

Policy Brief

IFRC-DREF and locally led action



November 2024

For more details, please scan this QR code to access the full **Review of the IFRC Disaster Response Emergency Fund's Contribution to the Localisation Global Commitments.**



Introduction

This policy brief summarises findings from a review commissioned by the British Red Cross and the International Federation of Red Cross and Red Crescent Societies (IFRC), exploring how the IFRC-Disaster Response Emergency Fund (IFRC-DREF) enables locally led humanitarian action.¹ By providing direct, flexible funding to National Red Cross and Red Crescent Societies (National Societies), the IFRC-DREF plays a significant role in enabling locally led rapid responses to complex and underfunded crises, including through anticipatory action, showcasing the added value of the IFRC as a network of national actors.

The IFRC-DREF is viewed as a critical tool to enhance local leadership by supporting capacity strengthening and covering overhead costs; however, challenges remain, such as addressing late reporting, aligning donor expectations and improving risk-sharing. While identifying opportunities to strengthen IFRC-DREF's support to local actors and acknowledging tangible areas for improvement, the review finds that by promoting local ownership, the IFRC-DREF can help National Societies develop strong organisational capacities to address due diligence and reporting requirements of multilateral funding agreements, which can enhance access to international funding opportunities, beyond the IFRC-DREF. This brief offers policy takeaways for donors and the IFRC to further position the IFRC-DREF as a strong enabler of locally led action.

Background

On a global scale, direct funding to local organisations remains low. In 2022, while total international humanitarian assistance increased, the percentage of direct funding to local and national actors remained static at 1.2% (US\$485 million).² Within an increasingly constrained funding environment, pooled funding mechanisms are recognised as critical for shifting decision-making closer to communities affected by crises. By providing 'as-direct-as-possible' funding to local actors, they promote community ownership and local leadership for more flexible, efficient and sustainable humanitarian responses.

UN pooled funds saw gradual increases in funding to local and national actors. In 2023 the UN Country-Based Pooled Funds (CBPFs) directly allocated funding to 344 local and national organisations (45% of all recipients) – the largest share ever. These organisations received US\$338 million (31% of the total amount allocated by the CBPFs).³ The UN Central Emergency Response Fund (CERF) allocated a total of US\$668 million funding for life-saving humanitarian assistance, although in line with its General Assembly mandate, CERF can only directly fund UN agencies. Of the US\$275.7 million total allocations from 2023 Underfunded Emergencies Rounds, US\$69 million was sub-granted to national and local organisations.⁴ Meanwhile, in 2023, the Start Network's global Start Fund, an emergency pooled fund for its NGO network, disbursed £17.8 million, of which £2.5 million went directly to local and national organisations.⁵

The IFRC-DREF was established in 1979 as an emergency pooled funding mechanism to provide rapid financial support to its National Society members responding to small- and medium-sized crises which would likely receive insufficient funding or visibility to launch an emergency appeal. Since its establishment, the IFRC-DREF has enabled assistance to over 230 million people affected by disasters and humanitarian crises and allocated more than 630 million Swiss francs (CHF) to address the needs of affected communities.

¹ The review provides an analysis within the current IFRC-DREF strategy period, 2021–2025.

² **Global Humanitarian Assistance Report 2023** | Development Initiatives (devinit.org)

³ **Country-Based Pooled Funds 2023 in Review – World** | ReliefWeb (reliefweb.int)

⁴ **CERF Annual Results Report 2023** | OCHA (unocha.org)

⁵ **Annual Report 2023** | Start Network (startnetwork.org)

Key findings

Enablers of locally led action

1. Providing direct, flexible funding to National Societies

The IFRC-DREF saw significant growth in 2023, allocating CHF 74.2 million to support 90 National Societies – nearly a 26% increase from the previous year. The fund receives unearmarked funds from donors, and 82% of the total allocations were directly transferred to and implemented by National Societies, surpassing the Grand Bargain commitment of providing 25% of humanitarian funding to local and national actors as directly as possible.⁶ The unearmarked funds are also released without (external) reporting requirements, which reflects the IFRC approach to provide as flexible and direct support as possible to meet the specific needs of locally led emergency response operations.⁷

The IFRC-DREF 2021–2025 strategy has taken steps to further enhance the flexibility and responsiveness of the funding mechanism. These include extending the funding ceiling, with up to CHF 2 million for red-level emergencies and CHF 1 million for orange-level emergencies.⁸ They also include extending the implementation timeframes for National Societies' delivery of response activities up to 6 months for small-scale emergencies, 9 months for medium- and large-scale emergencies, and 18 months for drought.

