly with these organisations, and if so, to seek an amendment to the current regulation to enable it to do so"* (TOR, §9 - see also Annex I)

13.   According to section 3 of the TOR, the evaluation should therefore support the Commission in assessing the potential gains from working 'directly' – or at least 'more closely' - with local NGOs (LNGOs) in humanitarian interventions, as compared to the present practice consistent with the Humanitarian Regulation (art. 7-9) and the EU Financial Regulation[13] of working exclusively with EU-based NGOs, IOs and UN agencies, signatories of the FPA or the Financial and Administrative Framework Agreement (FAFA). The evaluation had also to:

- look at the results or impacts on the assisted populations of both options;
- identify direct and indirect costs and effects of developing direct working arrangements with LNGOs;
- map and analyse existing practice of other concerned donors (including the Commission in the Development field), partners and international agencies, trying to derive relevant benchmarks;
- develop a methodology for evaluating the possible effectiveness and efficiency gains, and provide corresponding options/concepts and recommendations.

14.   The scope of the evaluation had to cover the whole of ECHO humanitarian activities (including preparedness, DRR and LRRD), contexts (slow and rapid onset situations), and geographical areas – although this could be done on the basis of a selected sample of four countries, complemented by a desk review and online surveys. Through this approach, the evaluation has also taken into account the different contextual and operational factors that may have an influence on the effectiveness of LNGOs, such as the geographical, political, socioeconomic, cultural and time-related aspects prevailing in the areas of interventions. The elements presented in this report have been complemented by the final evaluation report on Participation[14], which includes an accessible database of relevant documents.

15.   In accordance with the TOR (section 4), the evaluation has been divided into three standard phases: desk, field and synthesis; the final report being due in November 2012.

16.   The inception period started on 14th May with the briefing; the inception note (amended) was submitted on 1st June. The Desk Phase has mainly included: a mapping of the ECHO-funded interventions between 2010 and 2012 which have involved LNGOs; a comprehensive review of existing definitions, policies and guidelines on partnership among key ECHO partners and other major humanitarian and development stakeholders such as DEVCO; a rapid review of the information available at the level of project documentation for Afghanistan and Haiti; some meetings with stakeholders in Brussels, UK and Germany; the selection of suitable countries for the four field case studies; and the preparation of the online surveys. The Desk Report was submitted to ECHO on 27th August.

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[13] http://ec.europa.eu/budget/biblio/documents/regulations/regulations_en.cfm#rf_modex, in particular Title VI of part One and Title IV of Part Two, as well as Title VI of Part One and Title III of Part Two of the Implementing Rules.
[14] Review of existing Practices to ensure Participation of Disaster-Affected Communities in Humanitarian Operations, DG ECHO / AguaConsult 2012

17.   After discussions with the involved geographical Units and final agreement by ECHO, the selection of the field case studies was somewhat amended as compared to the inception report. The four countries are the following:

- **Kenya,** combined with discussions with the SST in Nairobi as mentioned in §27 of the TOR);
- **Ethiopia**, after modification by ECHO of the proposed visits to South or North Sudan (risks of conflict in the South, poor access and tight political control of NGOs in the North);
- **Cambodia**, which replaced at the request of ECHO the proposed visit to Burma/Myanmar, for reasons of security;
- **Bangladesh**, already proposed in the inception report due to good access (compared to Pakistan in similar settings) and the particular strength of the local NGO sector.

18.   These countries have provided – although to a limited extent - an overview of LNGO strengths and weaknesses in rapid and slow onset crises, a spread of geographical areas, a wide range of types of humanitarian intervention sectors together with a strong focus on emergency preparedness, mitigation and response against natural disasters (DIPECHO) / DRR, as well as linkages with DEVCO (see reports and agenda of field visits in Annexes X and XI).

19.   As proposed in the inception report and mentioned above, the field visits have been complemented by documentary studies on Afghanistan and Haiti, for which the scope of information readily available has provided a valuable review of good and bad practices. Haiti was one of the two countries which triggered the IAS recommendation, and Afghanistan includes relevant issues such as 'remote control' by international actors in areas with poor access and security, and policy of direct monitoring by ECHO of local activities. The increasing number of such remote management projects tends to place new demands and requirements on staff at field level, including for LNGOs.

20.   Furthermore, the field case studies have been cross-checked with the collection of policies, guidelines, lessons learnt (e.g. from evaluations) and examples of good practices from major international 'families' of NGOs or humanitarian actors, who are also active in countries that are not covered by the geographical case studies. Such families or alliances have operated for many years in most crisis situations worldwide, increasingly using the capacities of their local members and local implementing partners or subcontractors (see chapter 2.4.3).

21.   After approval by ECHO on 20th July, four separate online surveys, drafted essentially in the guise of brief SWOT assessments to mitigate a perceived "survey fatigue", were launched on 17th August to:

- all ECHO FPA NGO partners;
- all ECHO field staff (TAs, RSOs and field offices);
- relevant donors, UN agencies and IOs partners of ECHO;
- all the ECHO partners who took part in the delivery of assistance to Haiti after 2010.

22.   The surveys remained opened until 12th October and altogether 82 organisations and individuals responded[15]. Results are summarised in chapter 2.4.2; a detailed analysis of replies can be found in Annex IV.

23.   The methodological approach through desk study, field visits and surveys has allowed a triangulation of findings which has led to a pattern of conclusions (chapter 3) and corresponding recommendations (chapter 4).

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[15] Number of responses by survey: 38 ECHO partners; 37 field staff members of ECHO; 6 IOs/Donors/UN; 1 Haiti actor

24.   The evaluation has been implemented by three core team members and three short-term supporting experts, who had the following tasks:

- Michel Vanbruaene, team leadership and overall coordination;
- Michael Kunze, Co-Team Leader: institutional performance reviews, business processes, surveys, data analysis;
- Alicia Oughton: local capacity building and human resources development in the humanitarian aid sector;
- Jonathan Potter, supporting expert in HR, NGO networks, standards, training, capacity building;
- Jean-Claude Heyraud, supporting expert in DP / DRR concepts and policy advice on DG ECHO;
- Stanley Havrlik, supporting expert in institutional finance.

25.   A number of constraints have appeared during the period of inception and preparation to the surveys and field visits. It was decided by ECHO that the Humanitarian Regulation would not be revised in the foreseeable future, thus precluding any direct working relationship with LNGOs and somewhat diluting the application of the IAS recommendations. This decision also imposed the use of caveats in communicating about the evaluation objectives. Stakeholders were e.g. advised that "the aim of the evaluation is to provide an exploratory assessment (…), even if no revision of the existing regulation is foreseen at present". Despite a participatory approach to the TOR, the concept of direct working relationship with LNGOs was also met with some resistance from within ECHO.

26.   Furthermore, it appeared that the IAS recommendation could not be supported by a thorough analysis of facts and figures about the use of LNGOs by ECHO partners, mainly due to the lack of consistency in filling in systematic and reliable information e.g. in section 7 of the FPA Single Form ("implementing partners"), which on examination did not provide consistent data or statistics. Without a reliable baseline of existing practices, the comparative calculation of potential gains in efficiency and effectiveness could not be given at suitable measure of accuracy.

2.3   DG ECHO operational and legal framework

Humanitarian Aid Regulation

27.   The legal basis of ECHO since 1996 is the "Council Regulation (EC) No 1257/96 of 20 June 1996 concerning humanitarian aid"[16]. The Regulation *does not allow* the direct funding by ECHO of NGOs or bodies (except international organizations and agencies – UN, RC etc - as per art 10.2) which are not legally based in the EU. In its article 7.1, the Regulation states the following.

> *Non-governmental organizations eligible for Community financing for the implementation of operations under this Regulation must meet the following criteria:*
> *(a) be non-profit-making autonomous organizations in a Member State of the Community under the laws in force in that Member State;*
> *(b) have their main headquarters in a Member State of the Community or in the third countries in receipt of Community aid. This headquarters must be the effective decision-making centre for all operations financed under this Regulation. Exceptionally, the headquarters may be in a third donor country.*

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[16] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:1996R1257:20090420:EN:PDF

28.   Article 4 of the Regulation further limits the scope of the capacity building that can be delivered to humanitarian actors, since it specifies that ECHO may finance *"small-scale training schemes"* and general studies in the field of humanitarian operations, to be phased out gradually where funding is over several years". It should also be noted that art 7.2 defines a number of efficiency and effectiveness quality criteria for the eligibility of an ECHO implementing partner, as follows:

> *(a) its administrative and financial management capacities;*
> *(b) its technical and logistical capacity in relation to the planned operation;*
> *(c) its experience in the field of humanitarian aid;*
> *(d) the results of previous operations carried out by the organization concerned, and in particular those financed by the Community;*
> *(e) its readiness to take part, if need be, in the coordination system set up for a humanitarian operation;*
> *(f) its ability and readiness to work with humanitarian agencies and the basic communities in the third countries concerned;*
> *(g) its impartiality in the implementation of humanitarian aid;*
> *(h) where appropriate, its previous experience in the third country involved in the humanitarian operation concerned.*

29.   Although capacity and professionalism are duly acknowledged as crucial factors for registration into the FPA, and quality (with diversity) of partnership are recognized in the EU Humanitarian Consensus as parallel aspects of the same approach, the level of strict application of e.g. criteria a, b or d here above may *strongly limit or even forbid entry of often under-capacitated LNGOs* into the ECHO funding schemes.

FPA – the Framework Partnership Agreement

30.   As stated, ECHO's humanitarian assistance is implemented by its partners, i.e. selected NGOs, International Organisations (IOs), UN agencies, and specialised agencies of the Member States. The partnership has been established since 1993 through the signing of Framework Partnership Agreements (FPA) with NGOs and IOs, and of the Financial and Administrative Framework Agreement (FAFA) in 2003 with the UN agencies. These agreements operate as long-term cooperation mechanisms between the Parties, designed to ensure that ECHO-funded humanitarian partners and operations meet the highest standards of performance and quality. *FPA provisions are often not conducive to the direct inclusion of lower-capacity LNGOs.* New partners must comply with a stringent list of sixty questions regarding their administrative, financial, organisational and operational capabilities. Already registered partners are furthermore subject to annual assessments and to in-depth audits (or verifications missions for UN agencies) which take place every 3 years on the average.

31.   The FPA 2008 has introduced the "P" (standing for Prior assessment and own Procedures) and "A" (for Action related monitoring) control mechanisms, in order to differentiate NGO and IO partners on the basis of an assessment of their capacities (in particular financial strength, internal control and procurement rules) and apply corresponding risk management approaches, in line with the requirements of the 2007 Financial Regulation.

32.   The FPA seems to be operating essentially with the "top twenty" most professional partners – mostly large INGOs from northern EU countries and France, the Red Cross movement or UN agencies. For reasons that may be partly related to complex FPA procedures, high quality assurance requirements and reductions of national funding sources, most NGOs from eastern and

southern EU countries, as well as smaller EU NGOs, are either inactive or implement only a bare minimum of projects[17]. This situation would arguably not be conducive for involving even less capacitated LNGOs.

33.   FPA-related documents include more specifically the following provisions, which may potentially be relevant for LNGOs[18]:

- *Single Form* (SF)**.** Data on the involvement of LNGOs in ECHO funded operations is limited to the information provided by the FPA partners under Section 7.1-3 of the current (2007) Single Form (name and address of implementing partners, their status, and type of relationship). A mapping of section 7 of the SF carried out over the period 2011 – mid 2012 has demonstrated that this information does not seem to be provided consistently by the partners and cannot therefore be used in an aggregated manner through the e-tools. The previous version of the SF (in the 2004 FPA) was more explicit, but was streamlined for simplification purposes. Section 10.3.2 of the previous SF requested information about the role of the local implementing partner in the operation.

- *Indirectly* only, LNGOs may also be evoked in other SF sections through the issues of participation (SF section 4.2.5), sustainability (5.1), LRRD (5.2), and mainstreaming of cross-cutting issues such as DRR (5.3).

- *The FPA Guidelines for the award of Procurement Contracts* specify in chapter 1.3 (ii) that agreements or MoUs between FPA partners and their implementing partners "fall outside the scope of these guidelines". The FPA partner "remains fully accountable towards DG ECHO for the whole Action, including any actions or inactions of the Implementing Partner and must therefore clearly define and ensure appropriate supervision of the Implementing Partner's tasks, notwithstanding the fact that a "delegation of powers" may have been included in the MoU. Table 2 of the guidelines provide also a list of distinctions between Contractors and Implementing Partners.

- In accordance with the above, Article 1.2 of the *FPA General Conditions* foresees that humanitarian organisations (FPA partners) will assure "effective supervision and control of the Action" and will be "fully responsible" for all related activities implemented by their implementing partners and contractors. Furthermore, "the Commission recognises no contractual link between itself and the Humanitarian Organisation's implementing partners and contractors". This is confirmed by Art 3.2 which states that the Humanitarian Organisation shall have sole responsibility for complying with any legal obligations incumbent on it and shall assume sole liability towards third parties. In parallel, any remaining supplies purchased with ECHO funding shall be donated at the end of the project to the beneficiaries, local implementing partners, or local authorities (Art 19.1).

- The *check list for eligible expenses* (at liquidation stage) requires in its point 3 the list of other persons (e.g. local staff, day labourers) which may be working for an LNGO. Details to be provided include the number of persons per group or function, the total number of days/months charged, and the total cost per function. Point 12 of the checklist applies to contracts, those carried out by contractors rather than implementing partners.

- None of the examples of *Final financial Reports* contain any specific budget line referring to LNGOs.

- The list of *sector and subsectors* refers to capacity building under its section 11 "support to special operations".

- The FPA itself does not refer to LNGOs, except in its *preamble* (art 18), where it is stated that ECHO "may support crosscutting activities that aim to improve the quality and

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[17] Source: http://ec.europa.eu/echo/files/evaluation/2012/fpa2008_en.pdf

[18] Source: http://ec.europa.eu/echo/partners/humanitarian_aid/fpa_en.htm

effectiveness of the sector as a whole (i.e. through the ERC), including the capacity building of partners (and their own partners)".

