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Save the Children



# INNOVATION FOR LOCALISATION

Putting the Grand Bargain Localisation Commitments into Practice:  
Institutional funding for Local Partners

**RESEARCH REPORT:** Exploring the Impact of channelling unrestricted funding to NNGOs in Emergency Contexts

**Empowering Autonomous Partnerships**

October 2020



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## ACRONYMS

<b>ASADEC</b>	Action for Community Development Association
<b>CRDSA</b>	Coordination of Rehabilitation and Development Services for Afghanistan
<b>CPAoR-</b>	Child Protection Area of Responsibility
<b>DRC</b>	Democratic Republic of Congo
<b>EAED</b>	Environmental Actions and Emergency for Development
<b>EIEWG</b>	Education in Emergencies Working Group
<b>INGO</b>	International Non-Government Organisation
<b>L/NNGO</b>	Local/National Non-Government Organisation
<b>MWDA</b>	Mbonweh Women's Development Association
<b>SKUS</b>	Samaj Kalyan Unnayan Shangstha
<b>UN</b>	United Nations

# 1. Executive Summary

Street Child, in partnership with Save the Children Denmark, implemented an 9-month project focused on advancing localisation efforts in humanitarian settings and specifically, increasing and improving knowledge of how local level actors utilise unrestricted institutional funding between December 2019 and August 2020. The project provided unrestricted grants of \$15,000 to six selected national organisations in six different education in emergency contexts (Afghanistan, Bangladesh, Cameroon, DR Congo (South Kivu), Mozambique and NE Nigeria) and tracked how these funds were spent to understand what local partners spend unrestricted funding on and why. These country contexts varied greatly, but they all involved humanitarian responses with a large population of displaced people, whether this was a result of an ongoing conflict or a natural disaster. There has historically been a significant variation in the level of funding provided for the humanitarian responses in these six contexts.

A NUMBER OF KEY OBSERVATIONS AND INFLUENCING FACTORS WERE MADE THROUGH THIS RESEARCH STUDY:

- **RARITY OF UNRESTRICTED FUNDING TO LOCAL PARTNERS IN THE TARGET CONTEXTS.** All six partners said they had never or rarely previously received unrestricted funding. They expressed a high appreciation for this initiative and for the autonomy it provided them to be more strategic in the design and implementation of their projects.
- **INFLUENCING FACTORS: SECTORAL AND/OR PARTNERSHIP NORMS.** All of the organisations spent this fund predominately on programmatic, field-level activities; challenging the initial hypothesis that the partners would use unrestricted funding to meet gaps in their existing core costs. Partners spent an average of 85% of the budget on programmatic activities and only 10% on the partners' core costs. However, this also possibly suggests a resultant level of prior 'conditioning' from unfamiliarity with unrestricted funding, where prior experience with donor expectations and restricted funding discouraged partners from spending on core costs. This point is evidenced by the partner in Afghanistan, "if Street Child's focus was not on children, we probably would go for WASH programs, because we had another project at the same time around providing WASH for IDPs, and we needed extra money for that." However, in other instances such as in Cameroon, the decision to budget project activities seemed self-determined, "the choice to keep organisational costs low was based on the high needs of the children we wanted to support, as well as the fact that the organisation is used to working with limited salaries and leveraging community contributions."

- **INFLUENCING FACTORS: COVID-19 PANDEMIC RESPONSE.** The timing of the disbursement of the grants is noteworthy, as it coincided with the beginning of the unprecedented global COVID-19 pandemic in March 2020. All six partners budgeted for some COVID-19 related activities to kick-start their rapid COVID-19 response. Due to this influencing from COVID-19, the project also highlighted the value of unrestricted, flexible funding in enabling local actors to respond rapidly to emerging needs.
- **INFLUENCING FACTORS: STRATEGIC RESOURCE MOBILISATION.** All partners used the funding to expand their existing programming to new locations or beneficiaries, for example, or piloting a new concept to advocate for further donor funding. This led to the significant success in the case of the Nigeria partner, who was able to receive a further \$75,000 from the Malala Fund to expand the radio education project concept that they developed through this unrestricted grant. Additionally, this grant successfully allowed the Bangladesh partner to move into the new thematic area of food security programming which drew attention from several donors

This project has highlighted the ability of NNGOs to accurately plan and predict the costs of their own programming, especially with regards to their core cost requirements, when provided with the freedom to do so. The selected partners achieved 95% expenditure against budget over 3 months, even with unexpected challenges posed by COVID-19. Meaning that the results of this pilot project could **START TO CHALLENGE THE PERCEIVED DONOR RELUCTANCE TO TRUST NNGOS TO PLAN AND MANAGE UNRESTRICTED FUNDING.** Additionally, some partners reported that **THIS FUND “HELPED TO DEMOCRATISE” THEIR WORK, AS THEY WERE ABLE TO CONDUCT MEANINGFUL COMMUNITY CONSULTATIONS WHEN PLANNING FOR THIS GRANT, WHICH LED TO CREATING ACTIVITY PLANS THAT MET THE COMMUNITY’S NEEDS AND NOT JUST THOSE WITHIN THE RESTRICTIONS OF A DONOR.**

This pilot highlights some of the barriers and challenges for local actors to spend their funding freely. This specifically relates to the level of influencing that partners seem to face when making their decisions on spending their funds. One potentially significant example of this was the fact that it was the EiE cluster coordinators that announced this fund opportunity. Some EiE coordinators were initially reluctant to offer unrestricted grants for many reasons, including that activities should be aligned to sector priorities and that “there is believed to be a lower capacity of NNGOs financial management systems.” The coordinators were also encouraging partners to report their proposed funding activities into the cluster to avoid duplication. This may have also influenced partner decision making and contributed to the high level of educational programming in the budget that several partners created.

The following report details the findings from this project, based on analysis of the partners' expenditure, challenges faced during project implementation and stakeholder feedback. Based on this, the following recommendations highlight suggested future research studies and also advice for donors, UN and INGOs that allocate funding to national NGOs:

#### RECOMMENDATIONS FOR FUTURE UNRESTRICTED RESEARCH PROJECTS:

- A follow up project should be conducted to explore how **NOT SETTING RESTRICTIONS ON THE SIZE OF ANY INDIVIDUAL GRANT**, but inviting partners to apply to an overall pot, would encourage applicants to request the amount they needed for their own specific needs. This should be accompanied with clearer and additional communication from the donor to the partners about the lack of spending restrictions on the fund and perhaps even providing coaching on the different ways unrestricted funding can be spent.
- Another interesting study would **SEE MULTIPLE GRANTS GIVEN TO NNGOS IN THE SAME CONTEXT** which would allow a comparison between the ways that similar agencies spent unrestricted income given the same contextual environment
- As the majority of partners in the project spent funds on implementing field activities, a study could look at providing two sets of partners with unrestricted funding, where one group only spends on core costs and the other group only spends on project costs.
- Future pilots on unrestricted funding should aim to “neutralise the funding” by ensuring that the activities chosen by the **PARTNERS ARE NOT INFLUENCED BY THE WAY THAT THE CALL FOR PROPOSAL IS ANNOUNCED**. An inter-agency/inter-sector funding committee may help to mitigate this, by removing biases towards specific sector or agency priorities.
- Future pilots should consider reducing or removing the partner selection criteria to allow smaller actors to have access to unrestricted fund opportunities. This recommendation would benefit by being paired with the provision of financial guidance and capacity building to ensure that these smaller agencies can manage these funds.

#### RECOMMENDATIONS FOR DONORS, UN AND INGOS PROVIDING FUNDING FOR NATIONAL NGOS:

- If possible, **THE LENGTH AND FLEXIBILITY OF FUNDING SHOULD BE SET BY THE RECIPIENT PARTNER** to avoid underspending or rushed implementation due to donor restrictions.
- Donors should encourage downstream implementing **NNGOS TO CLAIM THE SAME 7% UNRESTRICTED FUNDING** that is offered to both UN and INGOs in traditional projects.



## 2. Introduction & Background

Local partners are crucial to humanitarian crisis response. They are often the first responders to crisis or conflict, the frontline responders in the humanitarian response with unparalleled access, and are then expected to lead and embed recovery and post-crisis/post-conflict phases utilising their cultural and historical knowledge, credibility and access to local networks (Rana, R 2017).

In 2016, the Grand Bargain Agreement recognised the critical role local organisations play in humanitarian response and saw international actors commit to channelling 25% of their funding to local and national responders as directly as possible (2016 Grand Bargain Agreement). However, the current reality is that the financial commitment to localisation at the global level is off-track, with only 14.2% of humanitarian funding going directly, or with one intermediary, to local actors (Local2Global, 2019). Additionally, only 10 out of the 58 Grand Bargain signatories had met the 2020 target of 25% funding to NNGOs (Grand Bargain Annual Independent Review 2020). Yet within humanitarian and large-scale crisis situations, local actors are expected to rapidly-scale up. This can often include expansion of all elements of the organisation, from organisational systems, absorption of increased funding and staff having to take on increased responsibility in adapted and expanded roles. In this regard local actors take the majority of risk in terms of implementation in difficult contexts by virtue of being the first and frontline responders to humanitarian crises yet do not benefit from the safeguard of access to unrestricted institutional funding that international organisations do to help build and develop such capacities ahead of time (Global Protection Sector, 2018).

Local actors have often reported that the lack of access to such funds negatively impacts their capacity development and organisational sustainability, the latter of which affects their ability to respond to humanitarian crises. The lack of access to such funding can also mean local actors' might be forced to resort to negative coping practices to cover gaps in their unrestricted funding while implementing projects in such difficult contexts. Without core funding, local organisations will continue to be trapped in a cycle of project based approaches and will suffer from the consequent staff turnover, loss of institutional knowledge and inability to build the capacity of both their staff and their organisation as a whole for example. (Global Protection Cluster, 2018).