The extended funding ceiling and timeframe attract National Societies who want to respond to slow-onset and climate-induced crises that are underlying drivers of humanitarian needs. This is critical as most humanitarian caseloads are in protracted crises situations, rather than being linked to particular hazards that require a fast response. IFRC's decisions to provide flexible implementation timelines and funding allocations is a progressive step in transferring this flexibility to National Societies.

2. Covering overhead costs and capacity strengthening

Local and national actors have long advocated for fairer funding practices around overheads or indirect cost recovery.⁹ In the IFRC-DREF mechanism, National Societies can include overhead costs in their grants, provided that these costs follow transparent and National Society board-approved policies. However, disagreements often arise over cost eligibility and overhead percentages, as IFRC-DREF procedures sometimes differ from National Societies' board-approved rates, and National Societies often aim to cover both operational expenses and build their own capacity simultaneously.

⁶ **Localisation learning space: progressing towards 25% direct funding to local and national actors** | Inter-Agency Standing Committee (interagencystandingcommittee.org)

⁷ Internal documentation, IFRC-DREF Procedures 031.5_DREF Procedures 05.12.2019

⁸ **IFRC Emergency Response Framework** | IFRC (ifrc.org)

⁹ Specifically, international intermediaries including UN agencies and international NGOs have been criticised for not passing on a fair share of overhead costs to downstream partners, through which the overwhelming majority of funds received by local and national NGOs pass (source: devinit.org)

For relief operations, the IFRC-DREF allows National Societies to allocate up to 40% of the total budget for various support costs that are important for the National Society and the response. While this provides flexibility and ensures administrative and logistic costs are met without compromising too much of the budget for direct humanitarian assistance, all support costs are closely linked to the response which poses additional burdens on a National Society's capacity. The Start Network offers up to 10% indirect cost recovery to its grantees (both national and international), but there are currently no policies or obligations on international NGO recipients to pass indirect cost recovery on to their national partners.¹⁰

The IFRC-DREF also provides unique operational support by offering technical staff or logistical aid through surge mechanisms, which are tailored to local needs and underpinned by an international response framework and standard operating procedures. Unlike other pooled funds, IFRC can deploy national or regional personnel who bring greater contextual or cultural understanding, as well as international personnel, to enhance National Society capacities. However, some National Societies reported delays in receiving IFRC's surge support, which impacted response times.

3. Expanding support for underfunded crises and anticipatory action

The IFRC-DREF has evolved to address a broader range of complex and often-neglected humanitarian crises, allowing National Societies greater flexibility in helping disaster-affected communities that might not otherwise be supported. Globally, there has been a level of flexible funding to anticipate drought, but other crises remain underfunded in comparison, for example, conflict, displacement, extreme heat and disease outbreaks.¹¹

The 2023 IFRC annual plan reported a continued trend, seen for the past five years, with 33% of the operations responding to more complex and often under-resourced emergencies in 2022, such as civil unrest, food insecurity and population movements.¹² Recent reports indicate that some National Societies in the Middle East and North Africa have accessed IFRC-DREF funding for the first time in 2022, suggesting that non-traditional users are beginning to engage with the fund.

As part of its 2021–2025 strategy, the IFRC-DREF has also merged two funding mechanisms, the 'Anticipatory Pillar' and the 'Response Pillar', together under the one IFRC-DREF mechanism. This integration is a valuable opportunity to address more complex emergencies, as National Societies are able to access two funding streams within a single IFRC-DREF funding mechanism. For instance, this new feature enables National Societies to plan and act on slow-onset or protracted emergencies, such as epidemics, using early triggers and longer implementation periods, giving them the flexibility to respond even when launching a full emergency appeal is not feasible due to concerns of insufficient response funding or donor visibility. IFRC aims to increase the size of the IFRC-DREF to CHF 100 million by 2025, with 25% of that dedicated to anticipatory action. The IFRC has also expanded the use and reach of the IFRC-DREF including by creating an insurance mechanism to support the Response Pillar, although coverage of the Anticipatory Pillar is planned to be negotiated in the upcoming period. This creates an opportunity to engage on disaster risk financing more broadly and to diversify funding opportunities for National Societies.