- The FAFA is more specific in terms of costs of implementing partners arrangements in its Art 5.1: "in deciding which activities will be contracted to other entities and which ones will be implemented directly, the UN considers costs as one of the determining factors, considering that contracting should not lead to increased costs over direct implementation by the UN itself"; Art 5.3 specifies that the UN is fully responsible for the coordination and execution of all contracted activities.
- The **"***60 questions***"** list for accepting new FPA partners require extensive proof of sound management, such as full legal registration, annual activity reports, accounting standards and annual accounts certified by an external professional auditor, organisation chart, codes of conduct for staff and humanitarian principles, training and security policies, etc.

EU Financial Regulation and Implementing Rules

34. Part 1 - Title VI (Grants) and Part 2 Title IV (External Actions) of the Financial Regulation (FR) of 2007[19] and its Implementing Rules (IR) *do not include any specific provisions regarding the funding and capacity building of non-European NGOs*. General conditions must therefore apply to all implementing partners, including a participation as wide as possible without any discriminatory practices (IR art 239).

35. According to Art 163, external actions may be implemented "on a decentralised basis by the beneficiary country or countries…" (*deleted in the proposed FR revision*), but art 232 of the IR specify that the authorising officer must ensure that the management and control system of the beneficiary third country complies with art 56 of the FR (transparent procurement and grant-award procedures, effective and efficient internal control system, adequate accounting system, independent external audit, public access, publications…).

36. Art 163 and 164 of the FR cover framework partnership agreements (FPA) with general "beneficiaries". Such beneficiaries of the FPA grants must accept audits by the Commission, OLAF and the Court of Auditors (164.f), which should therefore be applicable also to LNGOs, with corresponding organisation out of the EU, and related increased costs. Furthermore, the Community law must apply to the grant agreement, complemented where necessary by national laws: *this provision would also require specific arrangements to be applied to LNGOs*.

37. The principle of sound financial management (revised FR art 26-28), which governs the application of the FR, is itself subject to the principles of (i) economy (the resources used by the institution for the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price), (ii) efficiency (the best relationship between resources employed and results is achieved), and (iii) effectiveness (attaining the specific SMART objectives set and achieving the intended results).

38. Furthermore, for the purposes of the implementation of the budget, internal control is defined as a process applicable at all levels of the management and designed to provide reasonable assurance of achieving the following objectives:

   (a)   effectiveness, efficiency and economy of operations;
   (b)   reliability of reporting;
   (c)   safeguarding of assets and information;
   (d)   prevention, detection and correction of fraud and irregularities;

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[19] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:2002R1605:20071227:EN:PDF

(e)   adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

39.   Should the direct contracting of LNGOs be considered, such provisions should be applied with due flexibility. In the proposed FR revision and as also stated below, the principle of *sound financial management* should e.g. duly include the notion of *tolerable risk* (Article 28bFR), taking into account the costs of control, the risk or error and the benefits of the policy.

40.   Furthermore, the award of *low value grants* should be made easier in the FR revision, by removing excessive administrative requirements in line with the principle of proportionality and increasing the current threshold (from EUR 25,000 to EUR 50,000).

41.   Some other financial provisions of the current FR *are not conducive for LNGOs* which may be impacted by weakened funding sources or are not members of an international family or alliance. Art 113 states for example that the grant may not finance the entire costs of the action, which would *impose co-financing by the LNGO*. This article has been deleted in the proposed FR revision, but Art 169 (183 in the revised text) still confirms that "*an action may be financed in full by the budget only if this proves essential*": 100% funding of the action must therefore remain the exception. Furthermore, according to Art 176 of the IR, applicants must have "*stable and sufficient sources of funding throughout the period during which the action is being carried out or the year for which the grant is awarded and to participate in its funding*". These provisions, if known by the potential LNGO recipients and *if not amended by the revised IR* (not published on the web site), *may dissuade most of them from the onset*.

42.   However, as indicated above, some of the most contentious articles may be deleted in the proposed FR revision, and others, more favourable, may to be added. Based on the 2010 Haiti experience, Art 178 mentions e.g. that "*For emergency, post-emergency or thematic actions, the Commission may create trust funds following an agreement concluded with other donors. The constitutive act of each trust fund shall define the objectives of the trust fund. The contributions of the Union and the donors shall be entered into a specific bank account. These contributions are not integrated in the budget and are managed by the Commission under the responsibility of the authorising officer by delegation*".

European Consensus on Humanitarian Aid and Action Plan

43.   In December 2007 the "European Consensus on Humanitarian Aid"[20] jointly signed by the three European Institutions (Council, Parliament and Commission) has further specified the values, guiding principles and policy scope of EU humanitarian aid. A complete chapter (3.4) is dedicated to "diversity and quality in partnership". Art 50 states e.g. that "*The EU underlines its intrinsic support for a plurality of implementing Partners — the UN, the Red Cross/Crescent Movement and the NGOs — and acknowledges that each has comparative advantages in responding to certain situations or circumstances*".

44.   However, art 51 lists a number of quality assurance criteria which complement and mirror art 7.2 of the Humanitarian Aid Regulation: "*professionalism and management capacity, capacity to respond to identified need (technical and logistical capacity, including presence and access), adherence to the humanitarian principles and international law, as well as international codes of conduct, guidelines and best practice in delivery of aid, specialist knowledge or mandate, cost-efficiency, local partnership and experience in operational contexts, readiness to take part in*

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[20] http://ec.europa.eu/echo/policies/consensus_en.htm

coordination activities established for overall operational effectiveness, accountability, including reporting transparently on results, and quality of implementation capacity, including sound financial management".

45.   Considering the reportedly often weak management structure, poor financial control and reporting capacities of LNGOs (confirmed by online surveys and field visits), *the strict application* of some of the above criteria (professionalism and management capacity, guidelines, specialist knowledge or mandate, cost-efficiency, reporting, sound financial management*) would exclude most if not all LNGOs from working directly with ECHO.*

46.   Among the Consensus provisions, several articles are potentially relevant to LNGOs and their capacity building.

> *Art.9. Local response to crisis and disaster risk reduction, including disaster preparedness and recovery, are essential to saving lives and enabling communities to increase their resilience to emergencies. Capacity building activities to prevent and mitigate the impact of disasters and to enhance humanitarian response are also part of EU humanitarian aid.*
>
> *Art. 53. Local response to coping with humanitarian crisis is a vital component. Local actors are on the front line when disaster strikes suddenly and increasingly also at the core of the humanitarian response in complex emergencies. The EU will examine how best it can offer support to capacity-building activities for sustainable strengthening of local disaster response, and encourage implementing partners in fostering partnership with local organisations in affected communities.*

47.   The five-year Action Plan[21] following the EU Consensus on Humanitarian Aid in May 2008 commits the EU to "…e*xplore how to enhance support to capacity building, including in the cluster approach and provisions for reinforcing local capacity… and to promote a multi-donor approach to capacity building*". Under the "Action Area Three" of the plan ("reinforcing capacities to respond"), action n°19 foresees to "explore how to enhance support to capacity building, including in the cluster approach and provisions for reinforcing local capacity. Promote a multi-donor approach to capacity building (partners, non-EU donors and other stakeholders to be consulted)". Under Action Area Four ("strengthening partnership"), action n°26 specifies to "Provide further encouragement to UN, Red Cross Movement and humanitarian NGO partners (including LNGOs) in application of the Principles of Partnership of the Global Humanitarian Platform".

48.   In this respect, the 5th principle of the *Global Humanitarian Platform*[22] on *complementarity* specifies in particular that "*the diversity of the humanitarian community is an asset if we build on our comparative advantages and complement each other's contributions. Local capacity is one of the main assets to enhance and on which to build. Whenever possible, humanitarian organizations should strive to make it an integral part in emergency response. Language and cultural barriers must be overcome*."

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[21] http://ec.europa.eu/echo/files/policies/consensus/working_paper_en.pdf
[22] http://www.globalhumanitarianplatform.org/pop.html

Good Humanitarian Donorship (GHD) Initiative[23]

49.   The GHD, which is also referred to in the Consensus (art 18), has been endorsed in 2003 by a group of 17 donors including ECHO. The GHD includes the following principles.

- 8) "Strengthen the capacity of affected countries and local communities to prevent, prepare for, mitigate and respond to humanitarian crises, with the goal of ensuring that governments and local communities are better able to meet their responsibilities and co-ordinate effectively with humanitarian partners

- 18) "Support mechanisms for contingency planning by humanitarian organisations, including as appropriate, allocation of funding, to strengthen capacities for response".

50.   The GHD follow up implementation work plan has defined 6 priority themes, the first of which ("enhancing partnership") may potentially be relevant to LNGOs – although practical details are lacking on the GHD website.

Enhanced Response Capacity (ERC) funding scheme and NGO capacity building

51.   The ERC[24] funding has superseded the previous Global Capacity Building funding for International Organisations, as well as the Grant Facility funding for NGOs. This funding aims at supporting capacity building projects with a global application designed to enhance the response of the humanitarian system as a whole. This strategic orientation stems from an evaluation report[25] which concluded that, although the ECHO capacity building programme was "a *highly relevant tool"*, a lack of a clear and a priori definition of what was to be achieved resulted in too many topics covered in different domains with a lack of consistency or cross-fertilisation between the different projects. Also, the global nature of investments, often with numerous components, had made the management complicated and a lack of clear and realistic outputs reduced clarity on accomplishments of the programmes. *Practice has indeed shown that capacity building is a difficult process with insecure outcomes that are difficult to measure. Building capacities in a humanitarian context is even more challenging* due to complications of working with (local) governments, humanitarian aid principles and the short term nature (mandate) of humanitarian aid. *These lessons must be retained for any possible future scheme involving LNGOs.*

52.   Among ERC principles, the following statements seem nevertheless relevant for LNGOs[26].

- *Local actors are usually the first responders in a crisis.* A distinction should be made between community and central level and governmental and non-governmental entities. Local community capacity building is a crucial element in a transitional context (post crisis situation) and necessary to ensure the sustainability of disaster risk reduction efforts. Strengthening such local capacities could be facilitated by ensuring that partners invest in their local (non-governmental) counterparts, building on existing capacity. ECHO partner organisations can be encouraged to include local capacity building in programmes, as long as they have technical and cultural capacity to do so.

- Institutional ownership is crucial. An organisation has to develop a programme on the basis of identified needs and not as a way of adhering to donor priorities. Without *local ownership,* capacity building efforts will not be sustainable at field level. Therefore, local actors need to be involved in decision making, planning and implementation. Existing structures should be reinforced, not new ones created and efforts should be made to

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[23] http://www.goodhumanitariandonorship.org/gns/home.aspx
[24] http://ec.europa.eu/echo/funding/grants_contracts/capacity_en.htm
[25] Particip (Spaak and Atkinson) Evaluation of Thematic Funding and the Grant Facility Approach, May 2008 DG ECHO
[26] Source: ERC Guidelines

integrate capacity building at different levels (field, regional, global). For this, it is necessary to start from what is there, not what is not there and to focus on best practice and examples and share these more broadly.

53.   Among the policy direction (Guidelines, chapter 2), it was stated that the ERC should e.g. "prioritise specific capacity building support to initiatives that consider local capacity building", but "*not finance directly local organizations, but encourage and provide specific guidance to partners on how to integrate local capacity building in programmes*".

54.   Stated challenges to ERC include some potentially relevant factors for LNGOs.

- Capacity shortcomings are often overshadowed by operational pressures to deal with on-going humanitarian responses.
- Financing for capacity building is scarce and investments are often used to 'pilot' new approaches and ideas, than more conventional projects.
- Relatively short interventions make building local capacities more difficult in a humanitarian context where relations with government authorities are weaker and non-systematic. Besides, the specific nature and fundamentals of humanitarian aid (including principles of neutrality, impartiality and independence) need to be considered carefully.
- High staff turnover impedes organisational learning. It is quicker to send in experienced expatriate staff than to build local capacity.
- Identification, assessing, monitoring and measuring of capacity and its ultimate impact is difficult.

55.   Joint approach is favoured in the guidelines and ERC building "should preferably be supported by more than one donor". *A joint donor approach with DEVCO and EU Member States is in particular to be promoted*, since (ERC guidelines P.6) "Other COM Services are better placed to support building governmental structures, while in a strictly humanitarian context, the UN and Red Crescent Movement might be better placed for this. At any rate, local government or authorities should be involved as much as feasible".

2.4   Analysis of findings

2.4.1   Field visits

This chapter presents a synthesis of the four country field reports (i.e. by chronological order: Cambodia, Bangladesh, Kenya and Ethiopia), which can be found in Annex X.

General findings

56.   The levels of presence, coverage and skills of LNGOs working in ECHO-funded interventions are bound to depend strongly on country/regional contextual factors, such as frequency and scale of disasters (e.g. in Cambodia and Ethiopia), the quality of national education, but also the overall governance framework (applicable laws, relations with government/local authorities, or corruption level). For example in Cambodia, there haven't been large natural disasters for the past 10 years, which explains the very low number of humanitarian-capable LNGOs. All potentially eligible LNGOs in the country are primarily development-oriented; very few of them have even a mandate for emergency response, or a humanitarian aid officer. This situation creates a dilemma. To acquire and maintain (i.e. pay) emergency response skills and organisational structure, there is a need for a regular turnover of humanitarian projects. Furthermore, emergency situations are much less conducive for such capacity building (not to mention complex donor procedures such as the FPA) than longer term LRRD, DRR or development settings. There is therefore no incentive to set up consortia, no permanent donors for funding LNGOs in emergencies (the lack of a permanent ECHO office in the country is perceived as a constraint for working with national actors), and most LNGOs have limited absorption capacities.

57.   Where national educational levels are still poor (e.g. English for narrative reporting, or lack of understanding of logical framework approach when education system is based on memorizing rather than analysis), the skills of most LNGO staff can also be correspondingly low. This situation encourages the 'poaching' of skilled staff by international agencies and further decreases the ability of LNGOs.