Street Child and Save the Children Denmark, recognise that there have been relevant initiatives that have to help inform the methodologies employed for this study, including sampling and selection process of local actors, and monitoring and evaluation processes. To help identify these Street Child has conducted desk-based research into the existing or historical initiatives whereby unrestricted or flexible funding has been deployed for the purposes of institutional strengthening and as part of the localisation agenda.

It is important to recognise that this analysis found that there was lack of available open source research on the implementation of such initiatives, meaning it is imperative that Street Child and Save The Children consider publishing and disseminating the findings of the study once complete to help increase the understanding and knowledge of these initiatives and to add depth to the discussion around unrestricted funding deployment to humanitarian actors.

Although this means Street Child and Save the Children Denmark therefore have limited information against which to situate its chosen methodological approach to this study, the study remains well-placed to add essential information that helps to increase and improve knowledge and understanding of the need for, and impact of, the deployment of unrestricted institutional funding in the humanitarian and protracted crises context.

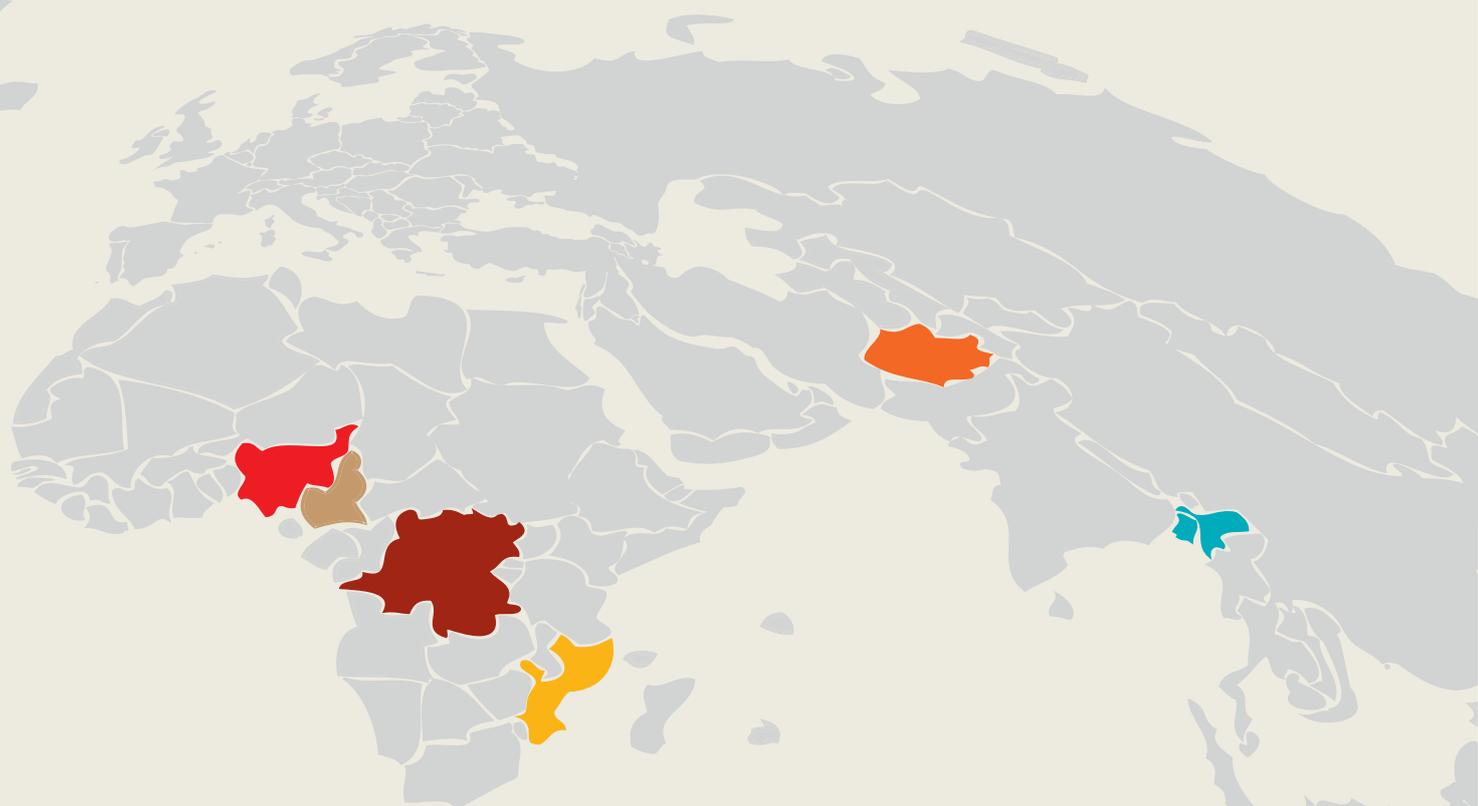
Some of the key barriers to an improved balance of power and direct access to funding, include barriers of perceived capacity, compliance, and representation in positions of power within the humanitarian system. Street Child consultations found that amongst INGOs and UN agencies there is the prevailing perception that local and national non-government organisations' (L/NNGO) capacity is weak (Street Child Landscape Analysis, Annex 4 of this report). There is some evidence to support this statement; L/NNGOs do often have gaps in organisational capacity that prevent access to funding, including sufficient policies, procedures, and systems to meet due diligence requirements from donors that are often highly stringent. This places L/NNGOs at a comparative disadvantage to INGOs with whom L/NNGOs compete for access to funds. There may be a possibility of a causal link between lack of unrestricted funding and organisational capacity.

This pilot aims to build on the previous work completed by breakthrough projects such as the 'Financial Enablers Project' which gave flexible funds to partners in the Philippines to determine what capacity development to invest in. The final evaluation for the FE project remarks that 'evaluators found clear evidence that the investment in self-determined capacity development has reaped dividends', (Plastow, J and Pagsanghan, J 2018). Stakeholders reported that this form of initiative was "refreshing", 'empowering' or even 'transformative'.

Street Child, in partnership with Save the Children Denmark, conducted this research to test an innovative process which gave local partners access to unrestricted funding. The main aim of this project was to understand how this funding is used by local organisations in a protracted emergency context, when they have the freedom to decide how the funds are spent. This pilot gives an opportunity to ask partners about their internal processes and decision making to better understand their rationale for the way they decided to spend the funding. One limitation is that it does not measure the most effective way of supporting institutional capacity building as it is only investigating a single modality.

The six humanitarian contexts of Afghanistan, Bangladesh, Cameroon, DRC, Mozambique and Nigeria, were chosen to pilot this innovative approach in as these were countries that Street Child had an existing presence. The aims of this study were:

- To improve knowledge and understanding of what local partners spend institutional funding on;
- To explore in what ways institutional funding influence access to further funding through other means;
- To draw on the findings to generate recommendations for institutional funding to local partners to share within relevant circles, including the Global Grand Bargain Workstream on Localisation and the Global Education Cluster



- Afghanistan
- Bangladesh
- Cameroon
- DRC
- Mozambique
- Nigeria

# 3. Project Approach & Methodology

In six countries, six eligible national NGOs applicants were randomly selected to receive \$15,000 unrestricted funding. For analysis of expenditure purposes, the selected partners were asked to submit a 3-month indicative budget before the grant was transferred, but no further guidance or restrictions were given on how the grant could be spent. After three months, expenditure information and partner feedback was gathered to understand how the grants had been spent and which factors influenced budgeting and decision-making. Further details on each stage of the project, including partner selection, partner verification, and project evaluation are provided below. Challenges experienced and lessons learned in the different contexts at each stage of the project were tracked and are also detailed here.

The project was structured with six individual country leads managing partner selection and oversight in their own contexts, with cross-country coordination by a project lead from the Street Child head office. This group made up the project team who met virtually over video conferencing on a fortnightly basis throughout the planning, implementation, and evaluation phases of this project.

## I. PRE-SELECTION PHASE

### A) PROJECT STRUCTURE AND COUNTRY SELECTION

Based on the project budget it was decided that six grants of \$15,000 would be possible, with a single national NGO (NNGO) receiving the funding in each country. The project team discussed amongst themselves and in collaboration with the EiE Coordinators in each country to understand the most suitable selection criteria for eligible applicants.

The six countries chosen were the emergency contexts in which Street Child had an existing operational presence: Afghanistan, Bangladesh, Cameroon, DRC (South Kivu), Mozambique, and Nigeria. As part of the project pre-selection phase, Street Child created a landscape analysis report which gave an overview of the historic unrestricted funding provided for national partners.

### B) CHALLENGES AND LIMITATIONS

The challenges during the pre-selection phase were:

- Some of the EiE coordinators were initially reluctant to offer unrestricted grants for many reasons, including that activities should be aligned to sector priorities and that “there is believed to be a lower capacity of NNGOs financial management systems which means that sometimes actual spend is not aligned to budgeted spend” as reported by one EiE Coordinator. Additionally, other coordinators stated that they expected a significantly higher risk of partner fraud if the grant was unrestricted and with limited due diligence. This may have also led to initial confusion and miscommunication, potentially contributing to the educational focus of the partners spending.
- The sector coordinators were also encouraging all actors receiving funding to inform the sector of their intended activities and locations to better coordinate and avoid duplication. However, there seemed to be a miscommunication when we explained that as partners were receiving unrestricted funding there was no requirement to conduct education activities and therefore reporting into the sector was not required. As a compromise, there was an agreement that partners that were intending to do education activities would report into the sector.

