

NGO Statement on Budget and Funding – Written Statement

This statement was drafted through consultation with a wide range of NGOs, including organisations led by forcibly displaced and stateless persons.

The current global humanitarian landscape is faced with a record high number of 123.2 million forcibly displaced people globally¹ with a record low level of resources. Recent reductions in foreign aid budgets, most significantly through the sweeping terminations of US government contracts and grants, which accounted for 42% of UNHCR's total income in 2024,² have created new vulnerabilities in communities forced to flee their homes and have spurred global discussion around humanitarian prioritisation and triage. This crisis also disproportionately impacts stateless persons, who often fall through the cracks of refugee-focused protection programming, and stateless-led organisations (SLOs), many of which operate informally due to legal identity barriers, face even more acute obstacles in accessing resources, participating in coordination mechanisms, and influencing strategic direction.

These budget cuts have had the most drastic and increasingly fatal impact on displaced and hosting communities, while protection and solutions-focused NGOs are forced to retreat and L/NGOs are forced to close or work voluntarily. Tightening budgets are forcing prioritisation of programming and triage of affected people, with agencies left with impossible choices and nowhere else to cut. We are already seeing the consequences of this prioritization which has left even life-saving activities unfunded. This has direct and far-reaching implications on the basic needs and protection of refugee and displaced communities, the very communities who must be centred in any conversation on budgets and funding. We are seeing a rapid backslide against previous protection gains made, with fatal consequences.

NGOs urge UNHCR to react to these significant funding constraints strategically - shifting the conversation from a focus on simple cost-cutting to a more holistic approach to the systemic transformation of UNHCR's way of doing business. This systemic transformation requires rethinking not just **what** gets funded, but **who** decides, **how** decisions are made, and **whose voices** shape the priorities. The people whose lives are being directly impacted by these cuts, forcibly displaced and stateless persons, must be at the centre of decision-making.

As the entire humanitarian system is faced with tighter budgets, operational constraints, and increasing distrust from refugee, stateless, and local communities - engaging with locally led actors is not only an ethical choice—it is a practical necessity. Operationalising meaningful engagement with affected communities, with Refugee-Led Organisations (RLOs), Stateless-Led Organisations (SLOs) and refugee-focused Local and National NGOs (L/NGOs), requires a shift from merely focusing on building their resilience or strengthening their capacity

¹ UNHCR, 2025. See <https://www.unhcr.org/refugee-statistics>.

² UNHCR, 2024. See <https://www.unhcr.org/about-unhcr/planning-funding-and-results/donors?donor=NAP-US&year=2024>.

to a model of active, horizontal, equitable partnership where they take the lead on the critical roles in programming.

Resilience to Reliance

1. Trust-based Partnerships

RLOs, SLOs, and L/NNGOs, which are all local actors from affected communities, should play a central role in the design, planning, and financing of refugee and statelessness response frameworks and interventions, and their leadership must be prioritised and operationalised across all levels—global, regional, and national. Within such an approach, they leverage their unparalleled proximity, contextual understanding, and inherent trust within their communities.

We welcome UNHCR's steps towards operationalising localisation and locally led action in refugee and statelessness responses and look forward to the release of the guidelines on this topic. As NGOs, we have recommendations for UNHCR to shift power and achieve equitable partnerships to create true locally led action. We urge UNHCR to continue its review of easing and simplifying administrative processes, such as its due diligence process; prioritise building partnerships with RLOs, SLOs and L/NNGOs in its areas of intervention; and broker donor trust and legitimacy with these organisations at the global level. By co-creating programming with grassroots groups, UNHCR, and its Member States can shift to a funding and programming model rooted in local legitimacy. This approach strengthens sustainability, bolsters community trust, and enhances accountability. NGOs look forward to further discussing practical elements with UNHCR and supporting with the process.

2. Direct Funding and Risk-Sharing

According to UNHCR's Global Report 2024,³ approximately 70% of UNHCR's total partners were L/NNGOs, which received 47% of the total budget; while INGOs, representing 11% of total partners, received almost an equivalent 41% of the total budget. These statistics outline a disproportionate distribution in direct funding. UNHCR must move beyond a system where INGOs have an advantage in direct implementation, coordination and decision-making forums over RLOs, SLOs and local and national actors in the humanitarian response.

Moreover, refugee-led, stateless-led and L/NNGOs often receive smaller earmarked grants, mainly through INGOs as intermediaries, causing insufficient institutional funds to provide local staff fair salaries or financial security. As a result, local ownership is weakened, the sustainability of initiatives is compromised, and long-term community engagement is hindered. This can, in turn, lead to increased dependency on international agencies, ultimately undermining localisation and reducing the resilience of local systems in the face of future challenges. Despite these challenges and other political and social pressures, RLOs, SLOs, and L/NNGOs continue to be at the frontline answering urgent needs and addressing important gaps in both daily and crisis responses. As many international agencies have been forced to shut down regional and national offices due to the recent aid cuts, it is paramount that UNHCR focuses on transforming the current direct funding model to implement a more financially efficient and decentralised system where RLOs, SLOs and L/NNGOs lead and serve their communities sustainably. In this new model, international agencies, including

³ UNHCR, 2025. See <https://www.unhcr.org/media/global-report-2024>.