58.   Relationships between the NGO sector and the government can be complex and strained. In Bangladesh where the civil society is strong and the national authorities relatively weak, a tight control has been enforced since 1990 by the "NGO Affairs Bureau" (attached to the Prime Minister's Office) regarding the flows of foreign funding and their use. Authorisations (involving selection of beneficiaries, LFA and SMART indicators) must be obtained prior to channelling foreign donations through the banking system, and can take up to 2 months for an INGO. If a state of emergency is declared, more flexible procedures are applied.

59.   In Ethiopia, the government is also trying to control the NGOs that might be 'under the influence' of foreign actors through donations, with the aim to avoid any threat to the political or ethnic status quo. In that perspective, a new legislation states that up to 30% of a project budget can be spent on administration (which includes soft skills such as capacity building but also transport and logistics e.g. buying vehicles), and 70% must go to implementation (although with a long list of ineligible operation costs). This adds up to other rigid regulations and the fact that the government tends to overlook the role of civil society actors in delivering social services. Only 'Ethiopian' NGOs (with maximum of 10% of foreign funding and no foreign account permitted) may work on issues such as democracy and human rights.

60.   The numbers of eligible LNGO partners for ECHO-funded interventions in three of the four countries (Cambodia, Bangladesh and Ethiopia) is quite limited, which may rapidly lead to overstretching of resources and quality while working simultaneously for multiple donors.

61.   In that framework, some local branches of INGO partners of ECHO are already entirely managed by local staff, including the senior management. ActionAid Bangladesh (AAB) for example can be described as *a LNGO that effectively works directly for ECHO*, while only contract signature and access to ECHO e-tools (which cannot be completed online from Bangladesh) are provided by an ActionAid branch located in the EU – for a fee.

62.   Other strong ECHO partners in Bangladesh are more reluctant to shed their international status, even though their local management, financial and technical capacities are also adequate for project im*plementation. They feel e.g. that the INGO stat*us protects them from local political pressure or corruption, maintains independence and neutrality, and allows a wider advocacy.

63.   In many cases, the LNGOs working for ECHO FPA partners stated that they are carrying out up to 100% of the field implementation, and in addition contribute to a large extent to the identification of needs, the selection of the beneficiaries, the preparation of the proposal and the preparation of the final report.

64.   However, in all countries visited, the perceptions of LNGOs and INGOs on their respective capacities and roles tend often to differ. All local actors indicated that they were ready for bilateral relationships with donors, being more cost-effective and fulfilling all compliance requirements (with a caveat for weak reporting, which according to them has no influence on the quality of implementation).

65.   At the opposite, all international actors stressed that their inputs were essential to the success of the implementation of the projects (bridge funding in case of payment delays by the donor, technical assistance, monitoring, capacity building, surge capacity with technical experts, reporting) and that none of the local actors they were aware of could comply alone with the requirements of donors.

66.   In Kenya, some key donors are working directly with local NGOs or community-based organisations through grant management models, although often in a development framework. All of these models include a *local services provider* to manage and monitor the grants. SIDA and US PEPFAR use e.g. a local NGO specialised in grant management services (ACT!), and DFID has contracted a private international firm (KPMG Kenya) to assure implementation quality and financial accountability. The approach followed by WFP and some other UN agencies has introduced a competitive bidding process for e.g. food distribution programs. This is also managed by a private service provider (PWC), which monitors partner's performance (focusing on finances and programme quality) and feeds into a risk assessment and performance improvement circuit. These models provide benchmarks for the estimation of costs for directly contracting LNGOs and local communities. A rough estimate based on the figures collected, amounts to between 10 – 25 % of the total grant value, depending on multiple factors.

67.   In general the EU Delegations' staff stated that the multiple small contracts under different budget lines created a high frequency of interaction with the grantees and tended to overstretch the resources. As a result, DEVCO is favouring fewer larger grants and more consortium funding.

Key SWOT findings

68.   SWOT findings made during the field visits can be summarised as follows.

Strengths

- The main strengths of *LNGOs* are generally reported as: presence, access, cultural sensitivity, good understanding of beneficiary communities with corresponding assessment of needs and aid delivery, distribution capacity, participatory approaches, sustainability and resilience. Strong LNGOs are generally competent, committed, led by good directors, with adequate aid delivery capacity. They could play an important role in LRRD / exit strategies.
- LNGOs have lower salaries and operational costs.
- Some LNGOs have set up, as an example of good practice, an elaborate system for selection of beneficiaries despite pressures from authorities. They combined e.g. several types of identification systems and criteria, coordination with local authorities (which entails discussions to delete family and friends from distribution lists), cross-check house by house, setting up of a committee to vote for the list, transparent publication of list of beneficiaries' names, and complaint committee to check for further problems.
- The key perceived added values of *INGOs* have been listed as follows.
  - Trusted relationships with international donors, access to funding and international media, fund raising/appeals capacity, confidence building of partner LNGOs. Accountability towards donors involves in particular the experience in developing proposals (although basic ideas originate from LNGOs), quality assurance for narrative and financial reporting, programme management, financial control, procurement procedures and M&E.
  - In the framework of Partnership policies (maintained with own funds beyond short-term humanitarian projects): capacity development (e.g. in crucial DRR/CCA technical skills), transfer of know-how, surge capacity in case of emergencies and mitigation of staff turnover issues, advocacy on humanitarian principles and their application, protection against pressure of some local authorities.
  - Financial mitigation against possible delays in payments by donors (advance payment / final liquidation, bridge funding).
  - Internet access for ECHO e-tools.

Weaknesses

- Important issues for *LNGOs* - even the largest - are: the lack of M&E (which would often not happen without INGOs), poor design of proposals (baseline surveys, logical framework), narrative (in English) and financial reporting, or application of complex procurement rules. This can be partly explained by the fact that LNGOs are mainly focused on aid delivery in the field, rather than "peripheral" activities such as reporting. LNGOs tend to be action- and output-driven, weak in outcome monitoring.
- Humanitarian LNGOs cannot sustain themselves well between crises, thus losing knowledge.
- LNGOs are often "one-man shows", led by a charismatic figure, with still weak (but gradually developing) corporate structure. They often have poor HR policies (long working hours, weak gender policy etc.) and suffer from high turnover of their skilled staff, due to 'poaching' by international organisations and higher salary levels.
- Relations with often corrupt local authorities are "tricky". Principles of neutrality and independence are hard to enforce when local authorities are e.g. required to approve a list of beneficiaries before project starts. Some LNGOs may have their own political agenda.
- In some countries (e.g. Bangladesh), most LNGOs are also managing some microcredit schemes (a key coping mechanism, as it brings regular revenues with the 10-12% fees),

which may influence the choice of humanitarian aid beneficiaries against principle of impartiality and participation.

- Stated weaknesses of *INGOs* include: limited knowledge about local context; project-based approach with limited time scale, which does not allow assessing impact; turnover of key staff, sometimes with disruptive effect; and difficulties in compromising with poorly democratic political systems.

Opportunities and trends

- An independent and voluntary accreditation/certification body for LNGOs (such as the CCC - Cooperation Committee for Cambodia) would provide a transparent basis for quality local partnership, following quality standards in e.g. management, governance and accountability, as well as corresponding training for capacity development. The CCC review process is designed to assess and determine if the applicant LNGO meets the required standards. The GPP (Good Practice Project/Governance and Professional Practice) Working Group conducts an initial desk review of the submitted application and materials, followed by a field visit. Reports from desk review and field visit are submitted to the NGO Code Compliance Committee for final approval. Successful organisations will be awarded a Code Compliance Certificate which is valid for up to three years. Other applicant NGOs will receive capacity development through workshops, training or mentoring/coaching in order to become compliant with all 26 standards in the NGO Code (governance, accountability, participatory approach etc.). There is currently no international networking of comparable organisations, although CCC has developed informal contacts e.g. in the Philippines, Pakistan and India.
- EU Aid Volunteers (formerly EVHAC) could be used in a win-win situation to strengthen internal capacities (management, report drafting, English, technical skills) of potentially eligible LNGOs - e.g. middle-sized ones found in Bangladesh, already with suitable field expertise but some weak management spots - in a relatively secure environment. This option should be limited to e.g. experienced professionals, young graduates seeking first experiences for their career path, or retired professionals). UK VSO and Australian volunteers were already present in some of the countries visited.
- There is a strong need for longer-term partnership frameworks rather than the short-term subcontracting (through which INGOs and UN tend to "outsource their problems") that is often used in ECHO projects. Partnership between INGOs and LNGOs can provide continuous capacity development due to staff turnover, especially in terms of administrative, HR and financial management, procurement, M&E and principles.
- The exit strategy of the partnership policies of some INGOs to set up strong LNGOs should be supported by ECHO (e.g. OXFAM and LWF have recently established PADEK and LWD, two of the largest and best qualified LNGOs in Cambodia).
- ECHO could stimulate the FPA partners at field level to coordinate between themselves and align their approach to working with LNGOs (the local partners are to be included in this dialogue). The coordination and alignment exercise would help to prevent overstretching local partners, help ECHO to better understand the involvement of local partners and could contribute to unify the compliance requirements towards the local partners (with arguably a significant effect on efficiency and implementation risk reduction).
- ECHO field offices should also support the presence of all key local partners during coordination meetings and monitoring missions of and with ECHO (even at district level, the local actors rarely engage in coordination exercises).
- The "ears and eyes" of EU Delegations and DEVCO are the ROM (results-oriented monitoring) country visits, which usually take place twice a year and are carried out by a

consortium of external contractors. ROM could potentially be used also by ECHO, should the workload of the field structure become too heavy.

- Another option would be to consider the cost-benefits of using service providers for Grant Management Services, which allow (development) donors such as US PEPFAR, DFID or SIDA to "directly" fund LNGOs. "Full services packages" include e.g. selection of grantees, review of applications, pre-award and negotiation, implementation, identification of weaknesses and targeted support measures.

Threats and challenges

- The number of eligible LNGOs for ECHO-funded operations is often limited, which may rapidly lead to overstretching of resources and lower quality of implementation when the LNGOs are working simultaneously for multiple donors in emergency settings. LNGOs are often more adapted to development than emergency humanitarian response.

- LNGOs tend to systematically underestimate the inputs/added value of INGOs in terms of donor compliance, accountability and contract acquisition, as well as the efforts that they would have to invest to upgrade accordingly their own structures. Perceived obstacles to working more directly with ECHO are generally the complexity of procedures and the lack of adequate internet access for the e-tools.

- The lack of supportive national legal framework, restrictive laws, minute control of foreign funding and/or endemic corruption are strong challenges to the effectiveness of LNGOs.

- Some actions may be donor-driven, with the effect that the financially weak LNGOs may not focus on priority community needs and adequate community-based approaches.

- A specific challenge for INGOs is to select LNGO partners which are accepted by the tribes/ clans of the area where they operate. This requires a constant search for ever more LNGOs.

- LNGO may have several INGO partners or donors who would demand different financial or narrative reporting formats. This challenge may be mitigated if GHD (Good Humanitarian Donorship) could strongly promote or impose Principles of Partnership which every donor would insist on its own grantees to follow. Such an initiative would significantly contribute to streamlining the current multiplicity of reporting standards and the subsequent difficulties of the implementing partners.

- The UN's Financial Tracking System does not show subcontracting channelled through LNGOs, which gives a distorted picture of spending. It could be encouraged to do so by a donor such as ECHO.

Case study: example of good practice by AusAID in Cambodia
The Community Development Fund (CDF), a grant scheme operated by AusAID in Cambodia duly takes into account the respective strengths and weaknesses of LNGOs and INGOs, as well as their complementarity in achieving the levels of efficiency and effectiveness required by donors. The CDF guidelines (http://www.cambodia.embassy.gov.au/penh/cooperation.html) include tasks for both actors and indicate e.g. that INGOs (also called "partner organisations") could take part in proposal preparation and drafting, guidance during implementation, monitoring of activities and expenditures, as well as verification of reporting and acquittals. Provided that the above responsibilities are effectively undertaken (a monitoring strategy is e.g. required), the INGOs could claim up to 10% of administrative costs.

2.4.2   Online surveys

69.   The four surveys were launched on 17 August 2012 and were closed on 12 October; an intermediary reminder was sent on 9 September. Details about results and methodology of the surveys can be found in Annexes III and IV.

INGO FPA Partners

70.   38 INGOs, FPA partners of ECHO responded to the survey, which indicates a relevant response rate of nearly 20%. The survey was divided into seven parts which covered successively:

1. general information about the ECHO partner;
2. fact and figures about the use of LNGOs;
3. relations with LNGO, interaction and policies;
4. the budget shares involved;
5. types of humanitarian situations in which the partner is using most frequently LNGOs;
6. SWOT analysis;
7. examples or suggestions.

Many of the questions were open ones and allowed comments.

71.   The results of the ECHO partner survey were quite consistent:

- 74 % of the respondents (28) were members of families or alliances of NGOs
- All of them (100%) were working with LNGOs in different settings
- The percentage of funds channelled through these LNGOs varied from 10 to 90% (average of exactly 50.5% for the 18 respondents to that question). The portion of such funds dedicated to capacity building and partnership mostly varied between 10 and 25%, with an average of 18.5%.
- 29 respondents (76%) had their own policies and guidelines regarding partnership, but only 9 (24%) had carried out a cost-efficiency analysis to date.
- LNGOs were "often" or "sometimes" used by more than 50% of the respondents in western and central Africa as well as in the Caribbean, Latin America and the Middle East. More than 80% of the INGOs were using them in East Africa, SE and Central Asia (68% "often" in the last case). The lowest percentages were found in southern Africa and central Asia. High figures (75% on the average) were found in all types of humanitarian situations, except remote control (45%).
- Relations are mostly conducted through longer-term partnership (59% "often" and 35% " sometimes") and/or through formal contracts (89%) or MoU (84%) per operation.
- Key strengths of LNGOs are mentioned as being access, (100%), participation, more rapid delivery and sustainability (97-99%) or in preparedness (90%). High degrees of weaknesses are however found almost across the board: lack of training and poor technical skills, inadequate management or organisational structures, weak M&E, poor understanding of humanitarian principles. The higher scores of "often" weaknesses were found in inadequate narrative (37%) and financial reporting (42%), whereas the main global concern appears to lie in the lower accountability to donors. The main challenges quoted are maintaining aid delivery quality, and accountability (a total of 90% of "often" and "sometimes" replies).

