



THE ROLE OF INTERMEDIARIES IN START FUND RESPONSES

INTRODUCTION

International Non-Governmental Organisations (INGOs) have played a leading role in humanitarian action for decades. Meanwhile, systems change processes aim to 'shift power' towards **locally led and decolonised humanitarian action**.

One of the roles of INGOs has been that of intermediaries, whereby they act as a mechanism to transfer funding to local partners operating in the Global South. The Interagency Standing Committee led an **initiative** to understand the role of intermediaries in order to meet the **Grand Bargain Commitment** of intermediaries being accountable to their local/national partners and more transparent with their funding and funding allocations.

As a result, a caucus was set up to understand the roles of intermediaries, and gained support from **donors, INGOs, and Local and National Non-Governmental Organisations** (LNNGOs). The Humanitarian Advisory Group (HAG), GLOW Consultants, CoLAB, inSights, and Ziad Antonios **reported** the value of intermediaries in ensuring accountable and equitable partnerships in channelling a fair amount of funding to LNNGOs, and empowering LNNGOs to lead responses.

To the contrary, there is research to support the use of intermediaries not being an effective method to fund organisations. A **report by USAID** found the primary modes of funding have not yet proved efficient for rapid response projects and that the use of intermediaries is not always efficient and the added value of multiple intermediary agencies is inconsistent.

At Start Network, our vision is also for locally-led humanitarian action. Start Network has been exploring what the roles of INGOs are, and could be in the future Start Network. However, Start Networks' understanding of how INGOs can play positive roles as intermediaries in a locally-led global Start Fund is not clear.

An **evaluation of Start Fund** undertaken in 2022 focussed on the ability of the global Fund to be locally led. This evaluation highlighted that funding should be as direct as possible and not include more than one intermediary between Start Network and the implementing organisation. The evaluation recommended that funding applications must provide a justification for the number of intermediaries and be as 'direct

as possible'. It recommended that there be no more than one intermediary between Start Network and the implementing partner, and only if absolutely necessary, and; at least 25% of Start Fund financing should go directly to local and national NGOs (with no intermediaries between Start Network and the NNGO). Hence, this research will explore the role of Start Network's members as intermediaries in Start Fund projects in order to inform and influence Start Network's organisational position on intermediaries in the locally-led global Start Fund.

AIM

This research aims to understand 2022 Start Fund funding chains, looking at organisations that were directly funded, and those that were downstream partners. It aims to understand the different funding chains across the Global Start Fund, Start Fund Bangladesh and Start Fund Nepal. The secondary aim will seek to understand what intermediaries in funding chains mean for funding efficiency and the extent to which projects are locally-led.

OBJECTIVES



Understand the benefits of intermediaries in a funding chain, and demonstrate the role of INGOs in multi-link projects.



Identify the drawbacks of intermediaries in funding chains. This will look at managerial costs, ICR sharing, and potential effects this may have on the crisis-affected, or at-risk, community.



Understand whether it is appropriate for Start Network to have an organisational position on the number of intermediaries in responses.

ACRONYMS

HAG The Humanitarian Advisory Group
HQ Headquarters
ICR Indirect Cost Recovery
INGO International Non-Governmental Organisation

IT Information Technology
LNNGO Local and National Non-Governmental Organisation
NNGO National Non-Governmental Organisation

METHODS

The research used two main methodological approaches: a desk review of the current role of intermediaries in the humanitarian sector and of Global Start Fund protocols in the year 2022, and semi-structured interviews with NGO members from Start Network (with access to Start Fund Global), Start Fund Bangladesh and Start Fund Nepal. In total nine NGOs were interviewed for the research, of those eight were INGOs and one was a LNNGO.