## II. SELECTION PHASE

### A) DEVELOPMENT OF SELECTION CRITERIA AND PROCESS

In order to make sure that the partner selection process was seen as transparent and fair, it was important that Street Child developed clear partner selection criteria before publishing the call for proposals. The Street Child project team, in close collaboration with the Save the Children project lead, developed the following four criteria to select organisations to qualify for this funding:

1. An independent national NGO that has implemented education activities at some stage in the last five years (confirmed by the EiE sector or through an education project grant)
2. An annual budget of no less than \$150,000 (as confirmed by audited accounts) and no more than \$4,000,000
3. Not a previous or present implementing partner for Street Child or Save the Children
4. Recipient organisations must be an independent NNGO, not a local branch of an international agency. This exclusion criteria also applies if the organisation receives all of its funding from a single source.

These four criteria were chosen to narrow the pool of eligible organisations and to remove any actors that were not education NGOs involved in the existing humanitarian response. It also helped to streamline the selection approach and limit the number of eligible organisations in each context, knowing that in some contexts a large number of organisations would be interested in applying. It was important that the selected partner was not linked or was an existing partner with either the donor- Save the Children and the grant manager- Street Child, to mitigate the risk that either would influence the way the partner decided to spend the funding. However it may also be noted that Street Child is a known implementing partner in all contexts; and it is recognised this may also have influenced how NNGOs perceived the best use of an unrestricted grant, e.g. to develop a new funding relationship, given the lack of prior relationship.

The criteria for the minimum size of an eligible partner's annual budget was discussed at length by the project team. Ultimately, we felt that setting the lower limit at this level would discourage 'brief-case NGOs' applying- such as a single person organisation, or an organisation that only existed on paper. We wanted to exclude these as it was believed that they would not give a true reflection of how a functioning NNGO would use the resources and we wanted to assess organisations that already had their own funding. We also were wary of the grant contributing more than 10% of the organisation's annual budget as this may have had the adverse effect of creating an organisational reliance on this funding source. The upper limit was set to deter the largest NNGOs from applying to this fund as the perception was that the \$15,000 might not have been a significant enough volume of funding for the organisation to take the time to plan the activities and report back.

## B) CALL FOR PROPOSALS

The application was announced in each of the countries by the EiE Cluster coordinator over email with the survey attached and sent to all NNGOs in their mailing list. This application was open for 7 days and after the deadline Street Child compiled a list of all applicants and those that qualified for the funding based on the outlined selection criteria.

COUNTRY	APPLICANTS	APPLICANTS (REMOVED DUPLICATES)	QUALIFIED APPLICANTS
AFGHANISTAN	42	34	9
BANGLADESH	10	8	4
CAMEROON	22	19	9
DRC	158	125	45
MOZAMBIQUE	21	14	5
NIGERIA	73	58	19
TOTAL	326	258	91

*Figure 1: Number of grant applications per country, including number of qualified applicants*

An online survey, shown in annex 2, was used for NNGO actors to apply for the Innovation in Localisation \$15,000 grant in each of the six countries of this project, Afghanistan, Bangladesh, Cameroon, DRC, Mozambique and Nigeria. The English language version of this survey was translated by the country teams into the relevant national language:

COUNTRY	LANGUAGE USED FOR THE FORM
AFGHANISTAN	ENGLISH
BANGLADESH	BENGALI
CAMEROON	FRENCH & ENGLISH (TWO FORMS)
DRC	FRENCH
MOZAMBIQUE	PORTUGUESE
NIGERIA	ENGLISH

*Figure 2: Table showing the languages that the grant application forms were published in for each country*



Interestingly, there was a significant variation by country in the number of organisations that applied for this unrestricted grant opportunity. This varied from a minimum of 10 in Bangladesh to 158 in DRC. This may well reflect the relative strength of opportunity that a \$15,000 grant offered represents in each context. For example, in DRC, education actors in the South Kivu region are very numerous and have limited funding opportunities which may have led to the high number of applicants. On the other hand, Bangladesh is arguably a more saturated funding context and \$15,000 could be considered a small funding opportunity which would lead to less applicants. It may also reflect the relative strength of the distribution modality; for example, how widely information from the education cluster is received and acted upon.

### *C) EVALUATION OF ELIGIBILITY OF APPLICANTS & PARTNER SELECTION*

The applications received were narrowed down using the above selection criteria, based on answers provided to the online form. Applications whose answers demonstrated they did not meet the selection criteria were removed. Additionally, there were a lot of organisations that applied to this fund opportunity either two or three times, whether this was to try and increase their chance of being successful or to correct the previous application it is not clear. The duplicate applications were removed from the application pool as this would have given them an extra chance in the randomised selection process.

Once the pool of applicants had been narrowed down, one organisation per country was selected using the randomisation formula in MS Excel.

A verification that the randomly selected organisation met the criteria was then carried out by the country leads; criteria 1 was verified with the EiE Coordinator and the NNGO's registration documents, criteria 2 was verified through copies of the NNGOs annual accounts, criteria 3 was verified by checking of Save the Children and Street Child partner records, and criteria 4 was verified by conducting online checks and reference checks about the organisations status. If the verification showed that a randomly selected NNGO did not meet one or more of these criteria, the country team moved onto the next randomly selected NNGO until they found a NNGO that met the requirements.

Understanding what the main reasons NNGOs that applied were disqualified in each context is also an interesting consideration. One organisation in Afghanistan was disqualified as its annual budget was larger than the upper threshold. In Bangladesh, one partner was disqualified as it was deemed as a non-independent NGO as it had strong funding links with UK based INGO, which shared much of the same branding and had funded over 99% of the partner's annual budget for three successive years. In Mozambique, the first four randomly selected agencies were disqualified which left the fifth and final agency that was qualified to receive funding. Two of these four disqualified organisations had existing relationships with Save the Children, one was not an active member of the EiE sector, and one had a budget under the lower threshold of \$150,000. In Nigeria, one organisation was also not known to the EiE sector, so the second partner Hallmark was selected. This highlights that in the majority of the project contexts, applicants still applied for this fund opportunity even if they did not meet the selection criteria that were clearly set out on the application form and indicates potential high demand from local actors for funding in humanitarian contexts.

COUNTRY	RANDOMLY SELECTED (ROUND 1)	RANDOMLY SELECTED (ROUND 2)
AFGHANISTAN	Coordination of Humanitarian Assistance (CHA)	Coordination of Rehabilitation and Development Services for Afghanistan (CRDSA)
BANGLADESH	Reaching People in Need (RPN)	Samaj Kalyan O Unnayan Shangstha (SKUS)
CAMEROON	Mbonweh Women's Development Association. "MWDA" Cameroon	Pan African Institute for Development West Africa, Buea, Cameroon
DRC	Environment Actions and Emergency for Development "EAED CONGO"	Les Premiers des Droits de l'Enfant et de la Femme
MOZAMBIQUE	Kubatsirana Ajuda Mutua	Action for Community Development Association ASADEC
NIGERIA	Finpact Development Foundation (FINDEF)	Hallmark Leadership Initiative

**Figure 3:** Table showing the randomly selected organisations per country

These were the final selected partner organisations in each country after the various checks were completed:

COUNTRY	Name of Selected Partner Organisation
AFGHANISTAN	Coordination of Rehabilitation and Development Services for Afghanistan (CRDSA)
BANGLADESH	SKUS (Samaj Kalyan Unnayan Shangstha)
CAMEROON	Mbonweh Women's Development Association (MWDA)
DRC	EAED - Environmental Actions and Emergency for Development
MOZAMBIQUE	Action for Community Development Association ASADEC
NIGERIA	Hallmark Leadership Initiative

**Figure 4:** Table showing the final selection of partners to receive the unrestricted grant per country

#### D) CHALLENGES & LIMITATIONS WITH THE SELECTION PHASE

- Although in every context the call for proposals was sent out in the same way (through email by the EiE Coordinator), there were large differences in the number of applications received in the different contexts – for example, in DRC 158 applications were received, but the Bangladesh team only received 10. This possibly highlights the varying size and reach of the EiE sectors in different countries. Using the EiE coordinator to advertise this funding opportunity may be a limiting factor for the small community-based organisations to access funding, as some small agencies are not part of the sector, as was specifically stated by the stakeholders in Bangladesh.

- Due to the high number of local partners in some countries, some EiE Coordinators did not have prior knowledge of the education work that the applicants reported having conducted. This proved a barrier for the confirmation by the EiE Coordinator of the partners' experience implementing education activities, which was a prerequisite for selection. The approach of using the EiE Coordinators to advertise this funding may also have impacted the accessibility of these fund to small CBOs that conduct education work in their communities but do not report their activities or have a relationship with the sector.
- Although the selection criteria were clearly outlined on the grant application form there were still many organisations that did not meet these requirements. 65% of organisations that applied did not qualify to receive this funding based on the outlined conditions. This is interesting, as the majority of the organisations that applied were disqualified because their annual budget was under the \$150,000 threshold. A future consideration could be to understand whether funding partners with a lower annual budget would be useful to study. If this study took place, there would be a need to calibrate the amount of grant based on the size of the organisation and consider the constraints of financial management / lack of absorption capacity. It also indicates that there is high interest and demand for this type of funding from local actors in humanitarian contexts, suggesting that not enough financing is channelled through to local actors.

### III. IMPLEMENTATION PHASE

#### A) TRANSFER OF FUNDS

After the partners were successfully selected and verified based on eligibility criteria, each partner was asked to provide an indicative budget on how they intended to spend the \$15,000 that they were going to receive. Once the partner completed the indicative budget template and sent their organisational bank details, that had been verified by their bank, Street Child transferred the full \$15,000 to the partner's bank account.