ECHO Field Staff

72.   Thirty-seven replies were received from ECHO field staff (i.e. country TAs and other field staff). The survey was structured into five parts, which covered successively:

1. the current practices for LNGO involvement, including the perceived level of information and remarks on the proposed definition of LNGOs;
2. a SWOT appraisal;
3. thoughts about potential gains that could be achieved in efficiency and effectiveness by working more directly with LNGO, including providing more capacity building;
4. examples of good or bad practices;
5. and general suggestions.

All questions also allowed the statement of open comments.

73.   The results have provided a reasonably consistent picture (almost all respondents or 95% found for example that there were definitely areas for improvements) except – to a certain extent - in the level of perceived information by TAs about LNGOs. Thirteen replies indicated that the current information was "somewhat" sufficient, and 23 that it was "somewhat" not so.

Other key results are summarized below.

Strengths

74.   Knowledge of local context, language and culture (although the knowledge of the social/ cultural behavior of the population they live with may include as well all the social ostracism/ racism attitude these may have), security situation, and authorities; better access to victims of the crisis and local communitiesn, with higher accountability (if humanitarian principles are respected); the ability to intervene and scale up rapidly activities; to implement hands-on at appropriate grassroots level key DRR and CCA projects; to ensure LRRD and longer-term sustainability (provided that funds are still available); lower administration and implementation costs, by "cutting the middle man out".

Weaknesses

75.   Lack of appropriate mandate; lack of technical capacity and ability to assess and select humanitarian priorities; inadequate M&E; poor reporting (narrative, financial) and SF drafting skills; poor understanding and application of humanitarian principles; inadequate training of staff, and high turnover (the most experienced and competent staff are often hired directly by INGOs or UN agencies); poor management/ organisational structure; poor financial control; risks of fraud and corruption; multiplication of small contracts. INGO FPA partners are often considered by the local staff as "a university" to do things well, which highlight their own level of technical capacities and their utility. Last but not least, LNGOs are potentially subject to pressure from governmental structures, commercial or religious interests, as well as from local hierarchical structures (traditional village chief, leading famillies;). Due to their close links with the local community, they are often under tremendous pressure. In societies where the belonging to a group is a question of survival for oneself and his immediate family, a LNGO worker can not take a decision that will directly or indirectly be unpopular by the community. Denouncing corruption or political pressure can be tantamount to protection problems (threats, prison, death). In such cases, it is irresponsible and against Do-no-harm principles to use LNGOs in sensitive aspects of the project design. As such, monitoring and evaluation should not be fully delegated to LNGOs. The contact with the local population is a significant advantage, but there must always

be a "filter" through experienced ECHO partner staff that can evaluate the objectiveness and independence of the LNGO assessments and analysis.

> In Darfur INGOs, having obtained funds from EU, are being pressed by GoS to pass the resources through LNGOs, resulting in reduced quality and transparency of funded activities. Local Non Governmental Organisations in Darfur are highly responsive to direction by government and the insurgents, and this direction invariably reduces the quality of EU funded activities, since government and insurgents do not share EU priorities.

Opportunities

76.   Gains in efficiency and effectiveness by development of capacity building through continuous training (on humanitarian principles, European consensus, PCM / LFA, single form, project and budget management, security procedures etc), either through longer-term partnerships with INGOs or UN agencies, or by accessing to ECHO-funded FPA training scheme. Working with LNGOs may also contribute to the capacity building and resilience of the targeted community in general (transformative agenda in the civil society). It can ensure a smooth phase down and lead to exit strategies by FPA INGO partners. A strong active motivated LNGO with a humane mandate and strong private subscription base might be able to magnify its achievements with additional support from the EU. Other expected opportunities include: better understanding of potential "do not harm" issues, of protection concerns, better access to certain categories of beneficiaries usually not included by INGOs; and higher visibility among targeted population. In that respect, a direct message from ECHO may be delivered to communities and change the image that ECHO works with international NGOs because of a "western" agenda. Finally, a stronger focus on LNGOs would also be an opportunity for ECHO itself to improve its field level management structure.

Threats

77.   Budget cuts, with impact on administrative management and on monitoring / maintaining aid delivery quality. As already stated under threats: there is a risk of financial losses / fraud / corruption, and LNGOs can be manipulated by the authorities for political reasons or even corruption. In more or less "totalitarian" regimes, it is naive to believe that independent initiatives from the civil society are tolerated. LNGOs are obliged to be close to the political system in order to survive. In tribal societies, their allegiance will be to the tribal chiefs. There might be a possible loss of EU resources to their intended purposes by enriching "gatekeepers" and rent seekers (instrumentalisation of aid, distortion of genuine homegrown social processes, diversion of human resources away from production, commerce, social capital formation). Resources may also be channeled to antisocial or divisive causes resulting in conflicts or problems that might otherwise not have occurred or might have been more easily overcome. For small LNGOs, funding from INGOs/UN is a question of financial survival. Total dependence to open single funding source is a huge risk. In such a case an LNGO would have no incentive to criticise its partner and inform ECHO in case of irregularities. The corresponding increase of number of contracts would be a strong challenge (or not an option) for ECHO HQ. A final and large threat is the lack of legal recourse in case of problems.

Potential gains may include the following.

78.   The direct funding of national Red Cross societies would provide more direct leverage on the partner/responsibility/capacity building. Some sectors that may benefit from closer work relationships with LNGOs: livelihood intervention in rural and urban context; public health and hygiene promotion; mapping of conflict risks and conflict prevention/mitigation opportunities (linked to humanitarian responses); distribution of NFIs in remote areas; maintenance of WaSH infrastructures in remote areas.

Donors, IOs/RC and UN agencies

79.   Six replies were received, two from bilateral donors, and four from international organizations. All four IOs indicated that they were often using LNGOs as implementing partners in East and West Africa; three of them were also using them frequently in Central South Africa, Latin America and Central Asia, (1 indicated "sometimes"). The proportion was equally divided (2 often and 2 sometimes) in South and SE Asia, whereas it further dropped in the Caribbean, only one IO used often LNGOs in that region, and in the Middle East (1 rarely). The use of LNGOs was also more intense in regular humanitarian aid delivery than in e.g. preparedness or LRRD. Four of the 6 respondents had their own polices and guidelines on partnership, but only two of them had carried out any cost-efficiency analysis.

80.   Strengths (gains in efficiency) were most often noted or expected in matters of participation and access, whereas weaknesses were mostly detected in the training/capacity of staff, M&E, management/organisational structure, and financial control. The major reported threat was the identification of suitable LNGOs, their supervision/monitoring, maintaining quality, and in the challenge of longer-term capacity building. The risk of corruption scandals that may affect the support of the EU public for humanitarian aid in general was also mentioned in an open comment.

81.   Although interesting, the low number of responses does not provide a relevant statistical basis.

Haiti

82.   There was only one reply to the specific survey disseminated to the ECHO partners who had contributed to the delivery of humanitarian aid after the earthquake of 2010. It briefly indicated that the partner "somewhat agreed" on the statements that "the involvement in the Haitian civil society could have been done earlier after the disaster and more intensively" and that "If the INGO had to do it again in a similar future situation in Haiti, it would take a different approach in involving LNGOs". The partner completely disagreed on the proposal that "a more intensive and earlier involvement of LNGOs was hardly/not possible".

2.4.3 LNGO partnership policies by other key stakeholders

This chapter will (1) summarise the conclusions of the mapping of the partnership policies and guidelines as these were outlined in the Desk Report, and (2) develop below the current policies published by some key actors who appeared most relevant both during the desk study and the field visits. The actors are listed by alphabetical order.

2.4.3.1 Key conclusions of the desk study

83. The desk review has revealed a wealth of existing policies and guidelines on partnership among major humanitarian actors, i.e. INGOs, IOs, UN agencies and also among networks/alliances, from which patterns of good practices can be defined. The Desk Report has provided a mapping and detailed analysis of the policies and guidelines on Partnership currently followed by some 23 key humanitarian and development actors, which was mostly based on a pre-selection made during the inception phase.

84. Many EU (and US)-based INGOs and their larger families have progressively engaged in strengthening and providing capacity building to their local partners with the aim of developing long-term partnerships. They were often preceded in this approach by key UN agencies, such as UNDP, UNHCR, UNICEF or WFP. Among others, organisational development, multi-actor dialogue on partner development strategies and civic engagement in new aid modalities, are considered as valuable elements in the capacity building of Southern NGOs and CSOs. Most partnership policies reviewed insist on similar principles of mutual respect, trust, equality, accountability, transparency, ownership and participatory approaches, joint learning and open communication. Common visions and goals are also outlined, together with mutual/shared responsibilities, long-term commitment and sustainability. A definition of partnership proposed by Caritas summarises aptly the various issues at stake.

"Caritas partnership is a long-term commitment based on agreed objectives, a shared vision, values, and strategies arising from strategic plans. It focuses on such issues as integral human development, social justice, empowerment, and capacity building (...)Main characteristics include accompaniment, mutuality, and joint responsibility for programme results (...)The transfer of funds is not regarded as the only way of expressing solidarity. Involvement in development education, advocacy work, and other activities of solidarity are essential to the relationship (...). The partners complement each other in experience, knowledge, networks, and competency. The partnership enables both Caritas members to become more competent and capable of reaching their missions and goals".

85. The policies and guidelines variously include some helpful features and information for the partners, such as: a list of perceptions or prejudices as these are respectively felt by the northern and southern members of the partnership; indicators for capacity building; a categorisation of the risks entailed by partnership; a categorisation of the various types of local partners; and selection criteria for LNGOs.

86. The desk review has also provided some valuable examples of good practice, some of which have been annexed to the Desk Report, such as the "Job Description of a Partnership Manager" or a "Local NGO Pre-Award Assessment" template evaluating at field level the strengths and weaknesses of a new potential LNGO partner (both documents originated from IRC, which was met in the UK and in Kenya).

87.   It should be noted that some new international humanitarian actors have dedicated primarily their focus on capacity building, such as CBHA (Consortium of British Humanitarian Agencies, since 2010), which has e.g. been playing such a role in Bangladesh (Annex X). Even as this report was being drafted, the US-based learning network LINGOs (Learning In NGOs, with some key 70 members) was preparing to launch the Last Mile Learning initiative[27] aimed at ensuring that e-learning modules reach LNGOs, for free. The first topics for which modules have been developed are around project management, strategic management, self-management and team management.

88.   The above findings further outline the key support in capacity building/development provided to LNGOs through international partnerships, an aspect which has been consistently stressed by the surveys and the field visits. This support, which is being received to a various extent by nearly every LNGO assessed - even the strongest ones (very few exceptions have been noted) – and which must be considered on the very long term, constitutes an essential added value of the current system. Any types of closer working relationships between LNGOs and donor, however desirable, will have to include some kind of continued support and monitoring, either from the said donor, a "partner organization" INGO, or from a third party contracted for this purpose. Requirements of governance and performance, accountability and quality, have their own related costs.

Case study: the development of LNGOs in Somalia
During the drought disaster of 1982, some INGOs asked local people (e.g. English speakers) to set up LNGOs to capitalise on their knowledge of the context, and to provide aid to people they knew and which INGOs could not reach. In the 1990s, many more LNGOs started up just to deliver food and projects. The only ones which thrived (and eventually survived) were those which joined thematic networks focussing on capacity strengthening, even though the capacities they focussed on were those required by donors (procurement, financial accountability) rather than internal issues.

2.4.3.2   Partnership policies and guidelines

ACT (Action Churches Together) Alliance

89.   ACT is an alliance of more than 130 churches and related humanitarian and development aid organizations, including ECHO partners such as Concern, DanChurchAid or ICCO. The ACT Alliance is a full member of HAP, and several of its members are also certified members of HAP, such as **DanChurchAid**, **LWF (Lutheran World Federation)** or Tearfund (other church-based NGOs like CAFOD or Concern are also members of HAP).

90.   DanChurchAid was outlined as an example of good practice during the field visits in Cambodia and Bangladesh. Similarly the exit strategy of LWF in Cambodia (setting up the LNGO LWT) is worth mentioning.

91.   The overarching ACT standards and commitments, to which all members are obliged to adhere, include e.g.:

- Code of Good Practice
- Code of Conduct for the prevention of sexual exploitation and abuse, fraud and corruption and abuse of power
- ACT emergency response mechanism policy, guidelines and tools
- Anti- fraud and corruption
- Complaints policy

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[27] www.lastmilelearning.org

- Membership disciplinary policy

92.   ACT has furthermore published some 28 policies and guidelines on related topics; among these, the documents on partnership, capacity development, and quality and accountability are particularly relevant.

- The partnership principles[28] are those of the Global Humanitarian Platform, i.e.: equality, transparency, results-oriented approach, responsibility, and complementarity.

- The Organizational Capacity Assessment (OCA) tool[29], revised in 2011, is designed to assist in a SWOT analysis of an organization and covers internal (institutional) systems, structure, staff and competencies; the extent or reach and methods used for external relations and functioning; and the quality, effectiveness and efficiency of its programmatic work (whether emergency, development, advocacy or a combination of those). This comprehensive and practical assessment should lead to a further organisational development process.

93.   The Quality and Accountability Framework[30] summarises standards of quality towards which ACT can be held to account by its stakeholders (including donors and beneficiaries) and by each other. The ACT Strategic Plan 2011-2014 also outlines ACT's longer term plan for strengthening quality, accountability and impact of the work undertaken by ACT members, both individually and collectively.

ActionAid

94.   ActionAid International, the only major INGO family based in the South (the HQ is in Johannesburg) defines itself as a "global partnership". It has adopted a federal model of governance and organization, i.e. a union comprised of self-governing affiliates and associates which are members united by a central or international ("federal") structure and by shared values, vision and mission. This structure explains that policies and guidelines are also adapted to local realities rather than prepared centrally[31].