BACKGROUND AND CONTEXT OF GLOBAL START FUND PARTNERSHIPS AND COLLABORATIONS IN 2022

START FUND ALERTS



102

ALERTS RAISED TO THE GLOBAL START FUND IN 2022

85 OF THOSE WERE **ACTIVATED**

FOR EACH ALERT, ON AVERAGE

1 PROJECT WAS FUNDED

THE HIGHEST NUMBER OF PROJECTS FUNDED PER ALERT WAS

5

Alert 579 Madagascar, Anticipation of Cyclone

This data is sourced from Start Fund alerts raised in 2022

START FUND PARTNERSHIPS

NUMBER OF PARTNERS IN PROJECTS

In a Start Fund project, on average there were **2** PARTNERS

8 was the highest number of partners in a Start Fund project in 2022

Alert 651

79 START FUND PROJECTS HAD PARTNERS

6 PROJECTS involved 4 or more partners



TYPE OF PARTNERS IN PROJECTS

42 PROJECTS WORKED ONLY WITH ORGANISATIONS THAT ARE NOT START NETWORK MEMBERS

22 PROJECTS WORKED ONLY WITH START NETWORK MEMBERS

14 PROJECTS WORKED WITH A MIX OF BOTH NON-START NETWORK AND START NETWORK MEMBERS

This data is sourced from 114 Project Forms from 2022

*Note, 16 of the projects either did not respond to this question in the report, or the response was zero (0).

FUNDING PARTNERS RECEIVED

In most cases partners received more than half of the total awarded funding



ON AVERAGE, PARTNERS RECEIVED 65% OF TOTAL AWARDED FUNDING

In 63 projects, partners received 50% of the total funding available for the project



IN 34 PROJECTS, THE TOTAL FUNDING SHARED WAS ABOVE 75%

15 project partners received below 25% of total funding



INDIRECT COST RECOVERY (ICR) SHARING WITH PARTNERS*

▶ ON AVERAGE, THE CONVENING ORGANISATION SHARED 43.4% OF ICR WITH THEIR PARTNER(S)

▶ IN 31 PROJECTS, 50% OR MORE ICR WAS SHARED WITH PARTNERS

▶ THERE WERE 13 PROJECTS WHERE TOTAL ICR PROVIDED TO THEIR PARTNER(S) WAS 75% OR ABOVE

▶ THERE WERE 19 PROJECTS WHERE ICR SHARED WAS LESS THAN 25% WITH PARTNER(S)



Eight agencies were interviewed for the research, 7 INGOs and 1 LNNGO, the operational context of which differs for each. Three agencies work through largely or exclusively through a partnership model, with one of those having no country or regional offices. Three work through regional offices and country or national offices, with the country and regional offices having different levels of decision-making authority, and with mixed forms of implementation, sometimes through partners. One agency has not engaged local partners and one LNNGO works in a mixed way.

FINDINGS + ANALYSES

This section will outline the main findings and analyses from 8 interviews (undertaken with 7 INGOs and 1 LNNGOs) on the key objectives of the research: To understand the role of intermediaries, their benefits and drawbacks, and question Start Network's position on intermediaries in Start Fund financed responses.

01 WHAT ARE THE ROLES OF INTERMEDIARIES IN START FUND RESPONSES

Six agencies responded to questions about what role they think intermediaries should have in Start Fund financed responses. Agencies operating through partnership models generally viewed themselves as intermediaries, and responded based on what they considered the role of INGOs in partnerships to be. Based on six responses, the roles of intermediaries or partners in Start Fund financed responses were stated as being:

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| 1 To share ICR, for example, one INGO mentioned that as an intermediary they have agreed to share 50% of ICR with partners since March 2023, and the other 50% with their HQ and country office | 3 responses |
| 2 To support the partner to engage in all project stages, listen to their priorities and support their decision-making | 3 responses |
| 3 Shift from project to long-term partnerships with the aim to strengthen capacity in targeted ways, and continue engagement outside of project timeframes | 2 responses |
| 4 Operational, a way or the process used to transfer funds via HQs and country offices before being shared with partners. For example, a representative from Tearfund stated <i>"internal financial management systems are not set up to directly fund country offices so intermediaries are required operationally"</i> | 2 responses |
| 5 To give the partner visibility, e.g., through showing their logo on project media and reports | 1 response |
| 6 Give partner power to raise concerns (one response) | 1 response |
| 7 Avoid unnecessary Due Diligence requirements (one response) | 1 response |
| 8 To 'act as the member', to provide funds from Start Fund to organisations that are not members and cannot access funds | 1 response |
| 9 To support the partner beyond only providing funding and money, and to follow partnership policies | 1 response |

As well as agencies not viewing themselves as intermediaries but rather as partners, there were also differences in opinion between agencies in what elements of the funding chain were considered as intermediary steps, e.g., transfers to / from headquarters (HQ) or local offices. One agency did not consider their country offices to be separate intermediaries to themselves. In another case, a representative from an organisation did think the country office could be seen as a separate intermediary to the HQ, although another representative from the same organisation did not think the term intermediary was appropriate, as they saw their role as one of forming partnerships with other organisations, not just as an intermediary. Hence, the term intermediary is not understood the same by stakeholders.



