

ABOUT THIS INSIGHT

This article by **Qamar Iqbal** of **Local Alliance Pakistan** examines what the future of humanitarian financing reform could look like from the perspective of local actors in Pakistan.

Building on his earlier reflections for Better Funding¹, Qamar argues that increasing funding to local organisations is not enough if the structures governing those resources remain unchanged. He explores why quality funding, equitable partnerships and local decision-making power must become integral to humanitarian financing systems rather than optional commitments.

Through concrete proposals for measuring funding quality and reforming financing practices, the article invites funders, intermediaries and humanitarian actors to reconsider what meaningful localisation requires.

The Future of the Grand Bargain: From Funding Local Actors to Changing the Humanitarian Financing System

“A perspective from Pakistan on why the next chapter of humanitarian reform must institutionalise quality funding, equitable partnerships and local leadership”

By Qamar Iqbal | Local Alliance Pakistan

There is a question I increasingly find myself asking when we talk about localisation:

What exactly are we trying to localise?

Is it the delivery of humanitarian assistance?

Is it the money?

Or is it the power to decide how that money is used?

These are not the same thing.

Over the last decade, the humanitarian sector has become much more comfortable talking about localisation. Local and national actors are recognised as first responders. International organisations increasingly describe them as partners rather than implementing agencies. Donors speak about locally led humanitarian action. The Grand Bargain² itself has helped move localisation, participation and quality funding closer to the centre of humanitarian reform.

¹ [Local Leaders, Real Solutions: Funding the Frontlines in Pakistan by Qamar Iqbal](#) ; [Beyond Compliance: Why Pakistan's New CSR Framework Could Redefine Partnerships Between Business and Civil Society by Qamar Iqbal](#)

² **The Grand Bargain** is an international agreement launched in 2016 between humanitarian donors and aid organisations to improve the effectiveness and efficiency of humanitarian assistance. Its commitments

That is progress.

But from where we sit in Pakistan, there is another side to this story.

Local organisations can be first to respond and last to be funded.

They can carry enormous operational risk while having little influence over financial decisions.

They can be trusted to reach communities during floods, earthquakes and displacement, yet not trusted with flexible institutional funding.

And they can spend years moving from one short-term project to another without ever receiving the kind of investment that would make their organisations stronger.

This is why, as the humanitarian community considers the future of the Grand Bargain beyond 2026, I believe we need to move the conversation through three stages: from funding grassroots organisations, to rethinking funding relationships, to institutionalising those principles within the humanitarian financing system itself.

The third step is now the most important.

Because good practice will not transform the humanitarian system if it remains optional.

Pakistan Shows Us Why This Matters

Pakistan offers an important lens through which to examine this question.

We are a country repeatedly affected by climate-induced disasters, floods, earthquakes, displacement, food insecurity and other humanitarian pressures.

When disaster strikes, humanitarian response does not begin when international funding arrives.

It begins in communities.

Local NGOs mobilise. Community organisations respond. Volunteers organise. Religious and philanthropic networks assist. Local authorities act. Women-led organisations identify people who may otherwise remain invisible. Young people mobilise through informal networks.

They respond because they are already there.

Yet when the formal humanitarian financing architecture activates, something interesting happens.

include increasing support for local actors, improving funding quality, reducing bureaucracy and strengthening accountability. [Learn more about the Grand Bargain.](#)

Resources often begin travelling through a very different route.

Funding moves from donors through UN agencies, international NGOs, pooled mechanisms and intermediaries before reaching national or local organisations.

At every stage, somebody manages risk, retains institutional costs, defines compliance requirements and influences programme design.

By the time resources arrive at the frontline, the organisation closest to the affected community may have the least flexibility over how those resources are used.

This is the paradox at the heart of localisation.

We have increasingly localised implementation without sufficiently localising financial power.

The Problem Is No Longer Simply Access to Funding

In my earlier reflections for Better Funding, I argued that grassroots organisations in Pakistan do not suffer from a shortage of ideas, commitment or community legitimacy.