95.   ActionAid Bangladesh (AAB), a nationalized LNGO which is a direct implementing partner of ECHO, has published in 2007 its own "Partnership Policy and Procedures Manual ", which should be revised in 2013. This "national" rather than global/family document is quite comprehensive and reviews successively: the core values, scope and types of partners; the long-term and strategic aspects of partnership, together with partnership applied at the levels of projects and donors; the management and respective responsibilities, communication and coordination principles; budget planning and financial control; staff training; M&E; organisational development; and arbitration and phasing out procedures. The manual is intended to be used for managing relations with all types of potential local partners, i.e.: national and local NGOs, Community-based Organisations and Associations (CBO), Civil Society Organisation (CSO), Individual activist, Coalition of NGOs on thematic issues, Forums of NGOs, Thematic Networks, but also Business/Corporate houses, Trade Unions, Professional Groups, Local Government and Central Government.

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[28] http://www.actalliance.org/resources/policies-and-guidelines/partnership/7934-principlesofpartnership.pdf
[29] http://www.actalliance.org/resources/policies-and-guidelines/capacity-development/OCATool_Clean%20Version_w_prtnsp_24Oct2011.doc/view
[30] http://www.actalliance.org/resources/policies-and-guidelines/act-quality-accountability-framework/ACT_Q-Acc_Framework_Sept2011_ENGLISH.pdf
[31] It has also been reported that ECHO auditors were not entirely positive about effects of decentralisation on quality.

96.   It is interesting to note that AAB subdivides its partnership in two main categories:

- Long term or "Development Area"-based partnership, which is concluded for a minimum period of 6 years.
- Strategic or short-term partnership, for period of maximum 3 years.

97.   Where applicable, "Donor partnership" (which enters into the short-term Strategic category) is to be based on a prior assessment of the donor, , which should look at some key indicators, such as: a) compatibility of values b) common areas/programmes of interest c) willingness to become more pro-poor and d) willingness to accept mutual learning from the partners.

98.   Financial control by AAB implies that internal auditors or appointed external auditors may be sent to the partner organizations "at any time to audit any of its programmes". AAB assures also that it will help the partner organisations to develop their financial management system.

DEVCO (Directorate-General for Development and Cooperation – EuropeAid)

99.   NGOs and other civil society organizations, both EU and locally based are considered as key partners in implementing the Commission's development aid strategy. They are eligible for EuropeAid financing from both the thematic and geographical programmes.

100.   Thematic programmes (Investing in People, Environment and Sustainable Development, Food Security, Migration and Asylum) cover worldwide issues which are often in the continuum or continuum of humanitarian aid, such as protection of human rights, promotion of democracy, poverty reduction, food self-sufficiency, education, environment, health etc. Thematic programmes, which are not resulting from negotiations with governments, are open to contributions from CSOs from north and south.

101.   Geographical instruments for development include EDF (European Development Fund), DCI (Development Cooperation instrument) and ENPI (European Neighbourhood and Partnership Instrument). The geographical programmes encourage civil society participation in the dialogue with State authorities about development strategies and sectoral policies, as well as to help prepare, implement and monitor development programmes and projects. All the programmes seek to improve internal governance of CSOs, their operational and strategic capabilities as well as their ability to work in networks, communicate and take part in a dialogue on public policy.

102.   In 2009, the Court of Auditors issued the Special Report No. 4/2009 on the Commission's management of Non-State Actors' (NSAs, see above) involvement in EC development cooperation. The purpose of the report was to explore the extent to which the Commission ensures that NSAs are involved effectively in the development cooperation process, through efficient and results oriented management systems, and capacity development activities. The EU Council also published its own conclusions on the report.

103.   Concerns were expressed by the report regarding "the scarce involvement of partner countries' NSAs in the Commission's development cooperation, especially at grass root level". The report also outlined that improvements should be made especially in the Calls for Proposals procedure, which is enshrined in the FR as the default method to award grants. The Commission should further simplify this procedure, improving transparency and giving more guidance to NSAs, especially on the practical application of the financial rules (which may also be a key issue for humanitarian LNGOs, should ECHO decide to contract them directly). Some "disparity" was

finally discussed regarding the DEVCO approach to capacity development, due e.g. to the "excessive dependence" of NSAs in Asia and Latin America on the thematic programme for funding capacity development, as compared to ACP countries. The recommendation was that capacity development should rather be channelled through geographic programmes whenever possible, which may also be of potential relevance to ECHO should joint capacity building be decided for humanitarian LNGOs.

104. As a result, DEVCO initiated a reform called the *Backbone Strategy on Technical Cooperation*, which aimed e.g. at improving capacity development by focusing on local ownership. The Backbone Strategy is consistent with the EU Consensus on Development (2005)[32], e.g. the principles of ownership and partnership (4.1), participation of civil society (4.3), and the Paris Declaration (2005) which also insisted on e.g. ownership, alignment and mutual accountability[33].

105. Part of the above commitments involved also establishing *capacity4dev.eu*, as an online knowledge sharing tool for Commission staff and other development professionals.

106. It should be noted that, in order to enhance transparency of partner involvement in its programmes, DEVCO has for example introduced in the application forms for INGOs a section on "Partnership Declaration" which requires a statement that the concerned implementing LNGOs have been fully involved in the preparation of the request including knowing the project budget – which may be an example of good practice.

107. The key DEVCO sector in charge of the relations with local CSOs and LNGOs is the Non-State Actors – Local Authorities (NSA-LA) thematic programme. The sector is managed by Unit D.2, in coordination with relevant geographical Units and EU Delegations. Most of the country related projects with local CSOs are managed in a decentralised manner by staff in the Delegations (an exception being the multi country programmes and programmes addressing cross-cutting issues). There is no system in place to monitor the cost-efficiency of directly working with CSOs, although a results-oriented monitoring (ROM) is applied to all DEVCO programmes.

108. NSA-LA has launched in 2010 (until May 2011) the *Structured Dialogue*[34], an initiative aimed to address the participation of CSOs and local authorities in the EU development cooperation. Conceived as a confidence and consensus-building mechanism (and not a negotiation process), the objective of the Dialogue was to improve the effectiveness of these local stakeholders.

109. After the Structured Dialogue, the sector has also launched until May 2012 the EC *Open Consultation* process with CSOs. This consultation is focused on the action of CSOs in policy work, with the objective to reach out to local CSOs and gather views on how to promote their participation in policy processes and their roles in oversight functions and more broadly for enhanced domestic accountability. Key relevant themes of the consultation included: CSOs and development effectiveness principles; challenges related to a shrinking legal and regulatory space for CSO action; promoting the participation of CSOs in public policy processes and in domestic accountability (an issue linked to the humanitarian principle of independence); enhancing CSO internal capacity; and CSO internal governance and accountability.

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[32] http://ec.europa.eu/development/icenter/repository/european_consensus_2005_en.pdf
[33] http://www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html
[34] http://ec.europa.eu/europeaid/who/partners/civil-society/structured-dialogue_en.htm

HAP (Humanitarian Accountability Partnership) and JSI (Joint Standards Initiative)

110.   Although not a field implementing partner, the key role of HAP – to which ECHO has been a donor in 2009 and 2010 – should also be outlined at this stage. Using global networks as an example of how the humanitarian sector can include and support local NGOs, the sector's three main quality standards (HAP, People In Aid and Sphere, which have been cooperating since early 2012 in the JSI framework) are all as applicable to local NGOs as to international actors – and are applied by them in their day to day work. Over 40% of HAP's 69 full members are local, as are 53 of People In Aid's 201 members. In the HAP 2010 Standard in Accountability and Quality Management[35], each of the seven standards are directly or indirectly relevant to partnership with LNGOs, i.e.:

- commitment to humanitarian standards and rights;
- setting standards and building capacity;
- communication;
- participation in programmes;
- monitoring and reporting on compliance ;
- addressing complaints; and
- implementing partners.

IFRC

111.   To assess local Red Cross National Societies, IFRC has recently developed the "OCAC" (Organisational Capacity Assessment Certification), which is one of the tools being built into the new global "Framework and Principles for Building Strong National Societies", endorsed by the IFRC Governing Board in April 2011. It is also a part of the IFRC "Strategy 2020", which aims at introducing a Federation-wide performance management, reporting, and accountability framework.

112.   A central emphasis of the framework and set of principles for National Society development is the institutional strengthening of National Societies so that they establish themselves as sustainable entities. This approach could therefore potentially be seen as another example of good practice, and will be assessed as feasible during the following phases of the evaluation.

113.   The OCAC tool will be used to assess and upgrade the efficiency and effectiveness of each National Society, considered individually in its own context. The model is based on a set of core capacities, each of them being defined by a set of key attributes, which are in their turn translated into indicators, with benchmarks. The weighting and value given to each attribute takes into account the specific environmental and operational context (i.e. enabling or restrictive) of the concerned National Society.

114.   The OCAC system includes (1) a self-evaluation (mostly similar to a SWOT assessment), (2) a peer review (based on a "Root Change" methodology) which defines " developing, accomplished or exemplary" levels of achievement, and (3) an independent certification by the Board of the organisation and its capacities to implement, advocate/influence, and report independently from the authorities. Capacity building measures are defined accordingly. IFRC stresses however that the issue of independence is "always tricky" and the approach will always involve some risk taking.

115.   OCAC is still in the testing phase. The initially piloted phase 1 tool has been made available to all National Societies who may want it by the end of the first quarter of 2012. The

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pilot-testing of phase 2 - peer-review leading up to "certification" – was due to begin in the second quarter of 2012. When the complete OCAC process has been tested and piloted by self-volunteering National Societies and IFRC has a fuller understanding from the membership on its acceptability and utility, it will be presented to the Board seeking endorsement for its formal adoption.

OXFAM International and GB

116.   Oxfam currently has around 30 ECHO contracts per annum, in all regions of the world and all types of situations; about 90% of all humanitarian operations involved LNGO partnerships. Oxfam GB (OGB) has more than doubled the proportion of its humanitarian spending with Southern partner organisations from 9% in 2003-4 to 19% in 2010-11. In the Horn, East and Central Africa it rose from 2% ten years ago to 14%; in Southern Africa it rose from 3% to 17%; and in West Africa from 1% to 30%. OGB enters into formal contracts most of the time with LNGOs, except when the partner is a community based group, in which case a MoU would be used.

117.   Longer term partnerships are on the increase. OGB is trying to be innovative in whatever ways are necessary in working towards assisting LNGOs to be more sustainable. Rather than having LNGO staff integrated into the OGB team, they sometimes integrate an OGB staff member into the LNGO for a period of time, working like on secondment. OGB has criteria to follow for selecting LNGO partners. For a humanitarian response, is has to weigh up the need to respond to the crisis responsibly and therefore to partner if possible with known LNGOs who have a high level of competence.

118.   Oxfam estimate that the 2007 paper "*Working with others - Oxfam GB Partnership Policy*"[36] is central to its mandate. The document outlines 5 key principles for partnership:

- complementary purpose and added value;
- mutual respect for values and beliefs;
- clarity about roles, responsibilities, and decision making;
- transparency and accountability;
- commitment and flexibility.

119.   Partner relations would fall into 3 broad categories:

- Project partnerships for a specific project with mutually agreed aims and objectives
- Strategic partnerships, working together over time with sufficient alignment of goals and objectives towards achieving a lasting impact on poverty
- Alliances with organisations or groups of organisations working together towards a specific goal, even though organisational/ institutional mandates and long-term purpose may be quite different.

120.   Oxfam has also published some relevant evaluation results, e.g. "an evaluation of partners and partnership issues in Oxfam International's response to the 2004 Indian Ocean Tsunami" (2009)[37], which provides a comprehensive overview of the selection, capacities, implementing relationships, and lessons learnt. During the tsunami response Oxfam has worked wherever possible through partners. Oxfam affiliates (i.e. the full members of the family) only implemented programmes directly where LNGO partners did not have the capacity to meet the needs of the affected population or where affiliates had no local partners. Factors influencing the approach

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[36] http://www.oxfam.org.uk/~/media/Files/OGB/What%20we%20do/About%20us/Partnership%20policies/pship_policy_english.ashx
[37] http://www.oxfam.org/en/policy/wake-tsunami

included the capacity of civil society, affiliate history within the country, the affiliate's own organisational capacity, and the sector itself. The rigour with which partner capacity was assessed did vary. Some affiliates have a tendency to work with certain types of partner: Oxfam Novib and Intermon Oxfam tend for example to work through larger NGOs such as BRAC ("the only NGO which could be left to do everything"). Oxfam Australia would rather favour CBOs, and selects them as follows: "*When establishing a program, we outline the geographical coverage and impact we would like to achieve and seek out local organisations that share common values and approaches. We then encourage these organisations to develop proposals – or the initiative may come from local organisations themselves. Preliminary discussions take place about strategic interests and fit. If initial discussions are positive, we enter into a partner capacity assessment process which assesses the organisation's values and principles; structure and governance; organisational and financial management systems; and human resources. This process also gives the organisation the opportunity to assess if it wants to work with us*"[38]. Oxfam Australia acknowledges however that "most successful change processes take many years, and often decades". For long-term development work, they monitor progress with our partners through quarterly or six-monthly monitoring visits and associated reporting. Mid-term reviews and end-of-program evaluations are typically carried out by external evaluators.

121.   Approaches to *capacity building* of LNGO partners may vary by affiliate, and include training workshops, secondments, and in the case of Aceh, Indonesia (during the Tsunami) the development of a Partnership Support and Liaison Unit (PSLU). A number of partnerships have however broken down, largely due to allegations of financial impropriety.

122.   The PPISK (*Oxfam International's Partnership Policy Implementation Support Kit*) is their 'How to' guide including templates etc. for their staff to use when entering into/ working with partners.