[The role of the intermediary is to set up] quality relationships that give the partner power for raising concerns and avoid unnecessary Due Diligence, [they] shift from project to strategic long-term partnerships that aim to build capacity in a targeted way."

JANE CHAMBERS Humanitarian Specialist (Strategy & Partner Capacity Sharing) Humanitarian & Resilience Team (HaRT) Tearfund

“ We tend to partner with local partners that are on the slightly smaller side but who have high potential. They may need a little bit of support to reach that potential, but they are well-placed in their local community, trusted, capable, and are agencies where **we can add value beyond money...** I set up the sustainability pot which is a pot of money that we allow partners to apply for and every year we grant up to a handful of partners about £5k to enable them to do **whatever they want to strengthen their organisation**. Sometimes they invest in new Internet Technology (IT) systems or buy new IT equipment, sometimes they host training for their staff or board of trustees, or buy a new motorcycle, or tablet, solar panels, so a whole range of things.”

KAI HOPKINS Head of Humanitarian Programmes, World Jewish Relief representative

Alert 417: Distribution programme officer transporting household kits from shore to distribution point in response to a cyclone in Vanuatu.

Photo credit: @Nancy Logdom, Save the Children Vanuatu, Communications Officer April-May 2020



02 WHAT ARE THE BENEFITS OF INTERMEDIARIES IN A FUNDING CHAIN?

Five agencies responded to this question. Five arguments made for the value and positive benefit of intermediaries were based on sharing ICR, ensuring risk and compliance measures are met, and having access to Start Funds as members and having access to reserve funding:

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| 1 Advocating for and ensuring that a fair amount (e.g., 50%) of ICR is shared with partner agencies | 2 responses |
| 2 They can take account of the funding flow and ensure it meets risk and compliance standards from donors | 1 response |
| 3 Having access to reserve funds for a timely response from Start Fund
(e.g., having access to reserves that can be sent to partners in advance of alerts being accepted) | 1 response |
| 4 Intermediaries are able to work with hyper-local organisations that would not be able to access funding from Start Network without intermediaries | 1 response |
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“With current funding channels, with this partnership model and spirit of the localisation agenda of Christian Aid, the first benefit is that the current process meets the standards checks and balances, to ensure no risk of compliance-related issues. And meets the priorities of the organisation to track the steps of each transaction, Christian Aid is accountable for the whole funding, so helps to meet the required standards checks and balances to minimise the risk of any compliance related issues”

SIMONE DI VICENZ Head of Humanitarian Policy, Practice and Advocacy, Christian Aid

“It can take a week for the funding to reach our account and it could be another 3-4 days depending on where it is going. So, we advance the money based to our partner based on the award letter and then wait to be reimbursed. When we work in a consortium and we aren't the lead, we advance the funding to our partner as soon as the award letter is finalised and we wait for the lead to send the funding on to us. So, there is an extra chain but it works very much the same.”

KAI HOPKINS Head of Humanitarian Programmes, World Jewish Relief representative



03 WHAT ARE THE DRAWBACKS OF INTERMEDIARIES IN FUNDING CHAINS?

Five agencies responded to this question and the main drawbacks of intermediaries in the funding chain that were mentioned were around delays, extra costs and charges, reduced ICR and decision-making opportunities for the partner, as well as increased competition:

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| 1 Time delays between agencies, especially if the partner is new | 3 responses |
| 2 Potential competition between intermediaries and other organisations | 2 responses |
| 3 For INGOs that operate through partnerships, one INGO mentioned the competition for suitable partners | 1 response |
| 4 Another INGO mentioned that if their county offices become independent (e.g., could directly access funding), they form competition for local organisations in that region | 1 response |
| 5 Bank charges and exchange rates for transferring funds between accounts and agencies and countries | 2 responses |
| 6 Partner agencies need to align their administrative requirements to that of the intermediary | 1 response |
| 7 ICR and financial cover for administrative costs can be very low or zero (one response) | 1 response |
| 8 Fewer rights and more duties to fulfil for the partners compared to receiving funds directly | 1 response |

Alert 686: Distribution of Non-Food Items following a landslide by Save the Children, Peru.