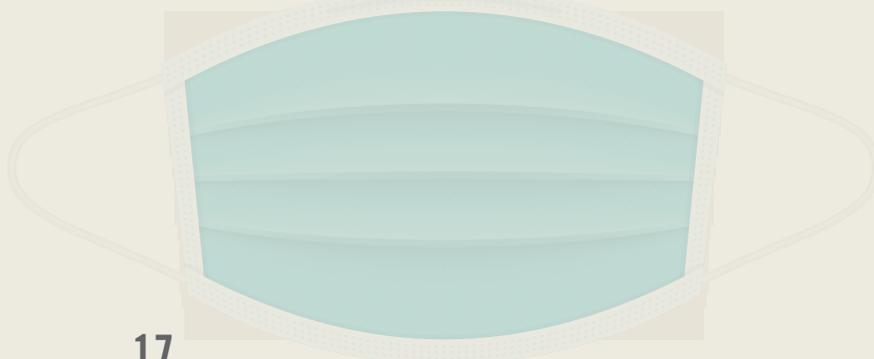
Code	Budget Line Description	Unit	Quantity	Unit Cost	Frequency	Total (NGN)
<b>1.0</b>	<b>Training of 70 Primary School Teachers on Jolly Phonics for 5 Days</b>					-
1.1	Hall rent	Daily	1	100,000	5	500,000
1.2	Training Kits for Facilitators	once off	1	30,000	1	30,000
1.3	Participants Training kits	once off	70	1,500	1	105,000
1.4	Tea Break	Daily	83	1,500	5	622,500
1.5	Lunch	Daily	83	2,500	5	1,037,500
1.6	Facilitators allowance	Daily	2	30,000	5	300,000
1.7	Participants allowance	Daily	70	3,000	5	1,050,000
						-
<b>2.0</b>	<b>Radio program for safe space adolescent girls covering their learning session due to COVID-19 sh</b>					-
2.1	Radio house fees	Daily	1	20,000	8	160,000
2.2	Transport allowance for mentors during live radio session	Daily	2	5,000	8	80,000
2.3	Honorarium presenter	Daily	2	10,000	8	160,000
						-
<b>3.0</b>	<b>Procurement of 200 radio sets to 200 adolescent girls learning at safe space</b>					-
3.1	provision of radio sets	once off	200	2,000	1	400,000
						-
<b>4.0</b>	<b>Development of a 5 year Strategic plan for the organization (Three days in-house training for the</b>					-
4.1	Consultancy fee for the strategic plan development	Once off	1	500,000	1	500,000
4.2	Accommodation for consultant	Daily	1	25,000	4	100,000
4.3	Air ticket return, Abuja to Maiduguri	Once off	1	90,000	1	90,000
4.4	Tea break	Daily	20	1,500	3	90,000
4.5	Lunch	Daily	20	2,500	3	150,000
	<b>Grand Total</b>					<b>5,375,000</b>

Figure 5: An example of a completed indicative budget from a NNGO grant recipient

#### B) CHALLENGES & LIMITATIONS WITH THE IMPLEMENTATION PHASE

During the implementation phase of this project some of the most common challenges were:

- The restrictions that were imposed by government in several of the contexts due to the onset of the COVID19 pandemic meant that some planned partner activities were either not able to be completed or had to be modified to adapt these changes.
- The lack of a pre-existing partnership relationship between the NNGOs and Street Child, which was one of the selection criteria, may have inhibited trust and could have also influenced the way that the partner behaved and planned their spending.



## **IV. EVALUATION PHASE**

### *A) MONITORING*

Once the funding was transferred to the partners, the country leads organised monthly catch-up calls with the partner contacts to understand the partners spending progress and any challenges that they were having. The COVID-19 pandemic, national lockdown and limited international travel meant that field visits were unfortunately not possible within the period of implementation, except in Cameroon.

### *B) ENDLINE EVALUATION: FINANCIAL REPORT*

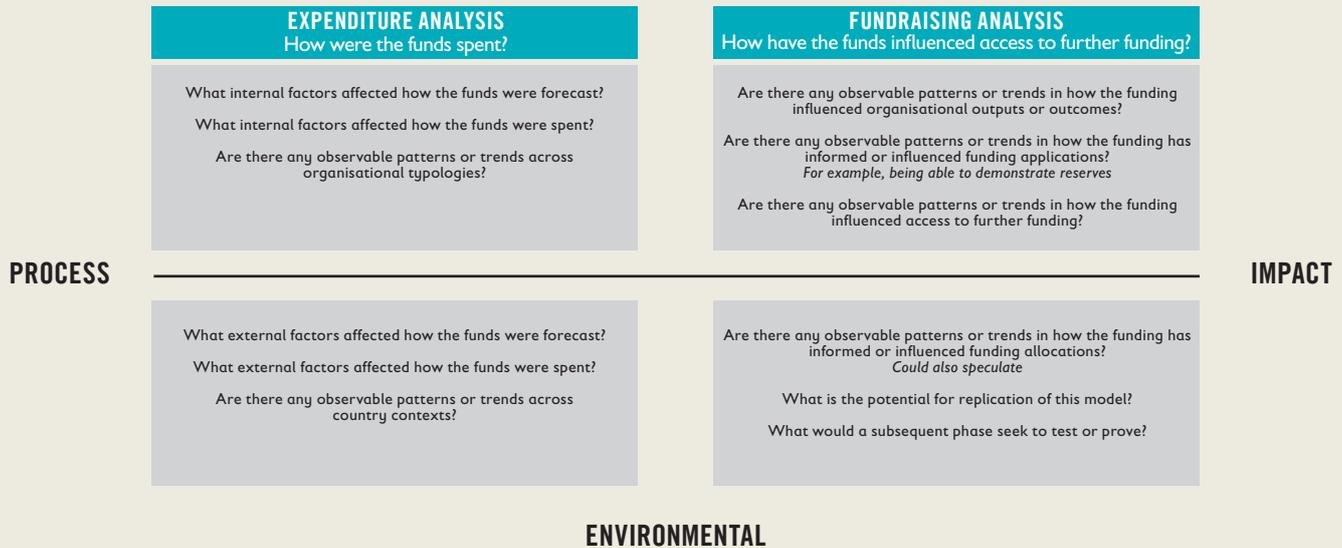
At the end of the 3-month period of implementation all grant recipients were asked to provide an expenditure report of how they spent the project funds. This was submitted in the indicative budget template so that the actual expenditure could be compared against the planned budget. For any areas of budget variance, the partner was asked to give a brief narrative on what influenced their decision to change the way they spent the funding. This partner financial report was also discussed in the end-line evaluation interviews.

### *C) ENDLINE EVALUATION: INTERVIEWS*

Three months after the funds were transferred to the selected partners, interviews were held with all the grant recipients to understand the factors that influenced their decision making as well as their experience with and perception of the project.

The country leads in each of the six countries of operation conducted these interviews using guidance questionnaires, shown in annex 3. The below matrix outlines the areas of interest that were covered in the interview questionnaires, focusing on the different factors that influenced the budgeting and spending of the funds. These could be categorised into three areas: i). internal organisation factors (e.g. salaries and office equipment), ii). external environmental factors (e.g. COVID19) and iii). 'conditioning' factors (what the NNGO thought the donor wanted them to spend funds on e.g. field activities).

## ORGANISATIONAL



## ENVIRONMENTAL

**Figure 6:** Matrix highlighting the different areas of focus for the end of project stakeholder interviews

In addition to understanding how decisions were made on spending, the interviews with grant recipients sought to gather feedback on the impact of the financing, what factors influenced the partners decision to spend their funds in the way they did and how their internal process for how they spent their funds. Finally, interviews were also held with other relevant stakeholders to get their feedback on the study and recommendations for future unrestricted funding to local organisations.

### D) CHALLENGES & LIMITATIONS WITH THE EVALUATION PHASE

- During the evaluation phase of this project some of the challenges that were raised included partner reporting requirements which, although light touch, several partners had difficulty with reporting how they spent their funds. This led to Street Child having concerns about possible fraud, although it could also have been a partner having very weak financial management capacity, this is especially relevant for small or new organisations and should be considered in future studies.
- Another issue in the project evaluation was the lack of face-to-face contact between Street Child and the implementing organisations due to the COVID19 restrictions. This led to limited relationships being established with partners which might have influenced how comfortable and open they felt to share honest feedback on this initiative. Additionally, Street Child's position as INGO and a fund provided creates a power dynamic between grantor and grantee, that may also influence the quality of any feedback, and possibly influence the grantee to make choices that they consider most likely to lead to further funding.
- One limitation raised, is that the unrestricted funding was delivered without any accompanying support, and therefore does not generate evidence on the combination of capacity building with grant funding, or on the most effective way of supporting institutional capacity building, as it is only investigating a single modality.



## 4. Analysis

ALL PARTNERS REPORTED BACK THAT THEY HAD VERY SELDOMLY, IF EVER, PREVIOUSLY RECEIVED GRANTS WHICH INCLUDED AN ELEMENT OF UNRESTRICTED FUNDING. Their current organisation budgets are very donor dependant and therefore they do not have the flexibility to focus on their organisational needs or react to the sudden onset of crises. The most reported impact of this unrestricted grant and initiative, was the autonomy and control in their decision making that was felt by the partners. Organisations had complete flexibility on how they chose to budget and spend the grant which is something that they welcomed.