123.   PISK was developed recently to be used in tandem with 'The Partnership Companion' that OGB developed in approx. 2010, which is more of a 'Why' guide to partnerships. The Partnership Companion is made up of 6 narrative booklets:

- Introduction to partnership
- Selecting partners
- Setting up a partnership
- Building s strong relationship
- Capacity building and exit planning
- Learning and reporting

124.   No efficiency analysis is currently being done, although there have recently been discussions about the need to measure the efficiency of working with partners. Oxfam acknowledges that it will be difficult to measure the efficiency of working with LNGOs as opposed to delivering humanitarian aid without LNGOs, as it is not only a matter of finance but also less tangible aspects such as what the INGO learns from the LNGO. When the analysis is completed they believe it is likely that the outcome will be much more of a narrative analysis than a financially based one. It should be noted that LNGO partners are given an opportunity each year to evaluate their relationship with OGB focusing on how well they are working together.

125.   Oxfam has developed specific approaches in some of the countries visited (see also field reports). In Bangladesh, Oxfam has published in July 2012 a comprehensive report on "Humanitarian capacity building framework and strategy for Oxfam and plans for partners",

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[38] https://www.oxfam.org.au/about-us/affiliations-and-partnerships/program-partners/working-with-partners/

which details gaps and objectives for each of the 19 key LNGO partners. In Kenya, Oxfam has set up the "Valid" system designed to supporting the creation of CBOs/LNGOs by providing a centre of expertise.

USAID

126. USAID, essentially a development donor, is actively supporting the capacity building of LNGOs. Some recent initiatives are worth mentioning. USAID's Office of Innovation and Development Alliances (IDEA)[39] was created to "pioneer, test, and mainstream models, approaches, and mechanisms that can lead to drastic (not incremental) improvements in development outcomes while establishing and coordinating partnerships that can lead to more sustainable development outcomes." One of the objectives of IDEA through its Local Sustainability Division is to work closely with local development actors and to improve their effectiveness and sustainability through e.g. the Development Grants Programme and the Cooperative development Programme.

127. IDEA's focus on supporting local actors and building their sustainability is itself a key aspect of USAID FORWARD[40], a reform agenda for implementation and procurement launched in 2010 and which aims as its first objective at "building local sustainability and partnership". The objective is to work with more local organizations in developing countries to improve their capacity, build effective and long-term partnerships, reduce dependency on foreign aid over time, and improve transparency and accountability.

3   Conclusions

128. The immediate origin of the present evaluation lies in a report of the Commission's Internal Audit Service (IAS) which has asked a key question to ECHO, i.e. "would there be gains in efficiency and effectiveness to be found in working directly with LNGOs"? The answer to that question is complex, due first to the apparent "black and white" nature of the question ("either ECHO works directly with LNGOs or it maintains its current approach"), and second to the lack of consistent data on the present situation and hence of a baseline for measuring possible gains.

129. From a wider perspective, the IAS question should also be seen in the presumed longer-term continuum concept that there should be a continuous path towards positive economic and social development in most countries. The ultimate goal of international humanitarian actors should be the handover of the response responsibility to local actors, be it the government or civil society. This should progressively allow most developing countries to reduce their dependency towards external aid and assistance, and increase their resilience.

130. Such a perspective is however still far distant in many regions, and humanitarian assistance delivery from international sources still appears to be an essential necessity. However, providing humanitarian assistance and involving local resources and actors (staff, local NGOs, community based organisations, others) creates responsibility for donors to include these components in the aid delivery as they are likely to support self-managed response in the future.

131. As detailed in the SWOT analysis below, the current efficiency and effectiveness of humanitarian aid delivery in the field are often based on the complementarity of respective strengths and weaknesses of INGOS and LNGOs working in partnership. This is by no means a clear-cut situation but a wide "in-between" or "middle ground" grey area, further subject to the

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[39] http://idea.usaid.gov/
[40] http://www.usaid.gov/results-and-data/progress-data/usaid-forward

influence of multiple contextual factors.

132.   An underlying assumption in the IAS question concerned the cost-effectiveness aspect of the issue, i.e. that working with local actors instead of international ones would be significantly cheaper. Findings from the evaluation (see section on cost-effectiveness below) indicate that there is no factual basis for pursuing direct relationships with LNGOs for reasons of cost-effectiveness alone, as there might be negative impacts on effectiveness both at the level of ECHO's internal/institutional effectiveness - by increasing significantly the workload of the field staff -, and externally - in the key aspects of accountability and overall quality of aid delivery in field operations. Efficiency and cost-effectiveness are rather factors of sustainable implementation, while effectiveness is what is demanded by response.

133.   Considering both the "black and white" alternatives of the IAS question and the large middle ground of intermediary measures that emerged from the evaluation findings, ECHO would be faced with three main options, as follows.

- It can acknowledge that the current system is satisfactorily relevant and effective, and that no action should be taken beyond the introduction of minor steps such as e.g. improving the reporting on LNGOs in the Single Form for statistical purposes.
- ECHO could "swim with the current tide", and contribute within the limits of its mandate to the thinking and policy creation on Partnership which is prevalent amongst most of its own FPA and FAFA partners. The role of LNGOs, who are often not sufficiently visible although they implement a majority of field activities, should be made more transparent for the sake of accountability. In the same perspective, ECHO could further encourage its partners to build the capacity of their own LNGO implementing partners (which many already do, see chapter 2.4.3) and help create, gradually, a conducive environment with guidance, assessment, certification and supporting measures.
- The third choice – postponed by the recent decision to maintain the current Humanitarian Regulation - could be to lead on what many believe is an essential next step for the humanitarian sector, i.e. the promotion through direct funding of selected local actors into sustainable and fully skilled NGOs - aiming for cost-effectiveness gains in the future. The prominent position of ECHO in the humanitarian sector would provide a strong advocacy in the global debate. This option would also imply a significant development of the ECHO field network, with attached costs.

134.   Options two and three are further detailed in the recommendations, and subdivided between short and medium-term (option 2) and longer-term (option 3) measures, for the sake of practicability. Other key conclusions are as follows.

135.   Looking at the inadequate knowledge about the local actors' involvement (even when they implement near to 100% of the field activities, as it is often the case) and the likely related impacts on efficiency and effectiveness at the level of ECHO, there is at present not enough evidence and information to take decisions related to the way more direct involvement can be organised, how investments will be directed to functioning bilateral relations, and what impact direct contracting would have on actual cost-effectiveness.

136.   Indeed, in formal terms - e.g. through information in the Single Forms[41] - ECHO does not currently know much about the interaction of the FPA/FAFA agencies with their own local

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[41] No information is available at institutional level which would allow analysing the role / share of work of local implementing partners in a reliable and comprehensive way. Furthermore, no financial data on the funds channelled through local NGOs is collected – excluding to state on the financial importance of LNGO involvement and its costs in a given country or region.

implementing partners (IPs)[42]. As detailed in Annex VII, the portion of ECHO-funded operations involving IPs appears however significant. The evaluation team reviewed 1.072 operations (based on e-Single Form and e-FicheOp information for the period of January 2011 until May 2012). Of these 1.072 operations, 543 (or 51 %) involved one or several local IPs. The highest frequency of local IP involvement is visible in UN operations (60%) and to a lesser extent in INGO / IO operations (48%). The total number of local IPs amounts to 1.079, meaning that each operation with local IPs involved an average of 2 IPs. Amongst those countries with 10 or more operations in the reference period, India showed the highest percentage of operations with local IPs (82%) and South Soudan the lowest portion (15%). A detailed mapping of available information by country, region, sector and type of ECHO partner area can be found in Annex VII.

137. There is no clear and consistent instruction to the ECHO TAs (field Technical Assistants) on how to deal with the issue (e.g. information to be collected and noted, reporting requirement, coordination tasks related to LNGO, etc.). Each TA seems to deal with this issue in line with his/her personal priority setting and perception. For ECHO TAs, the regular field monitoring does not for example formally include the review of local partner performance and is basically focused on results rather than on how and with whom these have been achieved. Often, neither the local IPs nor the working relations with them are visible (e.g. contracts, share of work in the aid delivery chain, etc.), except perhaps some (generally) non-attributable elements in the final narrative and/or financial reporting. The character of the relationships between ECHO FPA and FAFA partners and the LNGOs has often been described as "working with service providers".

> *A better insight of 'who is doing what' is required. It seems critical that ECHO staff should know more, for the sake of ultimate accountability and transparency, about the aid delivery chain and the role of LNGOs in situations where nearly all the implementation of projects is sub-contracted to such local entities. This lack of consistency is a major threat for ECHO as unequal treatment for partners/projects may arise. For ECHO TAs, all actors in the delivery chain should be visible and the donor should be aware of their individual contributions – if not their performances - to assure good donorship throughout the aid delivery process.*

138. There are different ways employed by ECHO partners to involve local actors under the current system. The following basic models can be observed (see Annex VI for more details):

- exclusive implementation through LNGOs;
- exclusive implementation through INGOs' own staff (although mostly local staff);
- a combination of implementing both through own staff and LNGOs.

139. From a contractual point of view, the INGO online survey (Annex IV) shows that the working relationships of ECHO partners with their local IPs are mostly managed through formal contracting per operation (70% 'often' and 19% 'sometimes').

140. It should be noted that a model getting gradually more prominent is the "nationalisation" of INGOs, registering as LNGOs and having local governance - which some present as an exit strategy although strong ties are often kept with the mother organisation (see also below under Opportunities). From a rather academic perspective these models result in a definition – and sometimes an ethical - problem in the sense of "What is a local NGO?"

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[42] Local Implementing Partners comprise 3 main categories of actors: local NGO (most frequent); local NGO belonging to a „family" such as the national Red Cross Societies; and other local actors (e.g. community based organisations, local universities, local authorities)

141.   Most INGOs see the involvement and comparative advantage of local IPs as essential to the successful implementation of projects (a few INGOs are self-implementers). For their part, many (but not all) local IPs accept the added value of INGOs, and those INGOs which focus on capacity-building do strengthen the areas of weaknesses to the benefit of their local partners. Some of the strongest LNGOs seem however to have overcome most – if not all - of these weaknesses. A summary of key perceived SWOT issues is presented below, even though differences between LNGOs inside a single country or between different humanitarian situations can vary to a very large extent.

142.   It should indeed be stressed that the response to humanitarian crises is and remains very context-specific. No "magic" general approach could probably be established overall for involving LNGOs more closely. In each situation, their involvement would need to be reviewed on a case-by-case basis, according to criteria of e.g. quality of implementation, assurance of principled approach, efficiency and effectiveness, or risk management. Equally, in each country the situation would differ according to the regularity of disasters, national legal frameworks and practices, public sector strengths, or the existence of a national assessment and certification scheme.

Strengths
International actors/INGOs
- Access to funds and trust relationships with donors, compliance with donors' requirements, financial strength and management skills, report writing skills (in English), membership of INGO families/alliances, continued funding after the end of humanitarian interventions, transfer of knowledge, technical assistance, respect of procurement procedures, M&E and, for ECHO, access to e-tools. Committed international actors can also monitor the respect of humanitarian principles (neutrality, impartiality and independence).

Local actors/LNGOs
- Presence, assessment, cultural sensitivity, access and acceptance by beneficiary communities, participatory methodologies, sustainability and resilience. LNGOs are often locally respected and trusted as they are *from* the community and they can stay in times of uncertainty. The technical reports (often in local language if this is not English) are generally of good quality.

Weaknesses/ challenges
International actors/INGOs
- The added value of INGOs (mandatory in the FPA) is not always cost-effective as it is sometimes limited to contract signature, overall QC and access to ECHO e-tools, and it takes away project funds from the final beneficiaries. Every LNGO met by the evaluation stated that direct bilateral relations with the donors would be more cost-efficient. This statement appears however often not to be well reflected, as no clear answer is given on how some of the real added value of the international partners would be replaced (in particular monitoring, assistance in report writing or in pre-financing – see also under Threats below).
- Some INGOs and international agencies tend to sub-contract LNGOs for the duration of a project rather than setting up longer term (and costly) partnerships, which amounts to "outsourcing their workloads and problems" on often under-capacitated LNGOs.

Local actors/LNGOs

- For LNGOs, a chain of negative side effects can be derived from the above situation:
  o LNGOs can feel that they are "hidden actors", contributing often the majority of the implementation work, although they are not visible at donor level and not in the position to build up a trusted relationship with the donors;
  o under sub-contract agreements alone, LNGOs have no margin for sustainable institutional development and find themselves in a fight for survival from contract to contract;
  o due to the situation of being financially weak, LNGOs often do not have the strength to keep a clear focus on their mandate and values, being faced with various and sometimes contradicting donor and INGO requirements (strategies, administration and financial management requirements, etc.) with no opportunity to negotiate. As a result, they are often forced to be opportunistic (see also below).
- LNGOs can be too focused on delivery, to the detriment of institutional capacity. Due to the lack of institutional funding (partly explained as resulting from short-term commitment by donors) and the need to maintaining staff / continuing operations, the weakest LNGOs often lose the focus of their work, behaving opportunistically, i.e. taking on board work for which they are not mandated or qualified, and following donors' strategies that they might otherwise not adopt according to their understanding of the situation in the area of operation.
- LNGOs' corporate structures can be rather weak below the upper level of a charismatic leader and a few key managers.
- Lack of humanitarian expertise, sometimes low educational skills of the staff.
- Poor levels of administration, financial management and control against fraud and corruption, M&E, understanding of procurement guidelines, and reporting (poor capacity to write narrative reports or proposals in good English; use of old/traditional bookkeeping systems that are not compatible with modern financial reporting).
- Low levels of national education (which induces high levels of 'poaching' of the most skilled local staff by international organisations) and governance (level of corruption, non-conducive legal environment) are other negative factors of the dilemma.
- Scaling up again after downscaling too far is very challenging, especially during emergencies, which is not the most opportune time to scale up activities.
- Due to high staff turnover, LNGOs are often in need of continuous capacity development (in particular in administrative, financial and HR management, procurement, M&E and principles) in longer-term partnership frameworks rather working through short-term subcontracting in emergencies.
- Poor use of logframes: conceptual clarity and logical linkages are often not sufficiently taught in the national education systems (vs memorizing).