What they frequently lack is access to funding systems that trust and invest in them.

That remains true.

But I now think we need to push the argument further.

Because giving more grants to local organisations without changing the terms of those grants can reproduce the same imbalance.

Imagine a local organisation receives more humanitarian funding.

That sounds like localisation.

But what if the grant lasts six months?

What if almost every rupee is earmarked?

What if core organisational costs are inadequately covered?

What if the organisation cannot invest in its leadership, technology, safeguarding, fundraising or financial systems?

What if reporting requirements consume disproportionate staff time?

What if the international intermediary makes the strategic decisions while the local organisation carries implementation responsibility?

And what if the local partner carries the security, operational and reputational risks when things go wrong?

Has funding been localised? Yes.

Has power been localised? Not necessarily.

This distinction should sit at the heart of whatever comes after the current Grand Bargain framework.

From Funding Organisations to Funding Relationships

This is where humanitarian financing has something important to learn from the wider movement for better funding.

Better Funding's work is built around a deceptively simple idea: funding works differently when relationships are built on **trust, equity, transparency, sustainability and mutual learning**.

These principles are highly relevant to humanitarian action.

Because funding is never only a financial transaction.

Every grant creates a relationship.

And every funding relationship contains decisions about power.

Who defines the priorities?

Who designs the programme?

Who determines acceptable risk?

Who can change the budget?

Who defines success?

Whose knowledge counts?

Who is allowed to adapt when circumstances change?

And who ultimately decides where the money goes?

If most of those decisions remain somewhere outside the country experiencing the crisis, then we should be cautious about calling the resulting system locally led.

The question for the future Grand Bargain is therefore not simply:

How do we get more money to local actors?

It is:

How do we redesign humanitarian financing so that resources, relationships, risk and decision-making power move together?

Quality Funding Is Where Localisation Becomes Real

This is why **quality funding should become one of the defining tests of the future Grand Bargain.**

Quality funding is sometimes discussed as a technical financing issue: more multi-year agreements, greater flexibility, less earmarking and reduced reporting burdens.

All of those are important.

But from the perspective of a local organisation, quality funding means something more fundamental.

It means **agency**.

Flexible funding says:

We trust you to respond to changing realities.

Multi-year funding says:

We believe your organisation should still be here after this project ends.

Adequate overheads say:

Your institution has legitimate costs and deserves to become stronger.

Simplified reporting says:

Accountability should be proportionate rather than extractive.

Shared risk says:

You should not carry alone the risks of a humanitarian operation we designed together.

And participation in funding decisions says:

Your knowledge is not simply useful for implementation; it belongs at the decision-making table.

Seen this way, quality funding is not one component of localisation.

It is one of the mechanisms through which localisation becomes real.

The Evidence Should Make Us Uncomfortable

A decade after the original Grand Bargain commitment to increase funding to local and national responders, the financing picture remains difficult.

Recent analysis by ODI³ indicates that less than 10% of international humanitarian funding reached local and national actors directly and indirectly in 2024.

Direct funding was only **3.8%**.

Even more tellingly, local and national organisations continue to receive funding that is generally **shorter, smaller and more heavily earmarked** than the funding received by their international counterparts.

So perhaps we have been measuring the wrong thing.

The humanitarian system frequently asks:

What percentage of funding reached local actors?

The future Grand Bargain should ask something more demanding:

What percentage of quality funding reached local actors?

That changes the conversation.

Imagine a Quality Funding Dashboard for Every Humanitarian Response

Imagine if every major humanitarian response—including Pakistan—publicly reported six simple indicators:

1. Directness

What proportion of humanitarian funding reached local and national actors directly?

2. Duration

What proportion was multi-year rather than short-term?

3. Flexibility

How much funding was unearmarked or flexibly earmarked?

4. Institutional investment

What proportion included equitable overheads and support for organisational strengthening?

5. Risk sharing

Were financial, operational and security risks genuinely shared between international and local partners?