### I. COVID19

The COVID19 pandemic came at a significant time for this project and allowed the project to understand how NNGOs might use unrestricted funding and make decisions in a sudden onset emergency. The pandemic started to significantly impact the project countries in March/April 2020, when partners were creating their indicative budgets and starting their projects. Several partners adapted their plans to be able to continue implementing safely during COVID-19, adding resources such as PPE for field staff or even adding activities directly responding to COVID-19 such as conducting COVID19 sensitisation during radio teaching sessions - this would not have been possible had the funding been less flexible. As a result of the flexibility, the local partners were able to be some of the first responders in the field and provide some of the most urgent relief to the communities that they served, well before some of the international organisations had time to mobilise their own responses. This further highlights the role of local actors as first responders in the humanitarian response and makes a compelling argument that rapid response funding should be funnelled directly through to them with flexible modalities. (Accelerating Localised Response to COVID19: Practical Pathways, Street Child & CPAoR, 2020)

COVID19 also helped to provide another dimension of comparability for the partners across the six contexts, although the initial environment the partners were working in varied significantly. COVID19 also presented an interesting opportunity for the partners to look for and benefit from the rapid response funding that started to emerge. This is something that clearly influenced the decision making of some partners during the creation of their indicative budgets.

The decision taken by some of these partners to focus activities on COVID19 response seemed to lead to opportunities to exhibit their programming and acted as a stepping stone for further funding from other donors as they now had the evidence to prove that their approaches worked in practice. This had specific results for the Nigerian partner, Hallmark, who used the unrestricted funding to pilot and develop the concept of pre-recorded audio learning and who has since received \$75,000 from another donor to scale-up and expand this approach. It is also worth noting that Street Child is an INGO that solely funds and collaborates with local partners. As the six project partners did not previously hold a relationship with Street Child there is a possibility that they may have been influenced in their project planning and spending to try and show case their work to develop a future funding relationship.

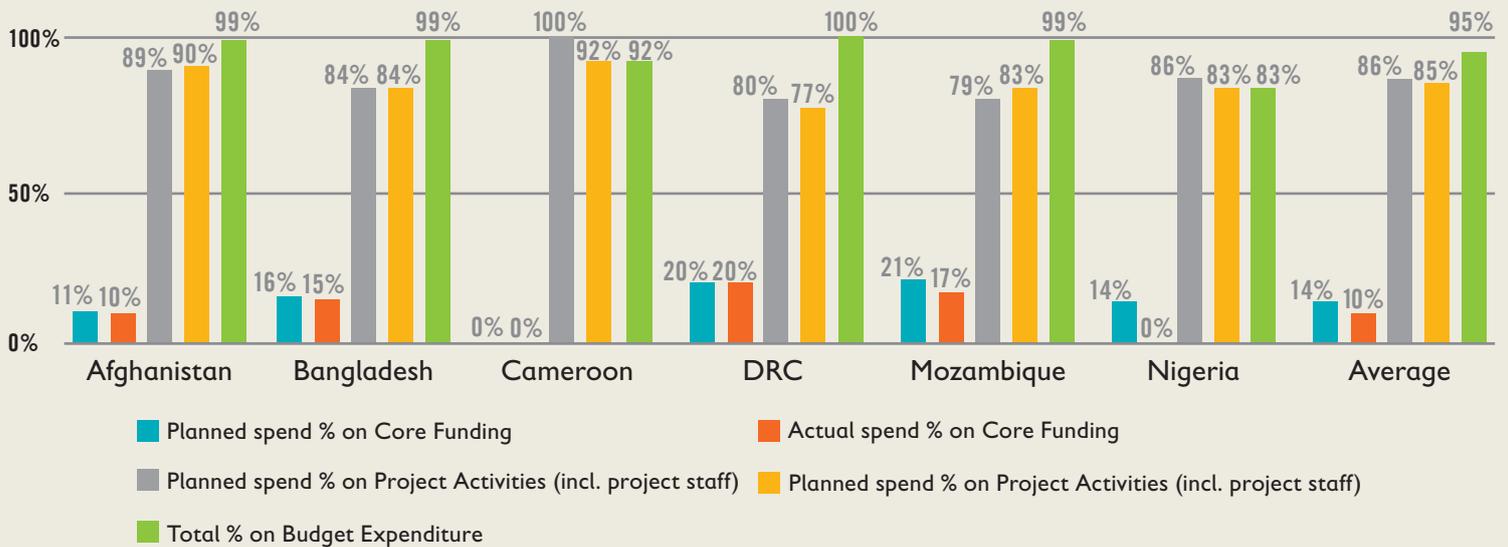
## II. EXPENDITURE ANALYSIS

The majority of the six partners were able to spend the unrestricted grant that was transferred to them across the duration of this three-month project, as shown in the final column in the table below. From the expenditure reports, the amount of funding that the partners used on their own core costs was also analysed along with their project activity costs. Interestingly, on average, the partners decided to spend the majority of the fund on project activities (85%) and a smaller contribution on the organisations core costs (10%). For the purposes of analysis, core costs in this instance refer to salary contributions, organisational capital expenditure and any further costs incurred outside of direct implementation. Salary contributions for teachers would not be considered a core cost as they are specifically related to a direct project activity. For example, the planned development of a strategic plan by the Nigerian partner would also be included as a core cost.

COUNTRY	Planned Budget % on Core Funding	Actual Budget Spend % on Core Funding	Actual Budget Spend % on Project Activities (inc. project staff)	Total % Budget Expenditure
AFGHANISTAN	11%	10%	90%	99%
BANGLADESH	16%	15%	84%	99%
CAMEROON	0	0	92%	92%
DRC	20%	20%	77%	100%
MOZAMBIQUE	21%	17%	83%	99%
NIGERIA	14%	0	83%	83%
AVERAGE	14%	10%	85%	95%

Figure 7: Table showing the core funding spend per country versus the indicative budget

### PLANNED SPEND VS ACTUAL SPEND



**Figure 8 :** Graph showing the actual spend per country versus the indicative budget

The analysis of the partner spending of this unrestricted grant highlights interesting insights.

**FIRSTLY, FOR MOST OF THE SELECTED NATIONAL NGOS THERE WAS A DECISION TAKEN TO USE THIS FUNDING TO CONDUCT A PROJECT WITH DIRECT BENEFICIARIES, WITH 85% ON AVERAGE SPENT ON PROJECT ACTIVITIES, SIMILAR TO THE WAY THAT THEY WOULD WITH A TRADITIONAL RESTRICTED GRANT.** There are many potential factors that may have impacted on what the partners decided to use this funding for and some of these are discussed in the following section titled ‘Decision Making on Expenditure’. This is noteworthy as during the consultations at the beginning of this project for the situational analysis the feedback from the Nigeria EiE Coordinator commented that “there is not a significant amount of core funding that are available for NNGOs in standard contracts and therefore when given the opportunity to spend on core cost the partners would choose to spend it on this,” which appears to not have been the case for the partners within the study.

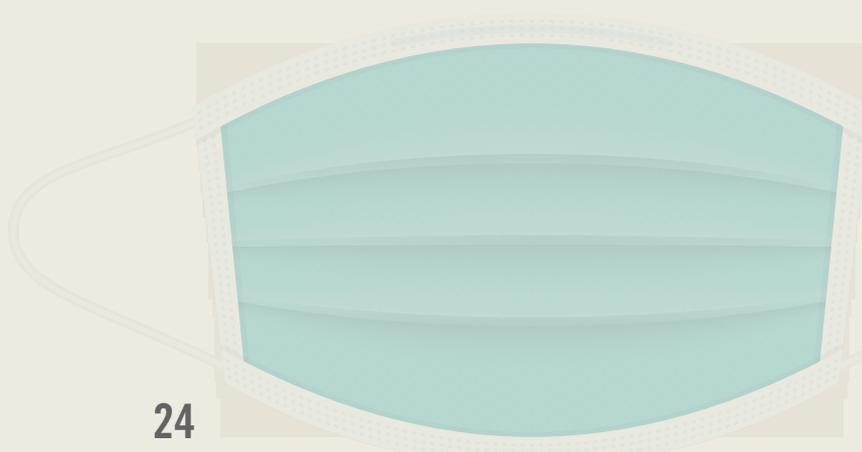
In addition, this expenditure analysis shows the ability of NNGOs to accurately plan and predict the costs of their programming, especially with regards to their core cost requirements. Across the six partners, there was minimal variance compared to initial plans with the difference in planned core spending and actual core spending only 4% on average. Where variance was higher, there is a clear reason for this – in Nigeria for example, a planned external consultant was not able to travel due to COVID-19 restrictions, and so the budget for the consultation has been put on hold until travel restrictions are lifted. Other small differences were usually due to the partners reacting to new needs that arose from COVID19 or reflecting the impact of the COVID19 restrictions on planned activities.

**ACROSS THE SIX PARTNER ORGANISATIONS THERE WAS AN AVERAGE OF 95% EXPENDITURE OF THE GRANT. THIS SHOWS BOTH THE PARTNERS ACCURATE BUDGETING AND SPENDING OVER A SPECIFIED PERIOD AS WELL AS THE ABILITY TO ADAPT EXPENDITURE QUICKLY WHEN FACING EXTERNAL CHALLENGES, SUCH AS COVID19.** The two partners in Nigeria and Bangladesh had clear plans for the remainder of the grant but this spending was delayed

due to COVID19 and these partners both suggested that they would recommend a longer period to spend the grant in subsequent projects. This unspent funding remains with the partners to spend based on their communicated plans.

It was considered that the risk of fraudulent activity whilst spending an unrestricted fund would be relatively low, as there are no restrictions on how it should be spent. However, concerns were raised when one partner struggled to accurately report how they spent their funds against their proposed activities. Without the opportunity to validate in the field, it was not possible to establish whether the partner did not have a full understanding on how to report their expenditure correctly or there were deeper issues. Providing financial guidance and training on the expenditure tracking form would be useful for small agencies in future studies; additionally, post-spending field visits are optimal for more robust monitoring.