¹⁰ **Overhead Cost Allocation in the Humanitarian Sector** | Inter-Agency Standing Committee (interagencystandingcommittee.org)

¹¹ **Finance for Early Action** | REAP (early-action-reap.org)

¹² **IFRC-DREF Annual Plan, 2023** | IFRC (ifrc.org)

4. Promoting local leadership and decision making

National Societies have actively participated in decision-making fora and workshops to provide feedback on their experiences with the IFRC-DREF. The review found that leadership capability among National Societies tends to improve with increased experience in using the IFRC-DREF. For example, the Syrian Arab Red Crescent indicated that it now has well-developed operational response capacity due to the large-scale and diverse crises it responds to, thanks in part to the IFRC-DREF, as well as experience working with UN agencies. The National Society considers the IFRC-DREF a valuable tool to cover needs and target gaps left by other funding mechanisms, which in turn enables it to respond appropriately to humanitarian needs on the ground, thanks to its presence in and knowledge of communities. The Syrian Arab Red Crescent's experience of managing pooled funds such as the IFRC-DREF, has helped it to develop strong organisational capacity. It now has dedicated staff positions to address due diligence and reporting requirements of multilateral funding agreements, which better positions the National Society to apply for other non-IFRC pooled funds.

There is a strategic opportunity for National Societies to enhance their visibility, auxiliary role to public authorities and positioning as first responders, resulting from IFRC-DREF-funded activities. The Bangladesh Red Crescent Society offers a positive example of effectively leveraging IFRC-DREF for local influence and coordination. It is an active participant in coordination fora with the government, UN agencies, national and international organisations. Since 2015, it has worked closely with the World Food Programme to establish forecast-based financing systems in Bangladesh, making it one of the first countries to pilot anticipatory humanitarian action. This has helped the National Society to forge new coordination and partnership opportunities with UN agencies.

Areas for improvement

1. Reporting and needs assessments

While IFRC-DREF, the Start Fund, CERF and UN OCHA's CBPF all have approved reporting templates,¹³ IFRC-DREF reporting requirements are light for National Societies in comparison to other pooled funds. It does not require an interim update, only a final narrative and financial report of each allocation.¹⁴

In addition, IFRC-DREF response approvals and transfer of funding are quick overall. While quick approvals and light reporting mechanisms are critical enablers of locally led action, as they allow National Societies to focus on quality and timely implementation, balancing speed with accurate needs assessments remains a challenge for some National Societies. The review highlighted that National Societies often feel pressure to begin implementing responses before needs are fully known. The speed of fund transfers can sometimes encourage premature action, especially since the IFRC-DREF supports a wide range of emergencies, not just rapid onsets. This creates a challenge, particularly for National Societies with limited capacity. Since the approval process is where National Societies set out their plan and budget, and there are no interim updates required, there can be pressure to get the plan right from the start. While National Societies can request changes, the review found less of a culture of doing so. However, efforts are being made to address this challenge within revised IFRC-DREF Procedures, allowing National Societies to access IFRC-DREF funding through advance payment requests and a phased application process to provide immediate response before submitting a full application.

To strengthen the IFRC's locally led approach alongside its member National Societies, the IFRC-DREF could also explore alternative real-time reporting options that offer a snapshot of National Society contributions in responding to local needs alongside disaster-affected communities. Showcasing the value of the Movement in promoting a people-centred approach would support this goal.

2. Risk sharing and accountability

While the IFRC Secretariat oversees the IFRC-DREF and its associated risk management and reporting, it typically relies on each National Society's existing risk management systems, which vary depending on capacity and prioritisation in completing these with rigour outside an emergency.