³ Pearson, M., & Rieger, N. (2026). *The state of international humanitarian funding to local and national actors*. ODI, Humanitarian Policy Group. [Source and full report](#).

6. Decision-making

What proportion of funding mechanisms included local actors in governance and allocation decisions?

Suddenly, localisation would become much harder to perform rhetorically.

We could actually see whether financing relationships were changing.

This is the kind of shift the future Grand Bargain can enable.

From Principles to Rules of the Game

The humanitarian sector does not lack principles.

We have commitments on localisation.

We have commitments on quality funding.

We have commitments on participation.

We have principles of partnership.

We have commitments to reduce duplication and bureaucracy.

The problem is not that we do not know what good funding looks like.

The problem is that **good funding behaviour remains too dependent on individual donors, individual agencies and individual partnerships.**

One donor provides multi-year flexible funding.

Another does not.

One international organisation shares overheads fairly.

Another retains them.

One intermediary involves local organisations in programme design.

Another brings them in after the funding decision has already been made.

One organisation accepts shared risk.

Another pushes risk down the partnership chain.

This produces islands of good practice inside a system whose underlying incentives have changed far less.

The future Grand Bargain should therefore do something more ambitious.

It should turn quality funding principles into expected humanitarian financing practice.

What Would Institutionalisation Actually Mean?

For local actors in Pakistan and across the Global South, institutionalisation should translate into tangible changes.

1. Make quality funding measurable

The future framework should move beyond measuring volumes alone.

Funding to local actors should be assessed according to **directness, flexibility, duration, overhead provision, transaction costs and decision-making power**.

A dollar reaching a local organisation through a six-month tightly restricted subcontract is not equivalent to a dollar provided through a multi-year flexible partnership.

Our metrics should stop pretending that it is.

2. Establish minimum standards for intermediary behaviour

International organisations will continue to play important roles.

The issue is not whether intermediaries should exist. The question is what value they add.

Where funding passes through UN agencies or INGOs, there should be clear expectations around equitable overhead sharing, transparency of the funding chain, timely transfers, reasonable compliance requirements and meaningful participation of local partners.

Intermediation should add value—not simply add another layer.

3. Make organisational strengthening an eligible humanitarian cost

Humanitarian funding should recognise that strong responses require strong organisations.

Governance systems, digital infrastructure, safeguarding, staff development, financial management, leadership and organisational reserves are not luxuries.

They are humanitarian infrastructure.

A local organisation should emerge from a three-year partnership stronger than when it entered it.

That should become an indicator of successful humanitarian financing.

4. Move from risk transfer to risk sharing

Pakistan demonstrates why this matter.

Local actors operate within complex regulatory, security, political and climate environments.

Yet partnership arrangements can transfer disproportionate compliance and operational risks downwards.

The future Grand Bargain should establish stronger expectations around joint risk assessment, shared mitigation measures and appropriate financing for managing those risks.

Risk should follow decision-making power.

If an organisation does not control all the decisions, it should not carry all the consequences.

5. Give local actors governance power over humanitarian finance

This may be the most important shift.

Local actors should not only receive humanitarian funding.

They should help govern it.

Country-based pooled funds, locally led financing mechanisms and other funding instruments should create meaningful representation for national and local civil society in governance, priority-setting and allocation processes.

This is where localisation moves from participation to power.

Pakistan Could Become a Testing Ground

Instead of waiting for another global framework to slowly trickle down into country practice, countries such as Pakistan could help demonstrate what the future humanitarian financing architecture should look like.

Imagine a **Pakistan Quality Funding Compact** bringing together donors, UN agencies, INGOs, national NGOs, local organisations, government stakeholders and humanitarian networks.

Not another declaration.

A practical financing compact.

Partners could agree on a small number of measurable commitments around flexible funding, equitable overheads, multi-year partnerships, harmonised due diligence, transparent funding chains, shared risk and local participation in financing decisions.

Progress could be reviewed annually.

Local organisations could assess the quality of partnerships.

