

Guidance Note

FEBRUARY
2025

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BOTTLENECKS TO LOCALISATION GAINS IN MYANMAR

Background

Following years of political instability, ethnic conflicts, and natural disasters, and especially since the 2021 military coup, Myanmar's humanitarian landscape has increasingly recognised the importance of local leadership in delivering aid effectively and sustainably. It should be noted that while the broader localisation of humanitarian response refers to the growing emphasis on strengthening the role and capacity of local actors, in the Myanmar context, these primarily include local/national Non-Governmental Organisations (LNGOs), Community Based Organisations (CBOs) and Civil Society Organisations (CSOs). Due to Myanmar's political sensitivities, many international humanitarian organisations do not include state or local authorities under their Localisation umbrella.

In Myanmar, this push towards Localisation has been in line with elements of the Grand Bargain¹ and has been accelerated by bureaucratic impediments that have severely limited the access to Myanmar by international staff in recent years. This lack of access has resulted in many international organisations being required to design and undertake remote management policies and procedures to continue effective implementation. Over time, many international organisations have also shifted their portfolios, with an increased proportion of implementation undertaken by local partners.

¹ The Grand Bargain is a set of commitments made by international donors and humanitarian organisations in 2016 to improve the efficiency and effectiveness of humanitarian aid.

However, much like the progress towards the aspirations set out in the Grand Bargain itself, many stakeholders perceive that localisation in Myanmar has not moved forward at the pace and with the impact that had been hoped. Linked to this, there remains some degree of under-reporting of unofficial or low-visibility assistance, much of which is provided by local actors. More broadly, implementation of humanitarian activities in Myanmar has been constrained in recent years. While humanitarian organisations continue to deliver a high proportion of planned assistance, the United Nations (UN) Humanitarian Needs and Response Plan was only 36% funded in 2024, therefore any barriers to implementation exacerbate the dire situation of vulnerable people in Myanmar.

This guidance note will explore the challenges associated with realising gains in Localisation in Myanmar and will make recommendations to complement ongoing efforts to address these.

In preparing this guidance note, consultations were undertaken with representatives of institutional donors, UN agencies, international NGOs (INGOs) and national/local Myanmar organisations. The work of stakeholders, such as the Localisation Workstream within the Myanmar Humanitarian Country Team (HCT), and the outcomes of the Multi-Stakeholder Consultation on Localisation meeting held in Bangkok in June 2024, were also considered.

Key Issues and Roadblocks

In Myanmar, the lack of flexibility of humanitarian funds is often cited by implementing agencies — both local and international — as a key constraint inhibiting successful programming. Recently there have been efforts to improve the flexibility of funding in the response, which aligns with aspirations outlined in the Grand Bargain. Despite these intentions, concerns of stakeholders include ‘too much’ flexibility (resulting in a perceived lack of accountability), flexibility not being passed to downstream partners, and inflexibility of funding resulting in delays and blockages in programming. As outlined below, a primary issue is that there are also different understandings of the term ‘flexibility’ and how that is used; for example the difference between flexibility in activities/locations, versus flexibility on risk management requirements.

However, flexibility is not the only constraint. This guidance note will explore a range of issues relating to Localisation in Myanmar which can be broadly framed under three different pillars made up of the different constituencies: 1) institutional donors, 2) ‘upstream partners’/intermediaries such as UN and INGOs, and 3) LNGOs.

Institutional Donors

One of the key areas in which stakeholders perceive that donors can influence the humanitarian response in Myanmar is through the flexibility of their funding guidelines. In relation to Localisation, this is particularly relevant because as the distance between the donor and implementing organisation increases, so does the importance of funding being flexible and adaptable to the dynamic context and diverse range of implementing organisations.

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In the Myanmar response, there is a perception amongst most major donors that they are offering their implementers a high degree of funding flexibility, while also ensuring adequate risk management and accountability for the quality use of funds. However it is important to consider several points related to flexibility:

1. There can be a fundamental misunderstanding between donors and humanitarian organisations (at all levels) as to what is meant by and constitutes donor flexibility. Misunderstandings related to flexibility can also be passed down and amplified through the funding chain. LINGOs may feel constrained, and/or don't realise the flexibility they have, because donor requirements are not properly understood and/or communicated. The term 'flexibility' can encompass a wide variety of areas such as waivers to policies and procedures, shifting funds between locations/activities/partners, adjusting reporting deadlines, and so on.
2. Flexibility is also related to whether programmatic adjustments are permitted throughout the course of the contract — either by design or approval — and variances reported to donors according to the reporting schedule; versus programmatic changes having to be approved in advance and requiring adjustments to the contract. The latter approach is often administratively onerous and leads to delays in implementation.
3. Whilst there has been some positive progress in recent years, there can be a misalignment between field-based donor representatives and their own headquarters or audit/compliance departments about what degree of flexibility can be offered either during programmes or in approaching direct partnerships with local actors. There are examples in which donor representatives want to, or do offer flexibility, but cannot or are reluctant to commit to exceptions or exemptions in writing. There are also examples in which derogations have been justified and documented at the time, but their validity is later questioned by auditors, leading to the need to provide additional retroactive justification, and at times resulting in financial disallowances. This can lead to partners being reluctant to take decisions or use approaches that leave them vulnerable to later allegations of non-compliance.
4. Linked to the above, the policies of intermediaries therefore often reflect the 'lowest possible denominator' of flexibility i.e. their procedures broadly align to their least flexible donor. This inhibits UN/INGOs from 'passing down' flexibility, if flexibility is not consistent across all donors.
5. When a humanitarian response involves multiple layers of partners, single year (or less) funding is inherently inflexible, due to the administrative requirements related to contracting, sub-granting, reporting etc. Based on consultation undertaken in developing this research, it appears that in the Myanmar response, a significant proportion of humanitarian funding contracts remain at 12 months or less, thus inhibiting effectiveness when funding is passed to local organisations.

Risk sharing is another area in which the perceptions of donors and their downstream partners do not always match, with a lack of clarity on who holds financial, legal, safety and security risks, especially in nuanced situations such as 'force majeure', 'acts of war', negligence etc. Partly, this is due to the need for donors to balance clarity and transparency with ensuring compliance safeguards are in place and adhered to wherever possible. However, the lack of clear information sharing on such situations can inhibit organisations' implementation.

Finally, many donors do not have systems or administrative capacity to directly contract local organisations, or may prefer not to for other reasons. This can also be said of many UN agencies, and some INGOs. The more intermediaries between the funding source and the implementing organisation, the more the challenges outlined here are exacerbated.

Upstream Partners (Intermediaries)

‘Upstream partners’ or intermediaries in humanitarian funding can be defined as those that receive funds from public or institutional donors and pass them on to organisations that implement programming. In Myanmar, this is primarily UN agencies and INGOs. However, increasingly, national Myanmar NGOs are also working with hyper-local CBOs and ‘grass roots’ organisations to implement activities. For the sake of simplicity, this section refers primarily to UN and INGOs as intermediaries, and addresses issues distinct from those more commonly associated with institutional donors outlined above, although there is some overlap.

The key issues facing intermediaries in successfully driving forward the localisation agenda are:

1. Most UN agencies and some INGOs are not designed to partner with and work through LNGOs. Their internal policies and procedures, such as contracting mechanisms and due diligence requirements, are too compliance heavy. Furthermore, their organisational culture — exacerbated by shorter-term partnership horizons driven by shorter rather than longer-term programme lengths — can inhibit the development of trustful relationships with local organisations. Engagement with local organisations is often transactional, without consideration of LNGOs’ existing capacity, or attempts to coordinate the requests of other intermediaries. This remains a challenge, despite many of these organisations working in Myanmar having been signatories to the Grand Bargain and as such should be aware of and supporting the outcomes of the Inter-Agency Standing Committee (IASC) ‘Intermediaries Caucus’ (2022).
2. Related to the point above, until recently, many intermediaries were unwilling or unable to provide or share indirect costs (ICR/NICRA) in a way that ensured the ICR reached the implementing organisation/s. This means that many LNGOs have not had access to flexible funds to invest in their organisational capacity, develop reserves to under-write financial risks or under-take activities outside of those linked to specific projects.
3. UN agencies and INGOs at country level often face internal challenges with their headquarters being too risk adverse to effectively engage with local organisations. This links to points raised in the section on Institutional Donors above, with neither donors, UN agency nor INGO headquarters willing to bear the risks of complex programming.
4. In Myanmar, UN agencies/INGOs at country level sometimes face issues with their staff when engaging with LNGOs. Perceptions of LNGOs’ ‘lack of capacity’ or ‘trustworthiness’ are often cited as why intermediaries cannot or should not reduce oversight and compliance checks of LNGOs.

