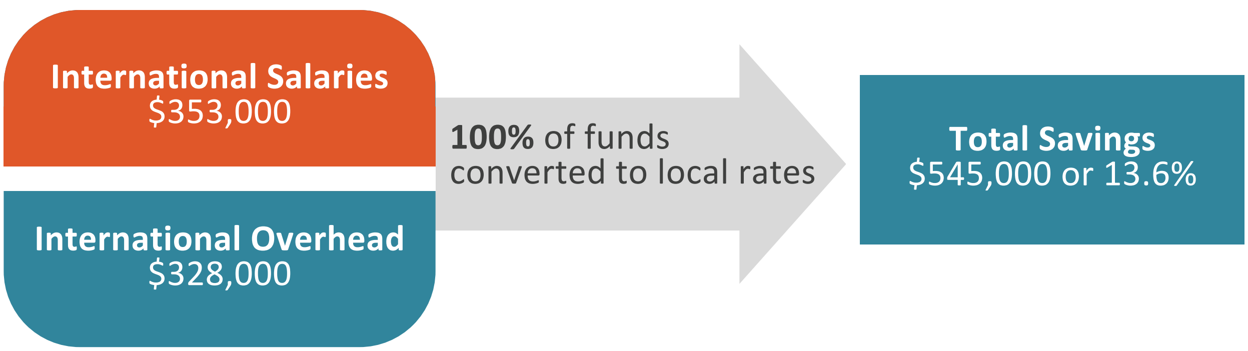
PASSING THE BUCK

Economics of Localizing Aid: A Case Study of a Pooled Fund in the Middle East

A 2022 study - "Passing the Buck: The Economics of Localising Aid" - estimates that local intermediaries could deliver programming that is 32% more cost efficient than international intermediaries, by stripping out inflated international overhead and salary costs. Applied to the Official Development Assistance (ODA) funding flows allocated to UN/INGOs in 2018 ($54bn), this would equate to cost efficiencies of US $4.3bn annually.

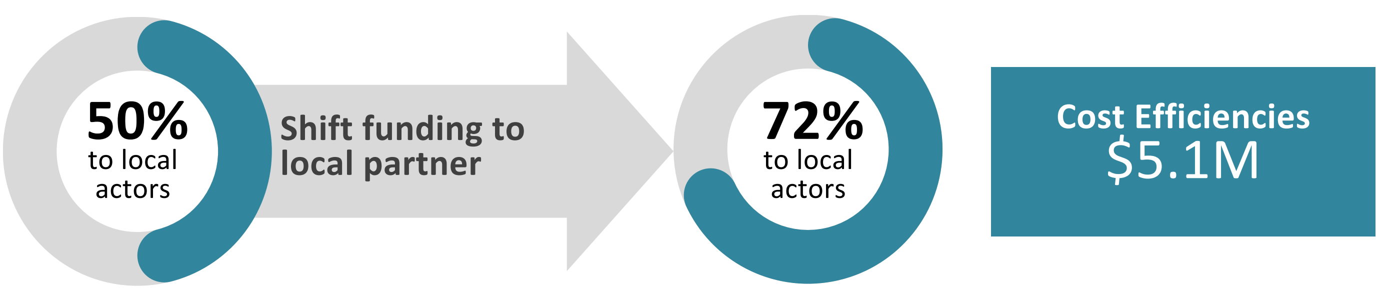
The Share Trust was asked by a bilateral donor to construct a similar analysis using country specific data for a $60m bilateral-funded Alternative Pooled Fund ("APF") model in the Middle East. The study finds that redeploying funds from an international partner to a local partner would result in **cost efficiencies of 13.6% on salaries and overheads alone, realizing $545k in savings that can be used to deliver against unmet humanitarian needs.**

Fig 1. Shifting funding to local partner



The APF was developed specifically to balance the Country Based Pooled Fund (CBPF) approach with a more localised approach to delivering humanitarian assistance in a protracted crisis. The Country Based Pooled Fund (CBPF) channels 50% of its funding to local actors, compared with the APF which channels 72% of funding. Applying cost efficiency gains of 13.6% as a result of localized overhead and salary gains, **the APF has already increased cost efficiency by $1.8m on its spend to date**. If the CBPF were to shift its funding to a similar profile, it **could realize efficiency gains of $3.3m in a single year.**

Fig 2. Cost efficiencies of shifting funding to local partner



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