As has been highlighted, there was a strong correlation between how the national NGOs had budgeted their unrestricted grants and the eventual way that the grant was spent. This was both from the perspective of the individual activity level and through to the planned proportion of core costs. Therefore, partners demonstrated a strong ability to accurately plan and spend against unrestricted grants. Out of the six different partners, only two of these agencies were not able to complete their expenditure within the 3-month duration of this project. Based on the feedback of these two agencies and the EiE Coordinators, they felt as though it made sense to allow the agencies to hold a percentage of the fund after the scheduled grant duration. This would give the partners time to spend the funding in a manner that suited the partner and give the organisation a security net in case any unexpected cost was incurred after the project.



### III. COUNTRY SPECIFIC ANALYSIS

#### A) AFGHANISTAN

**Partner Expenditure Summary:** The partner CRDSA decided to allocate the funds towards providing hygiene kits (\$2.7k), food packages (\$8.3k), and learning kits (\$1k) to street children in Herat for this grant. An additional \$2.7k was allocated to cover operational and administrative costs including project manager (\$1.2K) and vehicle rental (\$1.2k).

**Country-Specific Findings:** Regarding their decision to allocate funds towards hygiene, food and learning support for street children in Herat, CRDSA mentioned Street Child's work (of supporting street-connected children in some contexts) influenced their decision on developing the activities and the target group. According to CRDSA's director, "If Street Child's focus was not on children, we probably would go for WASH programs, because we had another project at the same time around providing WASH for IDP communities, and we needed extra money for that."

The Street Child Programme Manager reported some initial confusion from the partner's side on the modality of the grant due to unfamiliarity with unrestricted funds, and in particular the option of allocating such funds towards programmatic activities. The CRDSA team discussed how they are rather used to mostly receiving restricted funding, with some exceptions of direct grants from "Country Humanitarian Fund" that entail an element of overhead cost, which inject money to the organization's unrestricted savings. A suggested idea was to provide future trainings to L/NNGOs on fundraising activities and strategies that would give them greater independence from restricted funding streams.

Another key finding came from a follow-up consultation with the EiE Working Group Coordinator, who believed that grants in general (to local partners) should not be entirely unrestricted. The EiEWG coordinator remarked that, whilst L/NNGOs should not be asked to submit detailed logframes for seeking funds, there should still be benchmarks to provide as to how L/NNGOs propose to use funds – e.g. targets for end of M1, M3 and M6 of a grant, with subsequent instalments paid based on performance against these targets.

## B) BANGLADESH

**Partner Expenditure Summary:** Local organisation SKUS allocated funds towards COVID-19 prevention, preparedness and relief activities in for Rohingya refugees in camps including hygiene materials, awareness raising, handwashing and food relief (\$6.3k); a survey of children and persons with disabilities to understand access to resources and information during COVID-19 (\$2k); and establishing a child rights module of a psychosocial support handbook (\$3k). Additional funds were allocated towards staff salaries (\$2.5k) and office equipment and rent (\$900).

**Country-Specific Findings:** Our post-project discussion with SKUS found that the partner saw the democratising effects of unrestricted funds; SKUS were able to conduct meaningful community consultations when planning for the grant. These consultations steered their decision-making towards activities such as provision of food relief items and community sensitisation to COVID-19. SKUS accrued additional benefits of improved standing amongst local government and community leaders due to their ability to respond to identified needs directly and rapidly.

Consultations found the Child Protection Sub-Sector Coordinator was highly positive towards application of unrestricted funds, insofar as those actors ensure that funds directed towards child protection activities are visible to the sub-sector. One issue that derived from the project was that SKUS' disability survey was deemed by the sub-sector to have gone outside of the suggested camp activities. The Sub-Sector Coordinator did add that the findings of the survey were highly invaluable and had no personal opposition to its occurrence, however officially the CPSS had to disassociate itself from the survey for the above reasons.

SKUS observed that a major benefit in the use of unrestricted funds has been the ability for SKUS to take suggestions to work in areas that they would not normally act upon. For example, SKUS is not experienced as a food security organisation, however due to community needs and the flexibility of funding, this allowed SKUS to move into thematic areas that aren't their area. SKUS have also been able to leverage activities towards further funding; both the disability survey findings and child rights modules have accrued donor interest. Furthermore, the project was deemed to be of inherent value by SKUS as a proof point of their own capacity to apply funds strategically and effectively. Participation in a project such as Innovation for Localisation will be leveraged by SKUS in their approach to donors in future.

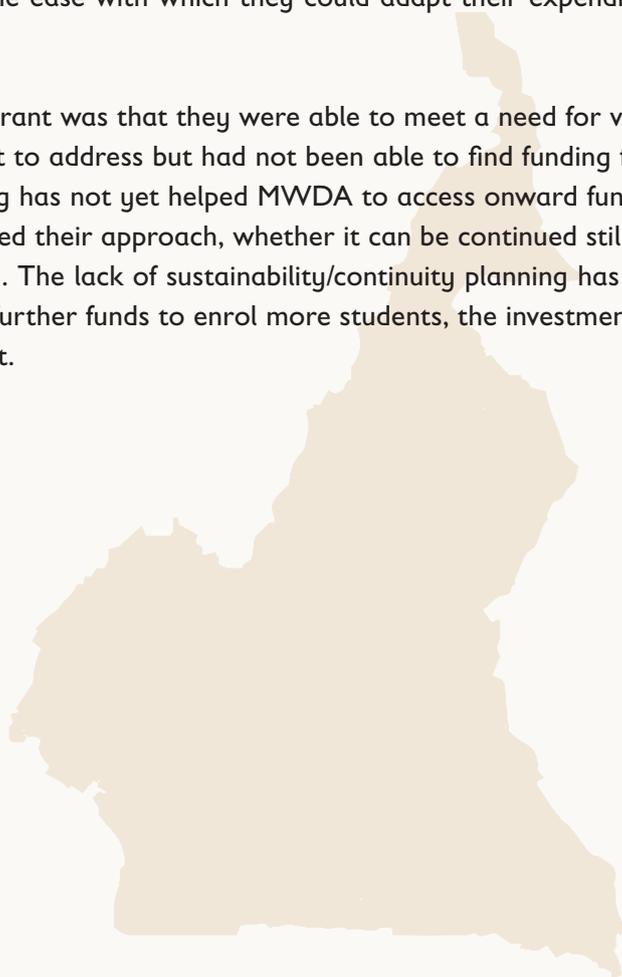
### C) CAMEROON

**Partner Expenditure Summary:** The Cameroonian partner MWDA used this grant to implement a project they had long been planning but had not been able to find funding for. The grant was used to set up and pilot vocational skills training for adolescents in the conflict-affected southwest region of Cameroon, leveraging on MWDA's existing school infrastructure. Specifically, funds were allocated towards teacher salaries (\$2.4k), a school meals programme (\$2.4k), computer equipment (\$2.2k), learning materials (\$1.9k), student transportation (\$1.5k), classroom furniture (\$1.2k), school enrolment (\$1k), COVID-19 sensitisation and prevention (\$700) and production of new curriculum content (\$500). The funds were used to implement activities, with only a minimal amount spent on staffing or operational costs (\$700).

**Country-Specific Findings:** Post project consultations found that the decision to keep organisational costs to a minimum was based upon seeing the high needs of the children they wanted to support, as well as the fact that MWDA is used to working with limited salaries and leveraging community contributions.

MWDA described the significant advantages of flexibility in funding – responding to rapidly emerging needs; COVID-19 prevention and preparedness activities were not originally planned, but subsequently included. MDWA reflected the ease with which they could adapt their expenditure plan without the need for donor approval.

For MWDA the biggest impact of the grant was that they were able to meet a need for vocational skills training that they had long sought to address but had not been able to find funding for. However, it should be noted that this funding has not yet helped MWDA to access onward funding, and so although they have successfully piloted their approach, whether it can be continued still depends on whether they can find other funding. The lack of sustainability/continuity planning has emerged as a major challenge; without winning further funds to enrol more students, the investments in curriculum, equipment, teachers will be lost.