Local Implementing Organisations

The evolution of the context has reiterated that local organisations (LNGOs/CBOs/CSOs) are the backbone of the humanitarian response in Myanmar. Local organisations are diverse, with varied sizes, mandates, governance, technical capabilities, organisational capacity, and experience. LNGOs have varying degrees of acceptance amongst communities but can often access where international organisations cannot. However, LNGOs still face challenges including:

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External impediments such as the poor communication network, breakdowns in the formal banking sector, along with the related difficulty in and costs associated with receiving and transferring cash into and within Myanmar, and regular natural disaster ‘shocks’ affect their own staff and offices.

1. Whilst LNGO staff are carrying out an increasing proportion of the implementation on the ground, duty of care to LNGO staff is not adequate. This is particularly relevant given the increasing safety, security, and legal risks that LNGOs face.
2. In response to these challenges, LNGOs are more frequently utilising hyper local grass-roots organisations to implement programming. Often this is through informal rather than contractual arrangements and is based on existing networks. Whilst these arrangements have added value in operational capacity, they add layers, making the funding chain more complex and obscure, and thus inhibiting oversight.
3. Many local organisations still lack international standards of organisational capacity around policies and procedures, such as defined salary scales, human resources, and procurement policies, financial management, quality reporting etc. Upstream partners therefore tend to focus their engagement on a smaller group of more ‘professional’ local organisations that do have those policies and procedures in place or at least to a reasonable degree. This can lead to the absorption capacity of those local organisations being stretched, while other local organisations that have programmatic capabilities but lack organisational capacity are under-funded.
4. These issues disrupt the ability of different constituencies to effectively engage with local organisations. This can inhibit local implementing organisations from achieving both short and long-term goals and should be addressed to improve the progress on Localisation in Myanmar.

Final Recommendations

Many actors within the Myanmar response have been working tirelessly for years to improve the effectiveness of the delivery of humanitarian services in general, and in particular to support local organisations to lead on that delivery. As part of the consultation for the development of this research, different initiatives were mentioned by stakeholders as having been done or in process. These are being taken forward by donors, UN agencies, INGOs and LNGOs, either individually or as part of different coordination bodies such as the Humanitarian Donor Group, the HCT/Localisation Workstream, INGO Forum, or Local Intermediary Actors group.

The recommendations encompass and elaborate on some actions that are already underway, and make additional suggestions to reduce the bottlenecks being faced. There is a leading role for the Localisation Working Group (LWG) of the HCT, however all stakeholders should take forward their responsibilities in addressing the challenges identified.

1. AUGMENT FLEXIBILITY IN RESOURCING:

There should be more coherent agreement amongst stakeholders on 'Flexibility', through the development of a **Joint Flexibility Guideline for Myanmar (JFGM)** (or similar title).

One action coming from the Multi-Stakeholder Meeting on Localisation was mapping of flexibility, to identify where the most common blockages lie and address them. There is also at least one other piece of work already commissioned looking into flexibility from local organisations' perspectives. These could be done in parallel with the development of the JFGM, and could potentially inform or validate the JFGM without being duplicative.

The JFGM would not be mandatory, and (as agreed in the Multi-Stakeholder Consultation on Localisation) would be developed by the HCT LWG. It would be approved and held by the HCT as part of a suite of joint operating documentation (such as the Joint Operating Principles).

The guidelines should include issues that are widely cited by stakeholders as impeding their effectiveness such as:

- the need for longer duration of funding/contracts (beyond 12 months),
- implementing organisations being able to (without advance approval or contract modification) shift the geographical location of funding (e.g. within a state) and move funds within budgets with greater flexibility e.g. minimum 10% flexibility at sub-heading level, inclusion of lump sum and contingency budget lines at development stage,
- approval of the use of informal cash transfer mechanisms (hundis),
- a waiver on the need to keep hard copies of documentation,
- removing the requirement for partner organisations to be 'legally' registered, and
- reduced formal reporting frequency (e.g. 6 monthly not quarterly) and ensuring time for preparing reports (e.g. at least 30 days) and improved use of technology for reporting

The **provision of ICR/NICRA** to LNGOs should be captured in these guidelines to elicit greater autonomy and flexibility for local organisations. All stakeholders in Myanmar should recognise their role in ensuring local organisations receive ICR in addition to funds for implementation.