Photo credit: @SAVE THE CHILDREN



I think that most of us will answer that we prefer a directly financed project. Because when it is through an intermediary, there are fewer rights and more duties to be fulfilled.... In our experience, whenever funding is provided by an intermediary, we have to align ourselves to the administrative requirements of the intermediary organisation, furthermore, we cannot participate at the decision-making level, so the ICR is almost null, in most of the cases we have experienced it is the intermediary who receives the percentage that allows the cooperation, leaving the implementing or local organisations with only operating funds."

DAMARIS GUARDADO Project Manager, Pro-Vida, El Salvador



We've always worked through national partners in Ethiopia and now it's moving to a model three situation where they are going to be going to the donors themselves and to look for the same money that our partners will be looking for as well... I don't believe in competing for funding that our partners can access themselves without an intermediary in that country. This is where the business model for an intermediary can be tricky... that's why lots of INGOs [are]... sitting on the fence and not able to sort of move forward, particularly ones that don't have partnerships as their main way of working already."

JANE CHAMBERS Humanitarian Specialist (Strategy & Partner Capacity Sharing) Humanitarian & Resilience Team (HaRT) Tearfund

04 IS IT APPROPRIATE FOR START NETWORK TO HAVE A POSITION ON THE NUMBER OF INTERMEDIARIES IN RESPONSES

Three agencies responded to this question, and both said they would support Start Network having an ICR policy, the policy could for example stipulate the minimum ICR required to be shared with partners. Currently, a third INGO mentioned they already share 50% of the ICR they receive with partners in donor funded projects, and 10% of ICR in supporter funded projects. A fourth organisation agreed it would be useful if all agencies shared the same proportions of ICR with partners. One INGO mentioned that the sector should not be concerned with how intermediaries affect efficiency, and the sector should take a more holistic view of the sector and the barriers to locally-led action and the role of INGOs as intermediaries.

“In El Salvador, we have tried to implement a funding chain based on respect and with a win-win slogan, where all organisations receive what is requested and we have seen cases where there are organisations that prefer to withdraw because they do not have the necessary funds to cover their administrative costs. One of the hurdles to overcome is to ensure that all projects allow a better percentage for recovery costs or that operating costs are allowed.”

DAMARIS GUARDADO Project Manager, Pro-Vida, El Salvador

CONCLUSION



THIS RESEARCH REVIEWED START FUND ALERTS AND REPORT FORMS FOR THE PERIOD OF 2022 AND INTERVIEWED 8 MEMBERS TO UNDERSTAND THE ROLE OF INTERMEDIARIES IN START FUND AND TO EXPLORE THE RECOMMENDATION MADE IN THE START FUND LOCALLY-LED EVALUATION THAT THE NUMBER OF RESPONSES SHOULD BE LIMITED TO ONE INTERMEDIARY.

The research found that the role of intermediaries in Start Fund responses constitutes two main aspects, one as an agency to ensure ‘quality partnerships’ (e.g., to ensure the partner has access to decision-making, ICR, capacity strengthening support and visibility), while the second is based on the operational role to transfer funds to partners which do not have access to Start Fund; or possibly because the INGO is not set up in a way to directly fund partners or its country offices, especially as evidence shows most sub-granted partners are not Start Network members.

A question is raised here around what an intermediary is, some agencies suggest intermediaries are not their own country offices, while other agencies suggest their HQs are intermediaries to their country offices. In one case, an INGO mentioned both the country office and the HQ received ICR when transferring funds to a partner, this suggests both may be classified as intermediaries, however, it is not known without a definition which can be shared.