The IFRC-DREF has made notable efforts to enhance risk management, reporting and due diligence systems, while continuing to focus on accountability to back donors.¹⁵ However, more could be done to foster a sense of shared accountability to the back donor among National Societies. While IFRC-DREF reporting requirements are light in comparison to other pooled funds, financial reconciliation and long-standing queries on cost eligibility remain time-consuming and the main contributors to systemic late reporting by National Societies to the

¹³ For example, CERF reporting requirements, as outlined in its Guidance Procedures 2022, include four elements: country-level interim update (a light report undertaken halfway through the grant implementation), a country-level allocation report, including after-action review, agency headquarters financial reports and agency headquarters annual narrative report.

¹⁴ Exceptions include when a National Society requests an implementation extension or modification to previously agreed budget lines.

¹⁵ For example, through mechanisms like a central risk register and the Global Risk Watch dashboard, the IFRC now provides more detailed risk analyses of challenges facing National Societies when approving DREF requests. See [IFRC GO – Global Risk Watch | IFRC \(ifrc.org\)](#)

IFRC. On occasion, this reduces the overall efficiency of a response, due to additional time required from IFRC staff to follow up. Many National Societies view DREF as an internal fund, underestimating donor obligations, which could affect future funding opportunities. While the IFRC has maintained quality reporting and remains accountable to donors, there is still room to improve shared ownership of risk management with National Societies, enabling them to better manage donor resources over time.

3. Language and accessibility

The IFRC has made significant efforts to enhance the accessibility of the IFRC-DREF by simplifying assessment procedures, moving to electronic application approvals, and decentralising functions with regional focal points as the first contact for queries. However, there is currently no option for a National Society to upload an application to the platform in a national language, although the IFRC is working to ensure translation into all IFRC working languages. This, alongside further streamlining of the application and approval processes, could improve overall accessibility to the IFRC-DREF.

4. Eligibility versus humanitarian needs

Differences between how a National Society conducts needs assessments and donor expectations have at times led to misaligned priorities. Some donors have shown concern about prioritisation of needs by a National Society resulting from their limited access to technical and sectorial humanitarian assessment tools. While these concerns highlight the importance of National Societies and the IFRC ensuring that local needs assessments are aligned with technical guidance, long-term capacity strengthening of National Societies (both through and beyond the IFRC-DREF) is key to enhance systems and organisational capability. At the same time, it is critical to build trust in and acknowledge the comparative advantages of local actors who are embedded in communities and are therefore more attuned to communities' needs.

All National Societies are equally eligible to apply for IFRC-DREF funding, which is allocated on a first-come, first-served basis, once the initial request has been assessed and approved. However, there is an opportunity for the IFRC to reinforce its decision-making systems based on comparative impact of its allocations and countries assisted, reflecting the increasingly donor resource-constrained environment.

Furthermore, donors see value in the IFRC clearly communicating how it measures success in empowering National Societies according to localisation principles, suggesting the need for a performance management framework with targets and key performance indicators specific to localisation, to articulate and measure what success in this regard looks like. This would address an existing information gap, enabling more meaningful discussions with National Societies that could help them think beyond traditional donors and attract new ones, or engage with the private sector.

Key takeaways

1. The IFRC-DREF is a crucial and unique facilitator for locally led action. It not only facilitates rapid, locally led humanitarian response and anticipatory action, including for underfunded crises, but also contributes to the longer-term capacity of local actors.
2. It is important to acknowledge the added value of National Societies' needs assessments as reflective of local priorities, while also considering the IFRC-DREF as a growth opportunity for National Societies, to equip them with the capacity to improve their organisational systems and manage non-IFRC pooled funds in the future.
3. The IFRC should prioritise investing in strengthening the systems and organisational capability of National Societies that need support to meet donors' expectations. At the same time, it could develop a performance management framework with targets and key performance indicators specific to localisation, to more clearly measure its success in empowering National Societies according to localisation principles.
4. The IFRC-DREF should consider strengthening its decision-making systems based on comparative impact of its allocations and countries assisted, reflecting the increasingly donor resource-constrained environment, and clearly communicate this to donors.

For more information [redcross.org.uk](https://www.redcross.org.uk)

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