The JFGM should also commit to minimising administrative delays in contracting, although it is difficult to quantify specific standards related to this due to the diversity in complexity and organisational requirements.

It is suggested that the JFGM be structured according to the project management cycle, for example the expectations at Assessment/Design Phase, Implementation, and Reporting/Evaluation stages. The JFGM could be utilised by agencies in advocacy with their respective headquarters, audit departments, etc. and would be a way of articulating in writing the best practices related to flexibility without having binding commitments. Finally, the JFGM could include guidance to help stakeholders understand the appropriate utilisation of 'blanket' approvals, versus approvals on a case by case basis for additional flexibility. There are efficiency gains when approvals of flexibility are issued more broadly (i.e. 'blanket approvals') but there are limitations to when that is appropriate.

2. REDUCE THE NUMBER OF INTERMEDIARIES, AND IMPROVE THEIR EFFECTIVENESS:

The number of intermediaries between the funding source and implementing partners should be minimised. Donors should be encouraged to fund local organisations directly, where possible. Similarly, UN agencies should fund local organisations directly, not through INGOs as grant managers. Donors and UN agencies should continue to fund INGOs for direct implementation where appropriate, for the provision of technical or organisational support to local organisations or (for institutional donors) when contracting local organisations directly is not possible.

This is not about ‘cutting out’ different constituencies from the response. Rather, it is about organisations finding the space in which they add the maximum value, without duplicating the efforts of other organisations, and therefore the associated costs and time. To measure progress, intermediaries should report on the amount and proportion of funds going directly to local partners through relevant reporting mechanisms and in line with IASC commitments.

Intermediaries should coordinate in their engagement with local organisations. This could be done through relevant coordination mechanisms, and should aim to minimise duplication for LNGOs in funding, due diligence requirements, training requirements and so on. Similarly, LNGOs should be transparent with their upstream partners about other funding and commitments they are receiving. LNGOs should also increase coordination between each other, to strengthen their own advocacy around the key roadblocks that they wish to be addressed.

3. COMMIT TO LONGER FUNDING DURATION AND CAPACITY STRENGTHENING FOR LNGOS:

Ideally, this would mean multi-year funding for local organisations, facilitated by multi-year funding from donors and which includes funds for capacity strengthening. However it is acknowledged that many donors/UN agencies have fixed funding cycles and funding in Myanmar is limited. Thus donors/UN agencies should be as administratively agile as possible to ensure the implementation period is maximised within the funding cycle, and available funds are used efficiently as outlined above.

In addition, intermediaries need to ensure that their systems and processes are in place to be able to pass on multi-year funds to partners. Where there is expected continuity of the partnership, upstream partners should try to develop multi-year strategic relationships with LNGOs. These relationships should involve capacity strengthening of local organisations, including LNGOs being supported to develop multi-year organisational strategies, and operational plans and budgets, with recognition of the need for high degrees of flexibility given the context.

4. ENHANCE CLARITY ON RISK SHARING/DUTY OF CARE FOR LOCAL ORGANISATIONS:

A joint risk sharing framework for Myanmar that articulates where the responsibility for holding risks lies and how these can be mitigated should be finalised. This is in line with the outcomes of the Multi-Stakeholder Consultation on Localisation, the INGO Forum report on ‘Risk Sharing and Duty of Care for Humanitarian Actors in Myanmar’, and the Inter-Agency Standing Committee – which has formalised a framework template for this

purpose². It is understood that such a framework for Myanmar is challenging to finalise, with risks overlapping across constituencies, and with many risks (in practice) needing to be assessed on a case by case basis with stakeholders. However, greater transparency around agencies' risk appetite, along with an agreed overarching framework could particularly help local organisations visualise and understand how risks are shared and what support their upstream partners provide. Similar to Recommendation 1, this framework could be approved and held by the HCT as part of the suite of joint operational documents, to improve consistency across actors.

Finally, again referencing the INGO Forum report mentioned above, there should be a commitment from institutional donors and intermediaries that funds for duty of care for implementing partner staff would be prioritised within budgets. Furthermore, upstream partners should share Duty of Care policies with local partners, to support them to develop their own bespoke policies that are appropriate for their organisations. Stakeholders should ensure that further actions related to duty of care from the INGO Forum Report are actioned as a priority.

2 <https://interagencystandingcommittee.org/sites/default/files/migrated/2023-06/Risk%20Sharing%20Framework.pdf>

Guidance Note

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