Donors and international organisations could share constraints openly.

Communities could contribute their perspective on whether financing arrangements ultimately produce better humanitarian outcomes.

Pakistan would then move from being a recipient of humanitarian reform to becoming a laboratory for humanitarian financing reform.

That is an important distinction.

The Global South should not merely implement the future Grand Bargain.

We should help design it.

Scarcity Makes Quality More Important, Not Less

There will inevitably be a counterargument.

Humanitarian budgets are shrinking. Needs are growing. Surely this is not the moment to impose additional requirements on donors and agencies?

I would argue the opposite precisely.

When resources become scarce, we should become more serious about how those resources move.

Every layer of unnecessary intermediation matters more.

Every duplicated assessment matters more.

Every reporting process that consumes frontline staff time matters more.

Every short funding cycle that forces organisations to repeatedly rebuild teams matters more.

Every funding arrangement that weakens local capacity leaves the humanitarian system less prepared for the next crisis.

Quality funding is therefore not a luxury for periods of abundance.

It is an efficiency strategy for an era of scarcity.

Accountability Must Travel in Both Directions

Local actors must also accept responsibility in this transformation.

Trust-based financing cannot mean weaker accountability.

Local and national organisations need strong governance, transparent financial management, safeguarding systems and meaningful accountability to communities.

And there is another uncomfortable question we must ask ourselves.

If a national organisation receives flexible funding from an international partner but then provides rigid, short-term funding to a community-based organisation, has localisation really advanced?

If power moves from Geneva to Islamabad but stops there, we have only shortened the distance between power and communities.

We have not fundamentally changed the relationship.

Quality funding principles must therefore travel all the way down the financing chain.

That is how localisation becomes an ecosystem rather than an institutional agenda.

The Future Grand Bargain Needs a Different Measure of Success

Ten years after the Grand Bargain began, perhaps we should stop measuring success primarily through commitments made.

The more meaningful question is whether those commitments have changed the experience of organisations responding to crises.

For a local organisation in Pakistan, the test should be remarkably simple.

Do I receive funding early enough to respond?

Can I adapt it when community priorities change?

Does it cover the real cost of my organisation?

Can I invest in my people and systems?

Am I carrying a fair share of risk?

Do I have influence over decisions?

Will my organisation be stronger when the partnership ends?

If the answer to most of these questions is no, then the financing system has not yet localised—regardless of how often the word appears in our strategies.

From a Grand Bargain to a Better Bargain

Better Funding challenges the philanthropic sector to rethink funding through trust, equity, sustainability and healthier relationships between those who hold resources and those leading change.

The humanitarian sector now has an opportunity to do something similar.

The future of the Grand Bargain should connect three ideas that have too often travelled on parallel tracks:

Localisation tells us where leadership should sit.

Quality funding tells us what kind of resources make that leadership possible.

Equitable partnership tells us what the relationship around those resources should look like.

The future Grand Bargain can bring those three together and embed them into humanitarian financing.

That would move us beyond simply funding local organisations.

It would move us beyond celebrating individual examples of equitable partnership.

It would begin changing the rules of the humanitarian financing system itself.

And perhaps this is the bargain we now need.

Not a promise that local actors will receive a slightly larger share of the existing system.

But a commitment to build a system in which local leadership, quality funding and equitable partnerships are no longer exceptions negotiated grant by grant.

They become the norm.

For Pakistan's local humanitarian actors—and for communities responding to crises across the Global South—that would represent something much more significant than another reform cycle.

It would mean that the humanitarian system finally stops asking local actors merely to deliver its solutions and starts financing them to shape the solutions themselves.

And that may be the real test of the future Grand Bargain.

This article is part of Better Funding's *Insight* series, which brings together perspectives, experiences and reflections from practitioners working across different contexts.

Through this series, we aim to amplify voices, share learning and encourage critical conversations about how funding practices can better support the people and organisations leading change.

The views expressed are those of the author and do not necessarily represent the positions of Better Funding.



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