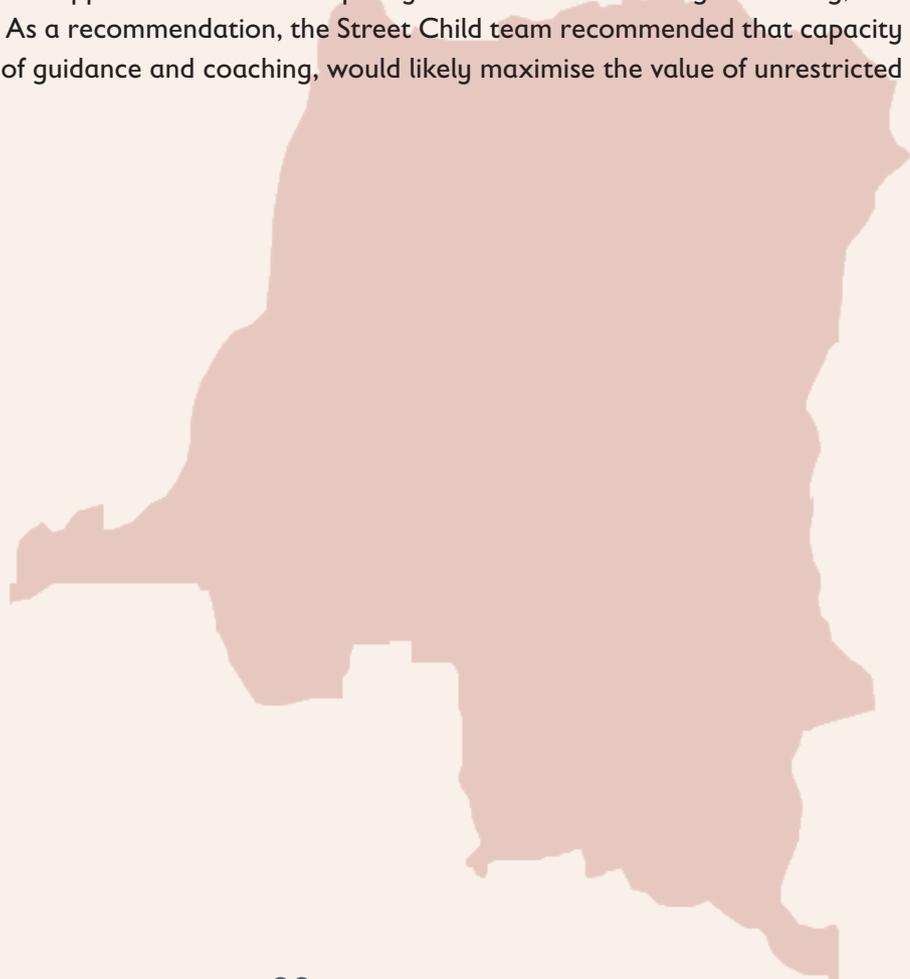


#### D) DRC

**Partner Expenditure Summary:** The partner EAED chose to spend the majority of the budget on activities which they identified as priorities in Goma: protection for street-connected and other vulnerable children through psychosocial support (\$600), shelter renovation (\$900), vocational training (\$650) - and later COVID-19 prevention and preparedness including sensitisation messaging and handwashing (\$2.2k), a contribution to running costs including staff salaries (\$5.4k), internet (\$150), communications (\$150) and stationary (\$300), and some equipment including 2 laptops (\$800). Other costs included 'project launch' (\$1.4k), staff field trips (\$675) and visibility materials (\$350).

**Country-Specific Findings:** Our post-project interview found that EAED has used this opportunity of unrestricted funding to answer to long term needs of street-connected and other vulnerable children which they had identified a few years ago through participatory research. They had not been able to respond to those needs before due to lack of funding. EAED stated the unrestricted funds are likely to help them access more funding because it increased their visibility and networking. They were noticed by the 'Reseau pour une economie humaine' with whom they are about to sign a partnership thanks to the project being posted on the blog of a Ugandan journalist.

The co-leads of the Education Cluster in DRC also felt the initiative was positive, as funding available to NNGOs often comes with very little flexibility. However, they flagged the risk of financial issues if insufficient controls are put in place. They also raised the capacity-gap as an issue; in their view the first step L/NNGOs need support to build their capacity in the form of coaching/mentoring, and funding should come later. As a recommendation, the Street Child team recommended that capacity building support, in terms of guidance and coaching, would likely maximise the value of unrestricted funds.



## E) MOZAMBIQUE

**Partner Expenditure Summary:** Local organisation ASADEC's use of unrestricted funds mainly focused on programmatic activities that targeted the education of girls and children with disabilities, including their enrolment and retention in schools. Associated costs included training of school boards (\$3k), joint monitoring visits to schools by 'education technicians' (\$5.8k), sensitisation and awareness raising surrounding early marriage, gender-based violence and other forms of abuse (\$1.8k). The ASADEC later included the procurement of hygiene supplies and materials for 30 schools to assist with their reopening. Other costs include computer equipment (\$1.3k) project official and administrative grants (\$850) and bank services (\$50).

**Country-Specific Findings:** From a follow-up interview with ASADEC, the partner reported that at no stage did they consider using the funding for operational costs only and their intentions were always to implement activities relating to the education sector and to address critical needs. However, they did also assume that this would be the expectation of the donor, and that if this project were to happen again, it may be worth considering additional communication around this and the lack of obligations with unrestricted funding.

A significant challenge for the Street Child team in Mozambique (as demonstrated by the multiple stages of partner selection and limited number of applicants) was identifying eligible L/NNGOs. The reasons for this could be associated with the lack of effective communication and coordination at national level, across the provinces, and the relatively new, decentralised emergency response coordination in comparison to other contexts in the study. The Street Child team reflected that there may have been potential to allow smaller organisations to access this funding opportunity. Furthermore, a small grant of this size could have provided a much smaller local actor with the opportunity to increase their project portfolio or ensure their sustainability.

## F) NIGERIA

**Partner Expenditure Summary:** The overview of the activities that Hallmark decided to spend their funding on were: training of 70 primary school teachers in Jolly Phonics (\$5.9k); creation and broadcasting of a remote learning programme for students using the local radio station and providing rechargeable radio sets to vulnerable girls (\$1.8k); and vocational training and income generating initiatives (sewing of face masks) for the vulnerable adolescent girls who had been enrolled in the remote learning programme (\$2.5k). Due to COVID-19 travel restrictions, planned development of a 5-year strategic plan for the organisation (\$2.2k) did not occur. Hallmark reported a 17% underspend, with the remaining funds planned to be allocated to resuming remote learning for out of school children.

**Country-Specific Findings:** The Nigerian partner Hallmark reported back that they had very seldomly, previously received grants that included an element of unrestricted funding. Their current organisational budget is very donor dependant and therefore they do not have the flexibility to focus on the organisation needs or react to the sudden onset of crises. In the follow-up interview, Hallmark welcomed the autonomy the initiative gave them as they had complete flexibility on how they chose to budget and spend the grant.

The partner decided to position this funding to meet two of their own strategic needs, firstly to fund existing planned activities such as running a teacher training initiative and an organisation strategic workshop. Secondly it also allowed them to pivot quickly to use their own funds to respond to the COVID19 needs in the communities that they were operational in. This further highlights the essential role that local actors can play in the humanitarian response and why further funding should be considered to be funnelled directly through to them with flexible modalities.

This unrestricted funding opportunity led to confirmed additional funding for Hallmark who used this unrestricted \$15,000 to develop the concept of their own pre-recorded audio learning programme and brought the idea to other donors. They presented the concept to the Malala Fund who granted \$75,000 to expand the remote learning programme for their COVID19 and post-COVID19 response. This funding will be used to develop learning podcasts for a further 1,500 girls in Northeast Nigeria for home learning and then follow up with a back to school campaign for these same girls once schools reopen.

#### IV. DECISION MAKING ON EXPENDITURE

For some partners, the unrestricted funding seemed to increase their confidence in prioritising their own needs, with several partners planning to use funding to develop their organisational and operational strategies. Feedback from these partners showed that they had struggled to get funding to support organisational sustainability activities in the past, and therefore welcomed this opportunity to prioritise these activities, such as developing an organisational sustainability strategy.

Overall, however, the majority of partners prioritised traditional project activities, such as teacher training and school resourcing, and deprioritised core costs, likely because of the influence of external, internal and 'conditioning' factors. Possible factors which could have influenced the partners' decision-making process include:

##### External Factors

- Based on the consultations with the partners, many of their chosen activities were **BASED ON PRE-EXISTING PROJECT IDEAS** that they had seen a need for within their communities but had not yet received flexible funding for. The partners also believed that once they had proof of concept with their project ideas that they would be able to use this evidence to access further funding.
- The rapid onset of the **COVID19 PANDEMIC** had a significant impact on how the partners could achieve their existing activities and how they factored in their own COVID19 rapid response into their budget. Therefore, there is an understanding from NNGOs of how best to modify their projects to the changing environmental and political influences.
- The funding opportunity was **ANNOUNCED BY THE EDUCATION IN EMERGENCY CLUSTER** coordinator in each of the six contexts. This may well have had an influence on what the partners decided to spend the funding on and perhaps why they conducted predominately education activities.
- The partners **RELATIONSHIP WITH THE COMMUNITIES THEY SERVE** could also have played a significant role in determining how this funding was budgeted. This perhaps makes it more difficult in the face of acute and unmet needs to prioritize investments in an organisation's own core costs. Maybe partners would have chosen differently if they had some funds for unrestricted programmatic use and were conditioned to set aside 10% of such for core costs and capacity building activities.

### **Conditioning Factors**

- Their historic relationships with donors and the requirement for funding to be strictly in line with donor requirements and to be activity heavy and central-cost light. This was confirmed by the Mozambique partner who stated, “at no stage did they consider using the funding for operational costs only”. Based on these existing relationships with donors, the local partners are not used to being treated with this level of respect, trust, and flexibility.
- In this project, Street Child was the INGO fund provider and did not have an existing relationship with any of the NNGO grant recipients. Grant making by a known INGO implementer in the operational context may have influenced the decision making of the partners on the grant expenditure as they may have been trying to showcase their project managing capacities. A comment by the Afghanistan partner who stated “If Street Child’s focus was not on children, we probably would go for WASH programs, because we had another project at the same time around providing WASH for IDP communities, and we needed extra money for that,” provides some support for this hypothesis

### **Internal Factors**

- The size, structure and leadership of the local organisation may also have had an impact of the decision-making processes. Larger organisations with robust financial systems and funding sustainability may have budgeted differently to small agencies. For example, Hallmark, a large education NNGO with strong leadership in Nigeria decided to budget for an organisational sustainability workshop, this was not something that was considered by the other project agencies.
- An organisation’s financial health and ability to pay its staff and organisational running costs may also have an impact on financial planning and what new funds are budgeted on. Additionally, the three-month timeframe that partners had to spend the money may have led to investing in longer term sustainability impractical.

