



Executive Summary: IASC Guidance on the Provision of Overheads to Local and National Partners

October 2022

At a glance

This document provides guidance for international humanitarian organisations (UN agencies and INGOs) who partner with local and national organisations, on the issue of overheads. Overheads, or indirect costs, refer to costs that are not related directly to a specific project, but that support the efficient, effective, and safe running of an organisation. This guidance provides recommendations for how to improve current policy and practice to ensure that local and national partners can access overhead funding.

Five key messages for field and HQ leaders

1. **Overheads are critical for the health of any organisation, including local and national NGOs.** The common practice of not advancing overheads to local and national partners has been increasingly recognized as unfair and at odds with commitments to support institutional development and capacity strengthening. Over the next year, UN agencies, INGOs and donors will be reflecting on their current practice and changing industry standard, with the Grand Bargain caucus on funding for localisation having also identified the issue of overheads as a priority.
2. **Building on examples of good practice within organisations, UN agencies and INGOs should start to provide or share overheads with local and national partners where possible.** Good practice, as identified by local and national NGOs, includes providing overheads as unrestricted funding, in addition to direct administrative and project support costs. The IASC guidance acknowledges that agencies define, access and manage overheads in different ways and have to comply with their own financial regulations, but also highlights that there are already examples of good practice within organisations that could be standardised, much of which is country-led.
3. **Actors need to adopt a harmonised approach to cost classification.** A key barrier to fairer practice around overheads is the lack of common definition of what types of cost are defined as overheads. The first component of the *Money Where It Counts protocol* on cost classification is an example of a relevant cost-harmonising initiative.
4. There are challenges in changing well-established funding practices. As such, a key recommendation of the guidance is to **prioritise generating cross-organisational buy-in to the issue and develop or revise relevant policies and internal guidance**, including for country offices. International organisations should widely publicise new policies and learning around this issue to promote further change within the sector.
5. The guidance also highlights **key advocacy messages to donors**, recognising the role they play in actively incentivising change. This includes the need for donors to commit to covering the full costs associated with delivering humanitarian programming and the need to communicate directly with local actors to better understand the challenges they face as a result of poor indirect cost coverage.

What does the full guidance offer?

The short guidance document is structured around actions for UN agencies and INGOs, actions for donors and actions for wider systemic change. The accompanying research report provides more detail on the policy context and background, the current practices of individual organisations, and findings from interviews with 26 local and national NGOs and 18 international actors around the barriers and opportunities for change and examples of good practice.

The full IASC product is available at <https://iasc.ch/overheads-guidance>

For support using this product, or to provide feedback on the product or this summary, contact the IASC secretariat at: iasccorrespondence@un.org.

Summary drafted by: IASC secretariat