Interviewees mentioned both benefits and drawbacks of intermediaries. The benefits were that intermediaries could ensure ICR is shared with partners, that funds are transferred on time, that the intermediaries could ensure risk and compliance measures were met and they could work with hyper-local organisations that would not otherwise be able to access Start Fund. In terms of drawbacks, these included funding delays,

extra fees from banks and exchange rates, less control and ICR for partners than receiving funds directly, and the partner is often required to change the way they work for the intermediary.

In terms of ICR, intermediaries were found to have conflicting benefits and drawbacks. The benefits of intermediaries mentioned were that intermediaries can ensure a fair amount of ICR is shared with partners, and the drawbacks were mentioned as being that partners have less control over ICR when accessing funds through intermediaries. It is important to note that only members can access Start Fund directly, so the focus should be on supporting agencies that can directly access ICR, but also on encouraging fair ICR sharing in responses with partners that are not Start Network members, for which the majority of Start Fund partners were in 2022.

In terms of time delays in responses, intermediaries again were found to have conflicting benefits and drawbacks. Intermediaries were found to support fast funding as they can access funds for rapid response and mentioned having financial reserves that could be used to start implementation before disbursements reached them. Conversely, intermediaries mentioned they could contribute to time delays in responses whereby they undertook lengthy onboarding processes for new partners. The challenges can be overcome as intermediaries can form partnerships ahead of crises. Also, the benefits of intermediaries in having financial reserves could be made obsolete if funding transfer times from Start Network to agencies could occur faster, or if funds could be pre-positioned with members that do not have financial reserves.

No agencies stated whether they would support Start Network taking a position on intermediaries, for example limiting the number of intermediaries in an alert. Lastly, two agencies suggested they would be in support of Start Network creating an ICR policy and one suggested that this could include a minimum ICR sharing requirement.

Some agencies do not see themselves as intermediaries but as partners, and what an intermediary can and should be as defined is not clear, especially for complex INGOs with different operating structures and regional and national presence. Based on this initial research, it does not seem appropriate to limit the number of intermediaries to one (as the Start Fund evaluation recommended) until the term has been more fully understood and defined, without this understanding it is not clear how such a policy could affect members.



Alert 624: Distribution of peace messaging in preparation for electoral violence by Christian Aid and Oxfam, Kenya.

Photo credit: @START NETWORK

RECOMMENDATIONS FOR START NETWORK



★ DEFINE AN INTERMEDIARY

e.g., is a HQ an intermediary to a country office of an INGO? Or is an intermediary the country office of the INGO? This is likely to depend on the registrations of the INGOs entities and their level of authorisations and ability to control how much ICR they receive.

★ SUPPORT MEMBERS TO UNDERTAKE LONG-TERM RELATIONSHIPS WITH PARTNERS

with targeted support for capacity strengthening.

★ SUPPORT LOCAL AND NATIONAL MEMBERS

to directly access funding where possible.

★ DEVELOP AN ICR POLICY FOR START FUND

based on research already being undertaken by Start Network into the use of ICR in Start Fund projects by members. Many agencies that participated in this research have already done research into their ICR practices and partnership policies; it is vital Start Network draws on these.

★ DEVELOP PROCEDURES AND MECHANISMS

to prevent delays when funding crises via Start Fund or develop ways to pre-position funds with members that do not have financial reserves. This is one of the benefits of intermediaries and is a barrier for local and national organisations to directly access Start Fund. Also, encourage shared learning between members on challenges such as funding transfer times. One INGO mentioned a pilot they were undertaking into pre-positioning funds with their local and national partners to reduce the impact of funding delays in rapid responses.

★ SUPPORT MEMBERS TO FORM PARTNERSHIPS

with partners prior to Start Fund alerts being activated or rapidly during alerts, this could be done through support with networking or 'lessons learned' sessions between members on how to form partnerships quickly.