Opportunities/trends/solutions

- An independent (voluntary) verification/accreditation, which would also propose corresponding training (consistent with standards, at prices accessible to LNGOs on the model of the Cambodian CCC - see chapter 2.4.1), that would focus on quality of implementation and standards of humanitarian aid, may provide a strong basis for selecting suitable quality LNGO partners for ECHO and international agencies. This approach should however not discard small LNGOs at grassroots level, which are sometimes the most effective.
- The use of (experienced) EU Aid Volunteers (formerly EVHAC) for strengthening administrative and technical skills of LNGOs would be advisable, as this is already the case for the presence of e.g. UK Voluntary Service Overseas (VSO) and Australian volunteers.

- Solutions to the major challenges are centred around one key issue, i.e. capacity building in its broader meaning, acknowledging the capacity in institutional strengthening as well as the transfer of skill to gain the necessary project quality and financial accountability. Capacity building and support from INGOs are usually not quantifiable, coming from "joint family baskets" or non-earmarked funds (core funding from national donors). Cost-effectiveness aspects are further discussed below.

- The promising OCAC system of the IFRC could be studied as a potential example of good practice for FPA partners regarding assessment and capacity building of local actors.

- Among the field case studies, several INGO partners could be taken as examples of good practice in providing capacity development and setting up strong LNGOs as "exit strategies", although these initiatives could not be quantified. It should be noted that many INGOs have exit strategies for the countries where they work. This may mean withdrawal (for example where the politics or legislation are unsupportive) or indigenisation (setting up a fully-fledged local NGO as part of their family or federation, or sometimes even a "letter box" which does not play any part in the local civil society but acts only as a medium to win local contracts).

- Some other highly proficient ECHO partners had been fully nationalised already (as a matter of fact ECHO is already working directly with a few LNGOs, if one excepts the formal contract signature with an EU-based intermediary), and were eager to start working directly for ECHO as LNGO, provided that e-tools access is improved. Some others prefer to remain within the global policy of their NGO family, which protects them from for example corruption and politicisation, and provides useful support and capacity development.

- If ECHO partners would provide a more detailed description of the contribution of LNGOs to their activities, with some relevant analysis, it could help ECHO monitoring TAs to get faster and straight to the point during field visits. The overall project outcomes could thus be improved.

- Skilled LNGOs should be more actively involved in humanitarian consortia (promoted by ECHO) and in coordination meetings (UN clusters and ECHO).

Threats/risks
- The level of capacities and presence of LNGOs is much dependent on contextual factors, such as the regularity and scale of disasters. In countries where disasters are (fortunately) not sufficiently frequent/regular to justify maintaining permanent capacities (including consortia or continuous presence of humanitarian donors), this situation creates a "dilemma", leading to a downward spiral of skills.

- In all the visited countries, the number of qualified local IPs is either relatively or very limited, as is the knowledge publicly available about existing local actors (with the notable exception of Cambodia thanks to the CCC accreditation system). The limited base of partners carries the risk that local IPs could easily get overstretched in acute and/or large emergencies, as they have only limited scale-up capacity in rapid onset situations. Commitment levels to multiple donors and agencies may then become quite challenging to maintain delivery aid quality, and the role of INGOs in such acute/large emergencies is likely to remain crucial.

- LNGOs may be subject to pressures from local authorities. Endemic corruption, strong politisation or tight control through NGO laws by government of foreign donations and influence – perceived e.g. as potentially detrimental to the country's independence - may put pressure on independence and impartiality of beneficiaries' selection.

- Extensive use of microcredit by LNGOs in some countries (microcredit is e.g. a core source of funding for nearly all LNGOs in Bangladesh, who collect 10-12% service charges) may also impact on the impartial selection of humanitarian beneficiaries[43].

- The increased workload for – already overstretched - ECHO TAs by multiplying small contracts (due to low absorption capacity of many LNGOs) is a key threat.

- When comparing the views of INGOs and LNGOs, a clear difference in perception concerning the readiness for bilateral donor relations (e.g. direct contract in humanitarian response) was visible. Where the majority of local actors stated that they were ready to enter bilateral relations and be able to cope with the compliance requirements of the donors, all concerned INGOs stated that this is generally not (yet) the case, indicating that the capacity of their local partners would not allow them to comply with donor requirements and in addition highlighted that the financial weakness of local partners would not allow for rapid response. Should ECHO opt to engage in direct contracting with LNGOs, it could be argued that it would be ethically and technically obliged to improve that aspect. The approach could only work if ECHO gives itself the systems and resources to deal with the challenges of working with LNGOs.

- Clear messages were received from the INGOs and ECHO staff regarding quality of implementation and principled approaches – there should not be any compromise at this level when going in a direction to more closely working with local IPs. In addition to this, the "do no harm" principle should be regarded as priority.

Considerations on cost-effectiveness aspects

143.   As already discussed it would be highly questionable to consider that, in terms of cost-effectiveness alone, closer working relationships between ECHO and LNGOs would result in a significantly better value for money situation, where quality implementation, adequate accountability, principled approach and risk mitigation would be appropriately ensured. There is a wide consensus on the fact that continuous capacity building and monitoring would still be required in a foreseeable future. To replace these functions, currently provided by the FPA/ FAFA partners, would come at a significant cost, by e.g. expanding the ECHO field structure.

144.   The absence of systematic and comparable knowledge base of the costs incurred by INGOs for involving LNGOs (only rough and scattered/fragmented figures were collected), combined with a wide range of influential contextual factors, does however not allow this evaluation to make any prospective calculation on the costs implied by direct contracting, to the exception of the tentative figures below.

145.   According to the INGO online survey, when LNGOs are involved in a given project the wide range of management and supporting costs ultimately amounts to a rough average of 18,5% of the total budget[44] (Annex IV). Fragmented data from field visits (Annex VIII) indicate that this figure should be subdivided between several "layers" of management, i.e. generally 7% of indirect costs for the international partners' HQ overheads (often dubbed the "middle-men"), and between 3-10% for direct staff and operational supervision costs by INGOs and one or several layers of implementing LNGOs at national and/or grass roots levels[45]. Analysis carried out in Annex VIII further demonstrates that in most cases no significant savings should be expected

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[43] Beneficiaries of microcredit loans would be in a better position to reimburse if they also benefit from humanitarain aid.

[44] These costs are likely to vary to a large extent, depending on a number of factors (capacity of LNGO, frequency of cooperation, type of LNGO, type of operation, national context and crisis situation, etc).

[45] Figures collected from Bangladesh indicated e.g. that LNGO salaries and management costs amounted to a bracket between 2,89% and 9,62% of the total project budget – see Annex VIII.

from the current salary costs, either from expatriates (mostly highly effective supervisors) or national staff.

146.   To these relatively transparent costs (i.e. shown in the project budget) should be added the overall support and capacity building efforts undertaken in the framework of Partnership policies (chap 2.4.3), and often paid from the general basket of the partners' own funds.

147.   Should ECHO want to directly contract LNGOs after amendment of the Regulation, the top layer of (maximum) 7% of indirect costs for the "middle-men" may possibly be transferred from management charges onto direct assistance to the beneficiaries, and in such would provide gains in (cost-)effectiveness. <u>However, a number of strong caveats would also need to be considered</u>.

- The "Do No Harm" principle must be applied, which would involve the prior agreement of both the concerned INGOs and LNGOs to the procedure.
- Only those LNGOs who have been duly certified/ accredited should be eligible for direct funding, although ECHO's procedures need also to be adapted with flexibility to the LNGOs' actual capacities.
- Direct contracting would imply some moral obligation for ECHO to continue providing the necessary support to the concerned LNGOs, in order to avoid the short-term vision of "outsourcing workload and problems to LNGOs" followed by those partners who do not want to bear the costs of Partnership policies. This could be done through the (already overloaded) field network of ECHO. Anecdotal evidence indicate that the workload of INGOs' field staff may increase by up to 40% to cover support and supervision tasks of partner LNGOs. Such a change – which can also be seen as an opportunity to upgrade ECHO's field system towards upcoming challenges - would require significant investments (e.g. in setting up verification systems, regular mapping and assessing of LNGOs) and would clearly lead to extended responsibility of ECHO in many aspects, e.g. more risk taking to be balanced with the requirements of the Financial Regulation, operational instructions at field level and devolution of authority.
- A relevant alternative (already followed e.g. by AusAID in Cambodia - see case study in field reports) would be to acknowledge the complementary roles of INGOs and LNGOs, and to include with due transparency in the project LFA and budget a specific result for (measurable) capacity building activities.

148.   It should further be noted that some development donors (e.g. USAID, DFID) have employed approaches to "directly reach" LNGOs, contracting out the entire grant management of their programmes to third parties (although still assuring audits, reporting and adherence to contractual requirements and other issues depending on the contract).

149.   These services have their costs and the indication from different such approaches (e.g. from KPMG and ACT! Kenya) range from 5 – 10% of the grant value for light touch options[46] and 15 – 20% for more extensive options[47] (specialised ad-hoc technical assistance services not included). Although this would not arguably provide advantages comparable to the direct contracting of INGOs or LNGOs since such third parties (often private firms) may be less culturally sensitive or informed about humanitarian principles, the approach can be seen as a benchmark for potential costs.

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[46] **Light touch option - grant management:** requesting and assessing proposals against criteria, offering the funder a shortlist and then making payments.

[47] **More extensive option - grant management**: (in addition to the light touch option services): providing strategic and institutional support to grantees, hand-holding on aspects of the technical delivery.

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4 Recommendations

4.1 Advisability of establishing direct work relationships with LNGOs

150. Whereas it is increasingly felt important to involve LNGOs in all aspects of development and humanitarian actions in view of optimising for example accessibility, cultural acceptance, ownership, LRRD and sustainability, any potential gains in efficiency and effectiveness that would be achieved by bypassing costs of "middle-men" need to be carefully balanced against the current weaknesses (management, reporting etc) which are still shared by a very large majority of LNGOs.

151. At the present stage and pending a possible amendment to the Humanitarian Regulation, ECHO could consider working directly with eligible LNGOs (i.e. some selected Red Cross national societies or "elite" local NGOs that fulfil all the criteria of stable financing, principled approach, internal controls, reporting capacities etc, and comply with Financial Regulation provisions) in "exceptional" cases only, to be duly justified on a case-by-case basis, where such a collaboration may bring significant added value to the current approach. In this option, ECHO would need to reflect whether to apply a strict equal treatment (harmonised requirements and standards as for FPA INGOs), or some flexibility regarding criteria for risk management, financial losses and sound financial management.[48] These issues should be further tested in pilot case studies.

152. For the large majority of other potential local implementing partners, the current added value provided by the INGO, IO and UN partners (e.g QA/QC on narrative and financial reporting, financial support, M&E, coordination with donors – in particular demanding ones such as ECHO) is still crucial. In this respect there is a need for gradually creating a conducive environment through a number of systemic improvements, including for example:

- promoting a consistent system of nationally-agreed certification/accreditation schemes;
- better supporting the sustainability of LNGOs through the existing longer-term partnership and capacity building/development policies already implemented by many concerned FPA and FAFA actors, provided that these are acceptable (common standards to be defined) and their results in matters of efficiency and effectiveness are measurable;
- upgrading the current ECHO field structure in both scale and authority, to adapt it to accommodate the additional workload (envisaged staff reductions would arguably not allow this to be made at HQ level) which is likely to result from the increased contract management, technical backstopping, monitoring, mapping and coordination tasks of LNGOs which would have to be carried out directly by ECHO staff.

153. A *Pilot Phase* should be put in place at the onset of any wider programme aiming at involving LNGOs more directly. Pilot/test case studies should for example be carried out in various humanitarian settings and geographical areas, in order to validate the proposed approach and better quantify the above additional inputs required from ECHO. It should be clearly understood that these piloting exercises might involve the risk of losses, which should be accepted.

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[48] See e.g. the 'tolerable risk of error' – TRE - under chapter 4.3 of the revised Financial Regulation. The triennial revision of the FR proposes also under chapter 4.1 the use of lump sums of up to 25.000 Euros and the simplification of small contracts, which may be used for directly contracting LNGOs.
http://ec.europa.eu/budget/library/biblio/documents/regulations/com_2010_815_revision_triennale_en.pdf

154.   As mentioned in the ToR, a methodology for evaluating the possible effectiveness and efficiency gains should be available to the ECHO field staff and be tested during such a pilot phase. This methodology should also validate the fact that a number of key selection criteria have been fulfilled to ensure that the LNGO under consideration presents satisfactory guarantee of its capacities. This process should be comparable – although adaped to local circumstances - to the "60 questions" list for selection and the annual assessment process for confirming the suitability of INGOs to the FPA system. A tentative assessment table which includes such selection criteria and factors for measurements of efficiency and effectiveness - and which integrates the lessons from the field visits - is presented in Annex V.

155.   Some specific caveats should nevertheless be considered for LNGOs.

- In some countries or regions, disasters do not happen regularly or frequently enough to justify maintaining humanitarian aid structures. Similarly, it has been noted that, in the context of the current FPA, the EU-based INGO partners need a "critical mass" of ECHO funded projects every year to maintain the skills necessary to implement the complex rules. The situation for LNGOs could hardly be different, or they would run the risk of becoming inactive - like many of the current weaker FPA partners.
- The FPA training (currently by Punto Sud) would need to be accessible to LNGOs, which may require the current system to be further expanded and decentralized at field level.
- The national level of corruption, which impacts on relations of LNGOs with local authorities, can be a key factor for effectiveness and cannot be ignored. The Global Corruption Barometer published by Transparency International could e.g. be used for reference in the supporting measures envisaged for capacity development of LNGOs.

4.2   Proposed working procedures in the longer term

156.   In the framework of the broader approach described under 4.1, a number of specific recommendations can be considered by ECHO on the longer-term, i.e. considering the current legal restrictions of the Humanitarian Regulation, the decision of ECHO not to amend this Regulation at present, and the strict parameters of the Financial Regulation which are generally not conducive to working with most LNGOs.