## **V. PARTNER TRENDS AND VARIATIONS**

Working with the selected partners was generally unchallenging in terms of communication and coordination. Most partners submitted all documents requested of them on time and were able to formulate budgets, reports, and financial reports to an adequate level. However future projects funding small partners might consider providing operational capacity building and basic financial training alongside the grant, to ensure support for systems and processes.

The main differences between the ways that the NNGOs used this unrestricted funding comes down to the way they planned and allocated the funding internally. As can be seen in the expenditure analysis, there is significant variation between the percentage of core costs that the partners used this grant to cover. At one end of the spectrum the Cameroon partner did not allocate any of this grant to their core running costs, however the local partner in DRC spent 20% and the Bangladesh partner 15% of their budget on their own core costs. The decision of the DRC & Bangladesh partners may have been influenced by factors such as the general low availability of in-country funding opportunities, such as in DRC, or the partner's own fundraising strategy.

There may have been potential to allow smaller organisations to access this funding if there had not been a restriction on the minimum size of the annual budget, set at \$150,000, as part of the selection criteria. It is possible that there is an influence between size of the organisation receiving the grant and the way that the grant was used, for example \$15,000 for an organisation of smaller than \$150,000 annually would be more than 10% of its annual budget. This might have a larger impact on the organisation versus an organisation with a \$1,500,000 annual budget, as the grant would only represent 1% of annual income and may not influence organisational planning or strategy.

## **VI. STAKEHOLDER FEEDBACK**

Feedback from the partners and project stakeholders was a key element in understanding decision making and the factors that impacted them. In an interview, the Nigerian EiE Coordinator mentioned that it would be interesting to understand the impact of varying the size of the unrestricted grant and also mentioned “that once the size of the unrestricted grant increased beyond \$15,000 there would be a need to extend the duration of the grant to allow partners the time to complete their spending”. This indicated that there was a perception that local actors would need more time to spend higher amounts of funding.

Interestingly, despite research showing the need for local actors to have access to unrestricted funding to be able to sustain themselves as an organisation, the partner in Mozambique reported that **“AT NO STAGE DID THEY CONSIDER USING THE FUNDING FOR OPERATIONAL COSTS ONLY AND THEIR INTENTIONS WERE ALWAYS TO IMPLEMENT ACTIVITIES RELATING TO THE EDUCATION SECTOR AND TO ADDRESS CRITICAL NEEDS.”** HOWEVER, THEY DID ALSO ASSUME THAT THIS WOULD BE THE EXPECTATION OF THE DONOR. In a future unrestricted funding pilot, it may be worth considering how additional communication can focus on the lack of spending obligations with unrestricted funding. This might lead to partners spending the unrestricted funding differently.

The Afghanistan EiE Coordinator mentioned that they felt as though there should be a level of restriction when providing funding to organisations. The suggestion was that organisations would still have some flexibility, but the activities would be aligned to the sector’s priorities. This was an interesting reflection considering that most of the six NNGOs in this study had already spent the majority of their unrestricted funding on sector activities without having these restrictions in place.

Several other sector coordinators noted that the grant size should be changeable and flexible based on both the size of the NNGO applying for the fund and the specific needs of the applicant. For example, in a future pilot, there could be an open application process that did not specify the amount of funding available for partners. Therefore, partners could have the freedom to apply for any amount that suited their needs. This might remove any feeling that partners might have had to apply to the full fund allocation and the learnings from this might give a better understand of partners expenditure priorities.



## 5. Conclusion

To assess the value of the learnings generated from this pilot project, it is worth considering the initial aims of this initiative that were set out by Save the Children Denmark in the project terms of reference.

### **i). Improve knowledge and understanding of what local partners spend institutional funding on**

It has been highly valuable to begin to generate evidence and insight into the partners' reasons for spending funding, throughout this pilot project there has been an opportunity to observe each step in this decision-making process. In conclusion, from this study, it seems as though the factors that influence partner budgeting and plans are complex and multi-faceted. The analysis seemed to suggest that these decisions fitted into one of three categories, i). internal factors e.g. partner strategy or the state of the partner's finances, ii). external factors e.g. sudden onset disaster like COVID19 or the needs of a community and iii). 'conditioning' factors e.g. what the partner perceives a donor or stakeholder wants them to do. These three overarching categories should be considered carefully when designing any follow up study. If the study aims to compare the way that partners spend unrestricted money, there is a need to ensure that these variables are either controlled as much as possible, for example, selecting partners operating in the same context would help to mitigate the external factors.

Overall, partners reported that **the biggest impact of this unrestricted grant and initiative, was the autonomy and control that it gave them in their decision making**. Organisations had complete flexibility on how they chose to budget and spend the grant which is something that they welcomed.

### **ii). Explore in what ways institutional funding influence access to further funding through other means**

It is clear from the analysis of this initiative that unrestricted institutional funding for local and national NGOs can lead to further funding opportunities. From this research these opportunities seem to come as a result of the agencies being able to focus this funding on showcasing a new innovative project or from scaling up an existing approach that they have developed. Using this funding strategically can increase the visibility of the national partner which can lead to recognition and further income from other donors.

During the 3-months of this project implementation, one NNGO was able to secure follow up funding to expand an initiative that they piloted with this funding. However, there might be further benefits and opportunities that would come from this pilot if these partners were monitored beyond the end of this project. Therefore, it would be interesting to interview the partners 6-months after the closure of the project to understand the longer-term impacts.

**iii). To draw on the findings to generate recommendations for institutional funding to local partners to share within relevant circles, including the Global Grand Bargain Workstream on Localisation and the Global Education Cluster**

Through this project, many interesting observations and variations from the hypothesis have emerged, such as local partners spending the majority of funding on project activity and not utilising the full fund for their core costs. Based on the analysis and interviews with partners and stakeholders, various theories have emerged on why certain decisions were made by NNGOs. However, these must be further explored in follow-up studies on unrestricted funding that have been outlined in the recommendations on the next page.

# 6. Recommendations & Lessons Learnt

## I. FUTURE RESEARCH STUDIES ON UNRESTRICTED FUNDING

This initial pilot study has provided interesting insights into the ways in which NNGOs spend unrestricted funding when provided with the opportunity to do so, and the value of flexible, unrestricted funding for local organisations' activities and response strategies. However, further research with similar projects of different scope and structure could provide further understanding of the best ways in which to structure and allocate unrestricted funds in different contexts and for different partners. Street Child consulted NGO partners and in country stakeholders to collect recommendations, adding to its own team's reflections. It was considered that further research could seek to:

- Investigate how further flexibility in the provision of unrestricted grants (for example, with less restrictions on the size of the individual grant or the timeline for spending) impacts how NNGOs would apply for, budget, and spend unrestricted funds. One approach could be to invite partners to apply to an overall pot without restrictions on size or timeline of projects to be funded. This could provide further learning on which expenditure is prioritised without any expectation of needing to exhaust a certain size grant.
- Investigate how unrestricted funds can reach and benefit smaller, community-based organisations who do not have existing visibility within the humanitarian structure. This may also include removing the annual budget selection criteria.
- Investigate whether providing capacity or institutional development support (for example, on financial management or project sustainability) alongside the provision of unrestricted grants improves the effectiveness and impact of the funding. The Street Child team recommended a more 'hands-on' approach to support to avoid poor technical and accounting performance; this was deemed particularly pertinent in a 'high risk' environment.
- Understand the situations when and why local organisations would prioritise spending unrestricted funding on their core costs. Since this project hypothesised high core costs spend by partners but was surprised when only 10% core cost spending materialised. In a future unrestricted funding pilot, it may be worth considering how additional communication from the fund provider to the partners can focus on the lack of spending obligations that are associated with unrestricted funding.
- Investigate other grant dissemination avenues. A future pilot project that provides unrestricted funding to national actors could benefit with the fund application process being managed and published by an inter-sectoral and inter-agency committee. The reason this would be useful is that it might prevent partners feeling as though they can truly spend this unrestricted funding in any way they want without influence by various sectors or agency's priorities. This may effectively 'neutralise' unrestricted funds from outside influence.

## II. ALLOCATION OF UNRESTRICTED FUNDING TO NNGOS BY DONOR AND INGOS

- This project has demonstrated the value of unrestricted funding for local and national partners, particularly in providing the autonomy and flexibility to i) respond to emerging needs on the ground, ii) pilot new or innovative approaches as the basis for evidence-based resource mobilisation and iii) allocate funds to organisational needs such as strategy development, staff salaries and equipment. Similar initiatives to provide unrestricted funding to local and national partners should be encouraged, especially in the rapid onset of humanitarian crises where local actors are often the first responders.
- Donors should consider the duration and flexibility of grants, including unrestricted grants, and should consider the use of no-cost extensions. The flexibility of this project allowed funds unspent as a result of external challenges to be held in reserve or earmarked for other use, therefore minimising the expectation that donor funding needs to be spent before the end of the grant agreement, which can lead to less efficient use of funds. It is not common for NNGOs to be given no-cost project extensions and therefore many might not feel comfortable asking for it; donors should support grantees to understand the options available to ensure that funding is spent in the most effective, efficient way.
- If partners plan to use unrestricted funds to conduct project activities, they should include consultation with relevant stakeholders (for example, cluster coordinators) to avoid duplication of activities within the sector and thereby increase effectiveness and efficiency of funding. It is not recommended to ask for stakeholder approval on proposed projects, as this could reduce the autonomy of the local partner, but rather to provide stakeholders with the opportunity to highlight potential areas of duplication with other activities already taking place.
- As well as advocating for increased provision of unrestricted funds as part of donor grants to NNGOs, it is recommended that training is made available for national NGOs on fundraising activities and strategies to help them make their agencies less dependent on restricted donor grants to cover their core funding needs.