INGOs, can become allies to local organisations with a greater focus on global fundraising and advocacy, demonstrating solidarity through innovative and flexible funding, joint planning, asset transfers, and other mechanisms.⁴

We recognise that ‘localising’ displacement responses is not as simple as diverting funds from UNHCR or a few large INGOs to hundreds of L/NNGOs. Donor states often point to the administrative, high compliance and due diligence costs of managing too many partners and smaller grants. While we acknowledge this, we propose redirecting funding from international intermediaries to L/NNGOs which are already able to act as intermediaries, whether individually or through national or locally managed pooled funds and NGO networks.⁵ Comprising experts with lived experience, local knowledge, and community trust, partnering with these organisations as intermediaries will enhance programme sustainability, effectively shape policy processes, and expand strategic and effective onward partnerships.

A barrier of localised direct funding to RLOs, SLOs and L/NNGOs largely revolves around the issue of risk management. Transitioning towards preventative and reactive risk-sharing management in order to improve the value and effectiveness of aid and the equity of the partnership; such transitioning is a valuable tool to move towards localisation objectives. UNHCR, for example, can consider engaging refugee-led and L/NNGOs in jointly developing risk budgets; providing minimum duty of care for staff of intermediaries and implementers; and providing the same overhead rate for both intermediaries and implementers.

By moving to true risk-sharing and reducing remaining barriers relating to grant eligibility and due diligence, UNHCR and Member States will be able to reinforce local leadership and promote local actors’ role where more direct, flexible and unrestricted funding supports the dignity and agency of served affected communities.

3. Advancing Refugee Leadership within the Humanitarian Reset

Finally, in the collective exercise to reimagine and transform the forced displacement response architecture, and in the context of the broader humanitarian reset, refugees and stateless persons must be at the decision-making table. UNHCR must champion the leadership of refugee and stateless communities, refugee-led and stateless-led organisations and local civil society organisations in the ongoing global discussions on UNHCR reform and the humanitarian reset, including on how to prioritise extremely limited resources both within and across country contexts. This is crucial for a true shift. Mechanisms must be set up for displaced and stateless people, especially those who are frontline responders for their communities in times of crisis, to meaningfully participate and lead in reform design and prioritisation exercises.

Refugee and stateless leadership and Accountability to Affected Populations (AAP), that is, accountability to the forcibly displaced communities served by UNHCR and its partners, must be a central principle in redesigning the response architecture. Feedback resulting from accountability mechanisms, and subsequent innovation led by this feedback, can ensure a

⁴ NEAR, 2025. See <https://reliefweb.int/report/world/under-pressure-how-ingos-are-responding-aid-funding-crisis-and-what-it-reveals-about-fragility-localisation-commitments>.

⁵ ALNAP, 2025. See https://alnnap.cdn.ngo/media/documents/Intermediary_Models_Paper_Final_w_Annex-Apr25.pdf.

more efficient, effective and sustainable functioning of UNHCR, the humanitarian system and the global refugee protection regime.

To conclude, it is necessary to complement increased financial efforts to localise humanitarian action with the political work needed to ensure protection and legal certainty for national and local NGOs, especially those led by refugees and stateless persons. Having one without the other is not only counterproductive but also renders efficient and effective local responses impossible.

RECOMMENDATIONS

NGOs would like to focus the attention of UNHCR, Member States and donors on the following recommendations:

1. To achieve locally led action that is embedded in and led by communities, Member States and UNHCR must ensure and encourage their hosting states to ensure a conducive civic and protection environment for Refugee-Led Organisations (RLOs) and Stateless-Led Organisations (SLOs), and the unequivocal recognition of their freedom of association to register legally and exist in the national NGO landscape as legitimate and equal local actors.
 - UNHCR should advocate towards and support refugee-hosting countries in localization efforts by expanding the definition of community-based organisations (CBOs) to include organisations led by forcibly displaced persons, streamline registration and permit procedures, ensure refugee representation within NGO oversight bodies, and promote greater inclusion of refugee perspectives in funding and strategic decision-making processes.
2. Member States and UNHCR must support decentralised funding mechanisms for RLOs, SLOs, and refugee-focussed L/NGOs to enable direct funding for meaningful refugee leadership within refugee responses and the global refugee regime.
 - We commend UNHCR's Grand Bargain commitment of 25% direct funding target for local, refugee-led and stateless-led organisations as outlined in the Grand Bargain. We look forward to seeing the next annual progress report toward this goal and hope to see more detailed data.
 - In line with the Global Compact on Refugees (GCR), we call for intensified action by all stakeholders to operationalise localization across pledges.
 - UNHCR should make the existing formal mechanism to onboard and accredit RLOs and SLOs as implementing partners more transparent.
 - UNHCR should reduce management costs as outlined in the Grand Bargain commitment, which will increase the proportion of funding used for the direct benefit of affected people.
3. UNHCR must encourage and provide technical support for refugee hosting countries in ensuring refugee-led organisations (RLOs) are actively involved in national policy discussions relating to refugees, RLOs or NGOs, and in guaranteeing their representation and leadership in oversight and decision-making bodies, to influence policies that support their self-reliance and recognition in the host countries.