Find out more at www.startnetwork.org

Contact us at info@startnetwork.org



ACTED ACTION AGAINST HUNGER UK ACTIONAID APPUI AUX FEMMES DÉMUNIES ET ENFANTS MARGINALISÉS (AFEDM) ASSOCIATION FOR GENDER AWARENESS & HUMAN EMPOWERMENT (AGAHE) ASSOCIATION DES FEMMES POUR LA PROMOTION ET LE DÉVELOPPEMENT ENDOGÈNE (AFPDE) AGE INTERNATIONAL AGRICULTURAL DEVELOPMENT ASSOCIATION (PARC) ALIANCE FOR INTERNATIONAL MEDICAL ACTION (ALIMA) ARAB RENAISSANCE FOR DEMOCRACY AND DEVELOPMENT (ARDD) ASOCIACIÓN DE SERVICIOS COMUNITARIOS DE SALUD (ASECSA) AZAT FOUNDATION BRAC INTERNATIONAL BRIGHT STAR DEVELOPMENT SOCIETY BALOCHISTAN (BSDSB) CADENA CATHOLIC AGENCY FOR OVERSEAS DEVELOPMENT (CAFOD) CARE INTERNATIONAL UK CARITAS BANGLADESH CARITAS GOMA CARITAS INDIA CARITAS SRI LANKA CATHOLIC RELIEF SERVICES CHRISTIAN AID COMMUNITY DEVELOPMENT FOUNDATION (CDF) CESVI COMMUNITY WORLD SERVICE-ASIA CONCERN WORLDWIDE CORDAID DEVELOPMENT ORGANIZATION FOR COMMUNITY DOCTORS OF THE WORLD DOABA FOUNDATION DORCAS RELIEF & DEVELOPMENT EHSAR FOUNDATION ENCOURAGE THE HUMAN DEVELOPMENT (EHD) ENVIRONMENTAL PROTECTION SOCIETY (EPS) FARMERS DEVELOPMENT ORGANIZATION GOAL HEALTH AND NUTRITION DEVELOPMENT SOCIETY (HANDS) HELPAGE INTERNATIONAL UK HELP FOUNDATION HUMANITY & INCLUSION UK INITIATIVE FOR DEVELOPMENT AND EMPOWERMENT AXIS (IDEA) ISLAMIC RELIEF LASOONA LAAR HUMANITARIAN DEVELOPMENT PROGRAMME (LHDP) MANZIL ORGANIZATION BALOCHISTAN MECHANISM FOR RATIONAL CHANGE (MRC) MEDAIR MERCY CORPS MIDEFEHOPS ASBL MUSLIM AID MUZAFFARABAD POVERTY ALLEVIATION PROGRAMME NARI DEVELOPMENT ORGANIZATION (NDO) NATIONAL INTEGRATED DEVELOPMENT ASSOCIATION (NIDA)-PAKISTAN NORTH-EAST AFFECTED AREA DEVELOPMENT SOCIETY (NEADS) OXFAM GB PEOPLE IN NEED PACIFIC ISLANDS ASSOCIATION OF NON GOVERNMENTAL ORGANISATIONS (PIANGO) PLAN INTERNATIONAL PARTICIPATORY RURAL DEVELOPMENT SOCIETY (PRDS) PRO-VIDA QATAR CHARITY RURAL COMMUNITY DEVELOPMENT SOCIETY (RCDS) RELIEF INTERNATIONAL RURAL EMPOWERMENT AND INSTITUTIONAL DEVELOPMENT (REPID) RURAL DEVELOPMENT ORGANIZATION (RDO) BUNER SAMI FOUNDATION SAVE THE CHILDREN UK SOCIETY FOR MOBILIZATION ADVOCACY AND JUSTICE (SMAAJ) SOLIDARITÉS INTERNATIONALE SUKAAR FOUNDATION THARPARKAR SUSTAINABLE ENVIRONMENT AND ECOLOGICAL DEVELOPMENT SOCIETY (SEEDS) - INDIA SANGTANI WOMEN RURAL DEVELOPMENT ORGANIZATION (SWRDO) TEARFUND TROCAIRE VEER DEVELOPMENT ORGANIZATION WAR CHILD WELFARE ASSOCIATION JARED WELTHUNGERHILFE (DEUTSCHE E.V.) WORLD JEWISH RELIEF WORLD VISION YOUTH ORGANIZATION - PAKISTAN YUGANTER