PASSING THE BUCK

Economics of Localizing Aid

Globally, local organizations could deliver programming that is 32% more cost efficient than international organizations.

A 2022 study by The Share Trust and Warande Advisory Centre — "Passing the Buck: The Economics of Localizing Aid" — found that these global cost efficiencies could be realized by stripping out inflated international overhead and salary costs. The study assumes *equitable* salary and overhead costs throughout.

International Salaries
$17.9 bn (2018)

International Overheads
$9.4 bn (2018)

25% of funds converted to local rates

$4.3 billion
in annual savings

$680 million
annually redeployed to local actors

32%
more cost efficient

The Share Trust also evaluated the cost efficiencies of delivering aid through local intermediaries in Ukraine and Nigeria using a representative sample of UN, International Non-Governmental Organization (INGO) and Local Non-Governmental Organization (LNGO) budgets funded through UN pooled funds to comparatively assess cost structures for delivery of humanitarian aid. These two studies were complemented by individual project analyses of two major INGO-led programs in the Middle East.

If 25% of 2023/24 humanitarian assistance to Ukraine had been channeled via local actors, estimated cost efficiencies would be $256m — funding that is vital to ensuring that those most affected receive assistance.

The findings revealed consistent cost efficiencies ranging from 14-19% across all four countries. These figures are based on relatively simple, single passthrough budgets, and anecdotal evidence suggests that cost efficiencies would mirror the global estimate of 32% for large scale response budgets.

Ukraine Pooled Fund	Nigeria Pooled Fund	Middle East - Pooled Fund	Middle East - Programmatic Budget
15.5% cost efficiency	**18.9% cost efficiency**	**13.6% cost efficiency**	**16.1% cost efficiency**

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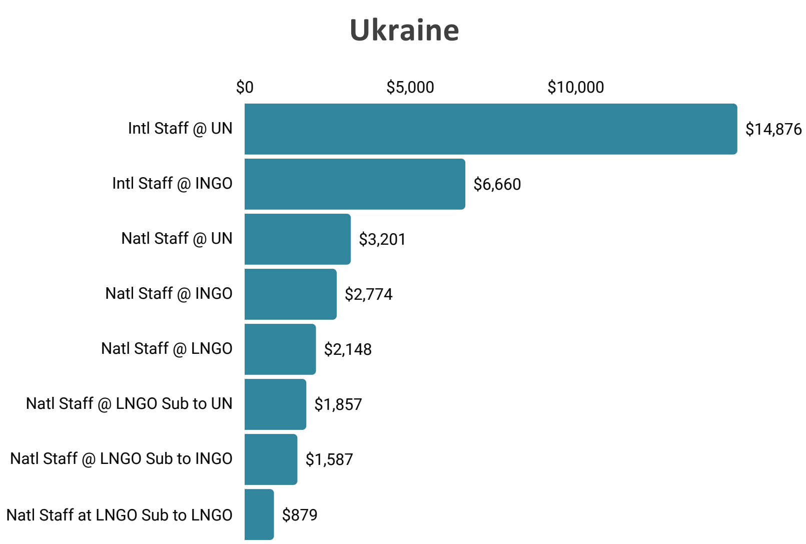
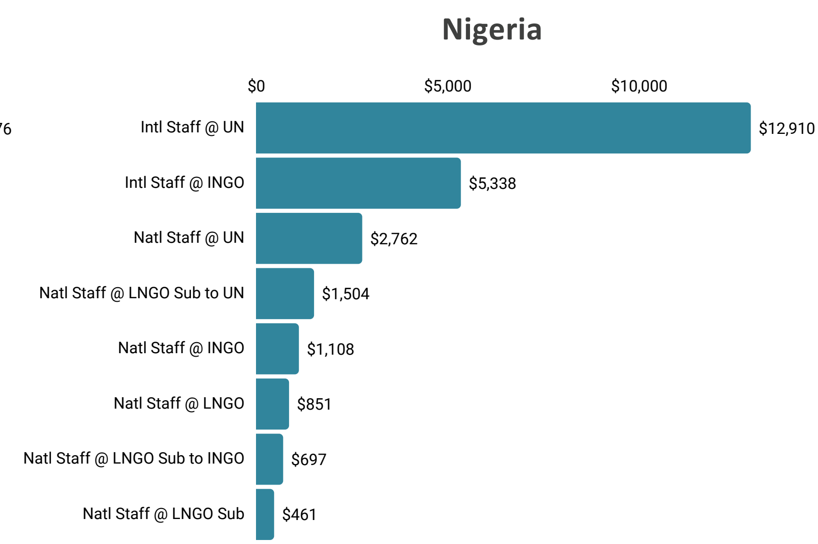
Despite promises to redirect international assistance to local actors, progress on the localization agenda has been slow worldwide, with only 1.2% of humanitarian funding going directly to local and national actors in 2022. This massive imbalance is evident in the Ukraine crisis, where just 0.07% of funding has reached local actors directly. While both INGOs and LNGOs are consistently passing through overhead costs to local sub-contracted partners – **unrestricted funding that is a lifeline for any organization to build systems and capacities** – the UN is routinely retaining all overhead costs.

The comparative analysis of Ukraine and Nigeria found that UN agencies are charging 2.5 times more for international staff costs compared to the same staff at INGOs, and up to 28 times more for comparable staff at national organizations (see below).





Call to Action for Donors and International Organizations:

Demand Transparency: Donors and international organizations, including the UN, must provide full transparency on cost structures. This is essential for understanding how funds are allocated and for ensuring that aid is used efficiently.

Pass Through Overheads: Donors should mandate that all UN agencies and INGOs pass through overheads in full to their local partners. This would provide local organizations with the necessary resources to build robust systems and capacities, ensuring a more equitable playing field.

Invest in Innovation: Numerous organizations are testing and innovating on alternative models to get more funding and power to local actors. The international system has been stuck in outdated modalities for delivering aid, and there is a significant opportunity to introduce balance in the system, investing in new models for aid delivery that play to the key strengths of all actors.

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