4. Member States should ensure that SLOs and stateless persons are actively involved in national policy discussions, oversight and decision-making bodies to address statelessness and ensure equal nationality rights for all without discrimination.
5. UNHCR must create dedicated budget lines for the following: capacity investment, coordination efforts, and meaningful refugee and stateless engagement through RLOs, SLOs, RLO and SLO Networks, and RLO and SLO Coalitions in UNHCR budget and planning processes at the global, regional, and national levels, moving beyond consultation to co-decision-making roles.
 - Coordination Budget Line: Instead of keeping coordination budgets to its own, UNHCR supports NGOs, particularly RLOs, SLOs, and their networks for area-based coordination or, at the very least, RLOs and SLOs must act as co-leads to UNHCR in cluster coordination mechanisms.
 - Capacity Investment Budget Line: For funds passing through a national/international intermediary, UNHCR must extend an equal percentage for overhead costs⁶ to implementing RLOs, SLOs and local and national NGOs (L/NNGOs) – both for direct funding and for downstream RLOs, SLOs and L/NNGOs.
6. UNHCR should establish clear accountability and tracking mechanisms for Member States and donors regarding localisation targets, including through additional third-party evaluations, civil society-led scorecards, and increased public data and reporting.
 - Across refugee responses, donor transparency must be enhanced, oversight of resource distribution must be strengthened, and needs assessments that guide prioritisation must be improved, underscored by funding gaps and the persistent underdelivery on Grand Bargain pledges and Global Compact on Refugees pledges. Increased transparency and accountability in budget decision-making by international agencies and donors must ensure alignment with localisation and refugee leadership principles.
7. During these times when difficult budget choices are being made, budget reductions open a space for UNHCR to rely more directly on local and national actors, who often have the trust, contextual knowledge, and networks necessary for effective program delivery. Instead of being seen as a loss, program handovers can be positioned as a deliberate empowerment strategy, allowing local organizations to step into roles previously managed by UNHCR. This creates shared ownership, reduces dependency, and fosters long-term sustainability.
 - UNHCR should use this transition to demonstrate leadership in localization of aid, aligning with global commitments under the Grand Bargain and strengthening donor confidence in sustainable, community-driven models. By documenting and sharing successful transitions to local ownership, UNHCR can set a new standard for humanitarian effectiveness in constrained environments.

⁶ Development Initiatives, 2024. UNHCR provides 4% indirect costs for local and national partners and 7% for international partners. Indirect costs are charged based on the partner's reported overall eligible programmatic expenditure. It is provided as an unrestricted contribution to partner core costs and does not need to be reported against. UNHCR uses the cost classification definitions set out in the MWIC protocol. See <https://devinit.org/30b1c6#section-1-2>.

- UNHCR should continue to cover the diverse needs of vulnerable refugee and stateless groups, including women, youth, persons with disabilities, and LGBTQIA+ persons and to cover the needs of diverse religious and cultural groups.
8. UNHCR and donors should work with financial institutions to reform anti-terrorism financing rules, provide de-risking tools for fund transfer, and offer financial compliance training for RLOs, ensuring they are not locked out of the humanitarian financing system.
 9. UNHCR must simplify grant mechanisms, reporting and compliance procedures and ask for additional flexibility to be built in to ensure accessibility for small and medium-sized local refugee-led and stateless-led civil society organisations by reducing administrative and technical barriers.
 10. UNHCR continues to align and strengthen its partnership practices and strategic approach with the Global Compact on Refugees through operationalising a sustainable programming model that prioritises local systems and local actors, including RLOs and SLOs, in strategic planning and decision-making forums at global, regional, national and local levels or 'inclusion from the start'. We urge that encampment is avoided as the default response and must always ensure that protection and dignity must always be ensured when refugee camps remain the only option.
 11. We urge capacity sharing support to RLOs, SLOs and L/NNGOs in building participatory, context-sensitive monitoring, evaluation and learning (MEL) systems. Dedicated resources must be allocated for outcome tracking, learning loops, and knowledge generation to ensure continuous improvement and policy influence.
 12. Peer mentoring and knowledge-sharing networks should be supported through dedicated resources and implemented under the leadership of local actors, to foster horizontal capacity exchange, organisational learning, and collective impact among both established and newly formed RLOs, SLOs and refugee-focussed L/NNGOs.

We stand ready to work with UNHCR and Member States to implement the above recommendations.