Policy and advocacy level

- Although the decision has been made in 2012 to maintain the current Humanitarian Regulation for the time being, ECHO should ensure that on-going internal policy discussions take into account the issue of LNGOs; an internal policy approach on the subject should be developed, guided perhaps by a Partners' Conference which some actors suggested could be held in Nairobi.
- A set of definitions should be adopted. Based on the findings of the report, a definition for LNGOs potentially acceptable as direct ECHO partners is proposed below. For the sake of risk management and accountability, this definition is likely at first to restrict access to ECHO funding to a limited number of the largest and most capable LNGOs, even though "networking and access capacity" should ensure cooperation with smaller grassroots actors and local communities.
- It should also be noted that the term "LNGO" itself is probably inappropriate. The use of "local" can be misleading between national actors and other actors who have only a partial or different geographical location; "local" tends to refer to local communities versus national or regional entities. The term would also include Red Cross national societies. In

addition, in humanitarian situations where strong pressure is exerted by authorities, the number of eligible LNGOs may be quite limited, since they may have to choose between staying independent and (too) small, or to grow and lose independence.

> *"Non profit-making actors of the national or local civil society or representative bodies of local communities with relevant and proven legal status, governance standards, track record of aid delivery in concerned humanitarian-related activities, networking and access capacity, and principled approach (EU Consensus); in exceptional cases, decentralised local authorities or private sector actors involved in humanitarian-related activities can also be considered as local partners".*

- The above definition, first drafted in the inception report, has been revised acording to some of the suggestions provided by the respondents to the surveys. It was recommended to involve decentralised local authorities only if these were prepared to accept humanitarian aid principles to preserve the neutral perception of humanitarian aid, even though among good practices were mentioned many of the DIPECHO projects involving local authorities e.g. in Latin America. In this matter, a closer coordination with Civil Protection would be recommended, allowing local authorities to be funded by this approach where feasible.
- Consistent with the definition, the preliminary methodology for the selection of eligible LNGOs proposed in Annex V should be further adapted and pilot-tested as feasible.
- A sector-wide process should gradually be initiated, in which ECHO could take an important lead role, in order to define the parameters for working with local actors in the future. The following measures are recommended in this respect.
    - Consensus on intensified involvement of local actors in the humanitarian aid delivery system with the ultimate objective for the international actors to exit the scene (to limit the presence of international actors to the minimum, with the intention of creating functioning response capacities in the target countries).
    - Phased approach to more intensively involving LNGOs e.g. in applying twinning and secondment concepts with INGOs (through contextual pilot studies, by geographical priority / sector priority) in order to validate the approach and to collect baseline data.

Systems and procedures, and improvement of the operating environment for LNGOs

- The presence of a permanent ECHO office or a strong/regular supervision in the concerned country is arguably a prerequisite for working with LNGOs.
- The opportunity should be considered to revise and upgrade accordingly the ECHO field network, with improved capacity, authority and numbers of TAs - or even more crucially their local assistants and experts - needed to accommodate the LNGO approach in due time; anecdotal evidence points to an estimated increase of 40% of the workload required to provide additional supervision and support to the eligible LNGOs.
- ECHO procedures for accountability should be adapted to LNGOs, e.g. by focusing less on the quality of LFA and English in proposals and narrative reporting, but more on:
    - ex-ante accreditation (compliance to standards and principles in management, finances, operational capacities) through an independent certified body (see below) or by ECHO audit/assessment, on top of a PADOR-like online registration;
    - independent monitoring during implementation (by ECHO, ROM, INGOs/UN with robust budget item for M&E);
    - Ex-post/meta evaluations and audits, possibly with translation services of the local languages often used in reports into English.

4.3 Options for improving the current approach <u>in the short /medium term</u>

157. In the meantime, a large number of shorter-term measures can also be considered which ECHO could start implementing pending the possible revision of the Humanitarian Regulation.

Systemic recommendations

- Collection of information about funds channelled through LNGO and LNGO involvement in general should be improved through updated e-Tools. ECHO could, as a start, commission a research project to collect data on how much ECHO funding is spent by LNGOs, and to measure the added value of the "middle-men" intermediaries (between ECHO and LNGOs) in various settings.

- The development of minimum ethical standards / code of conduct (or adoption of an existing set) on how the partnerships between international and national actors are handled could help to assure an ethical behaviour throughout the aid delivery chain. This would be particularly appropriate in the light of the situation today, where public funds are often implemented by "invisible" actors at local level, and where some international "intermediary" actors tend to privilege short-term sub-contracting through which they outsource workload and problems to LNGOs, without providing commensurate indirect funds for institutional sustainability.

- In particular, a set of common standards should be defined for partnership policies to be eligible for ECHO funding, the results of which in terms of efficiency and effectiveness gains should be measurable.

- A Partners' Conference focused on partnership with LNGOs (and perhaps next steps for ECHO if relevant) could be held, possibly at a RSO location in Africa or Asia, allowing those directly involved with and within key local NGOs to attend. Harmonised principles of partnership between INGOs and LNGOs should be an important topic.

- In this perspective, ECHO could generally stimulate the sector wide reflection on interactions with local implementing partners to gain common understanding and a concerted approach (e.g. in terms of compliance requirements, minimum standards, good humanitarian donorship, ensuring that proper overheads are offered, etc.).

- ECHO may seek to coordinate efforts with the UN's Financial Tracking System to show subcontracting, so that the humanitarian sector as a whole could keep track of aid flows to LNGOs[49].

- To promote the use of EU Aid (formerly EVHAC) volunteers to provide administrative and technical strengthening to key LNGOs. Field visits have shown that the use of such volunteers (e.g. experienced professionals, young graduates or retired managers) to strengthen internal management structure of key middle-sized LNGOs would arguably result in a win-win situation. Such volunteers could also originate from Europe-based diaspora groups, who would be better acquainted with local culture and languages.

- Relevant partnership policies that include measurable capacity development by INGOs and UN agencies – and for example secondment and volunteering to support LNGOs in scaling up and down depending on the needs - should be better supported by ECHO. Such capacity building approaches must be consistent (according to predefined standards), in order to avoid confusion between training provided by many different (and often successive) international agencies and donors.

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[49] This is also a focus of the European Court of Auditors with the Integrated Financial Accountability Framework (IFAF) reporting.

- To implement the above, ECHO should consider setting up a funding scheme for capacity building of selected LNGOs in parallel to - or using the relevant provisions of - the ERC (Enhanced Response Capacity). The criteria of selection of the beneficiaries are to be defined, although these should include the *already existing and proven capacity building initiatives of the main FPA partners* – especially at the level of international families or alliances of NGOs - when these focus e.g. on local capacity for DRR. Many international actors have indeed developed and are applying comprehensive procedures for the selection, operational support, M&E and capacity development of their own local partners. Provided that such schemes respond to a number of common criteria (e.g. respect of humanitarian principles, relevant mandates, capacity development in efficiency and effectiveness, proven impact, objectively verifiable and measurable results with SMART indicators) and provide significant added value, ECHO should support them.

- A relevant alternative (already followed e.g. by AusAID - see case study at the end of chapter 2.4.1) would be to acknowledge the complementary roles of INGOs and LNGOs, and to include with due transparency in the project LFA and budget a specific result for (measurable) capacity building activities.

- Measurement of progress could also be focused on the Resilience Agenda, and the commitment of LNGOs to follow the paradigm shift from disaster management to disaster risk reduction. The corresponding investment may translate into an opportunity to create a separate budget line to directly support LNGOs, which could possibly be managed with the support of the different RSOs (if under EUR20M), as another alternative to ERC.

- In any case, ECHO should apply the "*Do No Harm*" approach and avoid disrupting valuable and value-adding partnership frameworks already established by ECHO partners.

Improvement at FPA and contractual/administrative levels

- Definition of minimum requirements of information to be presented on local implementing partners in the Single Forms (SF), in the form of guidelines for FPA partners. The information currently contained in the SF is too often superficial or partial and does not allow for comprehensive analysis. In order to know how much funds are channelled through LNGOs, the information collected needs also to include the indication of "sub-contract" values in a FPA contract (or at least percentages channelled through LNGO based on the costs per result). Such research and analysis would give ECHO an idea of the scale of transfer of accountability and a basis - in a few years time -, for looking at this issue again. In their final reports to ECHO, the INGOs should comment on the implementation capacities (management, response) of their key implementing LNGO partners, for a better understanding of the respective INGO and LNGO roles and capacities. The application of a measurable capacity building scheme for LNGOs should also be mentioned in the SF.

- If some aspects of the above-mentioned information gathering exercise appear to be inconsistent with the SF simplification process, they could be inserted in meta-evaluations to be carried out at regular intervals.

- To stimulate ECHO partners to use the opportunity to include targeted capacity building measures in their approaches (e.g. making it one of the LFA results of their operations, which would also in formal terms allow ECHO field staff to monitor this component).

- In support of gaining a more in-depth knowledge about the involvement in ECHO funded projects, the TOR of the regular evaluations of ECHO partners or country evaluations could include an evaluative question on LNGO involvement**.**

Improvements at field level

- Guidelines should be prepared for ECHO (HQ and field staff) on good practices, strengths and weaknesses of LNGOs, how to monitor the involvement of local implementing partners (e.g. scope, information to be collected, etc.). In the light of the current situation where information and guidance about LNGOs are lacking, it is recommended that ECHO takes a clear position towards the level of awareness about the local implementing partners´ involvement, their importance and shares in aid delivery (e.g. funds channelled through LNGO noted in SF and in reports) and to formulate clear instructions / rules in how far ECHO staff should be involved in the INGO / LNGO interaction in the aid delivery chain.

- ECHO should support in every relevant country the establishment of an independent system for (voluntary) verification/ certification/ accreditation of quality LNGOs, in which the INGO community needs to be involved. A model could be the CCC (Cooperation Committee for Cambodia, see chap 2.4.1). Such a system should be able to assess capacities of LNGOs, identify weaknesses, and provide targeted support to overcome these by proposing corresponding training (consistent with standards, at prices accessible to LNGOs). This approach would allow FPA partners to avoid spending funds separately on assessing the same LNGOs, and would ensure that the results are shared openly.

- To achieve a sector-wide, consistent approach on the above (with agreed rating system) it could e.g. be envisaged to follow the implementation standards promoted by the JSI (Joint Standards Initiative of HAP, Sphere and People In Aid), possibly with ERC funding. Accredited LNGOs should be able to follow the FPA training. In addition to the standard assessment, different agencies could add their specific sector criteria.

- Alternatively, OCHA would be a valuable candidate to do a country mapping of LNGOs and run a capacity assessment grant.

- To stimulate coordination and participation between ECHO / INGO / LNGO, bringing them around a table in a joint exercise during HIP definition or planning, and on ad-hoc basis in case of difficulties; key LNGOS should also take part to cluster coordination meetings, and be considered in ECHO-promoted consortia. The ECHO TA should meet with the LNGO management at least once; all local partners should be present during monitoring missions by ECHO.

- In that framework, LNGOs should be able to systematically inform ECHO regarding the strengths and weaknesses of their own working experience with the FPA/FAFA partners.

- To promote alignment of cooperation approaches amongst all international NGOs in humanitarian response with respect to working with local actors in a given country or region to the benefit of all actors. Positive results should include better information, less workload for local actors, early warning on overstretching risk of local actors and harmonised compliance requirements, with a probable effect on efficiency and risk management. The local partners should be included in this dialogue.

- Mapping of local implementing partners should be carried out at the level of ECHO field offices and in cooperation with DEVCO – to better know who is doing the actual implementation and to keep track on the performances of available local actors in a given country – to the benefit of all actors in the sector.

- Closer coordination should be considered with DEVCO in particular regarding measures aiming at mapping (above), capacity building and sustainability (out of humanitarian emergency periods) of potentially relevant LNGOs, as follows.

  o A cooperation as close as feasible/relevant should be envisaged between ECHO and DEVCO in matters of DRR/CCA and LRRD, to keep contracting key LNGOs in a

continuous way. This is especially valid in countries where large disasters occur seldom and where a continuous ECHO presence is hardly justified.

- o Positions of dedicated Partnership Officers within the structures of FPA INGO partners could be supported in a joint/combined approach with longer-term DEVCO programmes involving CBOs (NSA/LA, EIDHR etc).
- o Cooperation with EIDHR should also be envisaged by ECHO to enhance governance and help creating a conducive legal environment for LNGOs.
- o Capacity building was identified as one major challenge at the level of LNGOs. Difficulties relate to the high staff turnover and the short term nature of humanitarian funding. In order to make the capacity building more sustainable and longer term, cooperation with the DEVCO capacity building activities for civil society actors should be sought, e.g. through an adjacent "humanitarian" module which could be added to the existing capacity building measures in the Development sector. Cooperation with DEVCO SMILING-type (in Bangladesh) capacity development initiatives, which result in LNGOs being able to submit proposals and win DEVCO contracts is also advisable.
- o Cooperation with DEVCO ROM results-oriented monitoring (twice per year), which could use specific humanitarian criteria to review some ECHO-funded projects and alleviate the workload of TAs.

- Solutions should be explored to address weaknesses (in a given context / country) e.g. through technical assistance and capacity building measures. Options could include gathering a pool of specialised local experts, supported and coordinated by the international actors, to call on in case of needs.

- Should the considered LNGOs have comparable levels of skills as their INGO FPA partners and the added value of these be minimum, ECHO should consider allowing lower indirect costs than the (automatic) maximum of 7%.

- When faced with potential pressures from local authorities which may impact on the performances on LNGOs, ECHO projects would need robust M&E budget lines for frequent and targeted monitoring by the partner INGOs during project implementation.

- ECHO would need to be looking, perhaps in coordination with Civil Protection, into the funding of Emergency Response teams, particularly in the case of infrequent cyclical crises. Some recurrent situations need *'Sleeper Cells'* (local response teams 'lying in wait') with the skills to respond to a humanitarian emergency as and when they arise rather than building up a response system at short notice in a reactive way.