

Funding refugee-led organisations

Six strategic steps for government donors

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Key messages

While refugee-led organisations (RLOs) remain chronically underfunded, recent years have seen a growing willingness among government donors to invest in refugee leadership.

But this fragile progress is being jeopardised by the current funding squeezes in the humanitarian sector. Cuts from above are already cascading down from donors to intermediaries to RLOs.

This paper adopts a two-pronged approach to protect and unlock funding in the short term, whilst laying the groundwork for systemic change in the long run. The emphasis is on scaling up what is happening, taking inspiration from what others are doing, and sustaining momentum.

While the six recommendations target government donors, they build upon a collective response that sees funders, intermediaries and refugee leaders playing different yet complementary roles towards a shared objective: increasing quality funding to RLOs.

Six strategic steps for government donors

1. Increase funding for values-driven proximate intermediaries
2. Unlock country-based pooled funds
3. Scale up fiscal sponsors and equivalency determination
4. Invest in micro- or bridge financing during emergencies
5. Commit to better tracking and reporting of funding to RLOs
6. Conduct rigorous research on RLO impact

Introduction: protecting and ringfencing progress

Refugee-led organisations (RLOs) are chronically underfunded. Just \$26.4 million of humanitarian and development funding reached RLOs in 2022 (Sturridge et al., 2023). Nevertheless, recent years have seen increased rhetoric, commitment and (in some cases) funding from government donors – building on the early lead established by philanthropies. Funding RLOs is no longer seen as a niche endeavour by government donors. RLOs are a key piece in the wider puzzle of localised humanitarian action, as well as a route to honouring pledges articulated at the 2023 Global Refugee Forum.

This funding shift is not insignificant, nor is it seismic – it is faltering and fragile, and vulnerable to the ebbs and flows of wider events. Recent funding cuts in the United States (US), the United Kingdom (UK), the Netherlands, Belgium, Switzerland and Germany are already jeopardising progress in financing to RLOs. ‘We are in a scarcity mindset,’ admitted one funder, who added, ‘There isn’t much room to reimagine things’. In the words of another donor, ‘We can try to push the envelope, but the political appetite isn’t really there – we are trying to sustain current levels.’ This mindset reflects the pressure and scrutiny that government donors face to allocate limited funding as efficiently as possible (Obrecht and Pearson, 2025).

Cuts from above are already cascading down from donors to intermediaries to local and national actors, including RLOs – many of whom are experiencing growing financial instability.¹ With limited financial reserves to fall back on and an overwhelming reliance on project-based funding, many RLOs – like other local and national actors – have been forced to dismiss staff and terminate contracts, with some facing potential collapse (ICVA, 2025).

Against this backdrop, there is a real need to ringfence and protect the progress made so far – to maintain momentum and prevent backsliding. But there is also an opportunity to re-envision a system that enables RLO financing at scale – using donors’ renewed focus on prioritisation, cost-efficiency and the ‘humanitarian reset’ to reposition refugee leadership within a broader drive for strengthened localisation.

This paper outlines what government donors should do next to cement and solidify recent gains, and translate them into systemic change. But it also provides practical reflections and recommendations that are relevant for other funders and advocates in the funding ecosystem. The paper’s findings draw from a series of online workshops co-convened by ODI Global and the Aropa Initiative for International Solidarity in March 2025, to unpack major stumbling blocks and opportunities for funding RLOs.

¹ In a survey conducted by Humanitarian Outcomes, 79% of all local and national humanitarian non-governmental organisations (NGOs) from 36 countries reported programme reductions.

The challenges in funding RLOs

When it comes to funding RLOs, government donors have made less progress than philanthropies and intermediaries, whose lighter-touch accountability frameworks make it easier for them to be innovative and agile. The public conversation often puts this down to a lack of interest or willingness to change. While some government donors acknowledged this indifference, most pointed to a set of concrete barriers that most, if not all, funders are struggling to address.

These barriers include:

- the bureaucracy that prohibits best-practice RLO funding packages;
- lack of constituency (taxpayer) interest in financing RLOs;
- a tendency towards risk aversion and short-termism;
- under-developed monitoring, evaluation and learning mechanisms by RLOs;
- capacity constraints of both donors and RLOs;
- distance and disconnects that exacerbate the power imbalances between donors and RLOs.

On the other side of the coin, RLOs face additional barriers imposed by donor governments, such as thematic funding restrictions, discriminatory mindsets, and bureaucratic red tape – all of which obstruct RLOs' access to resources.

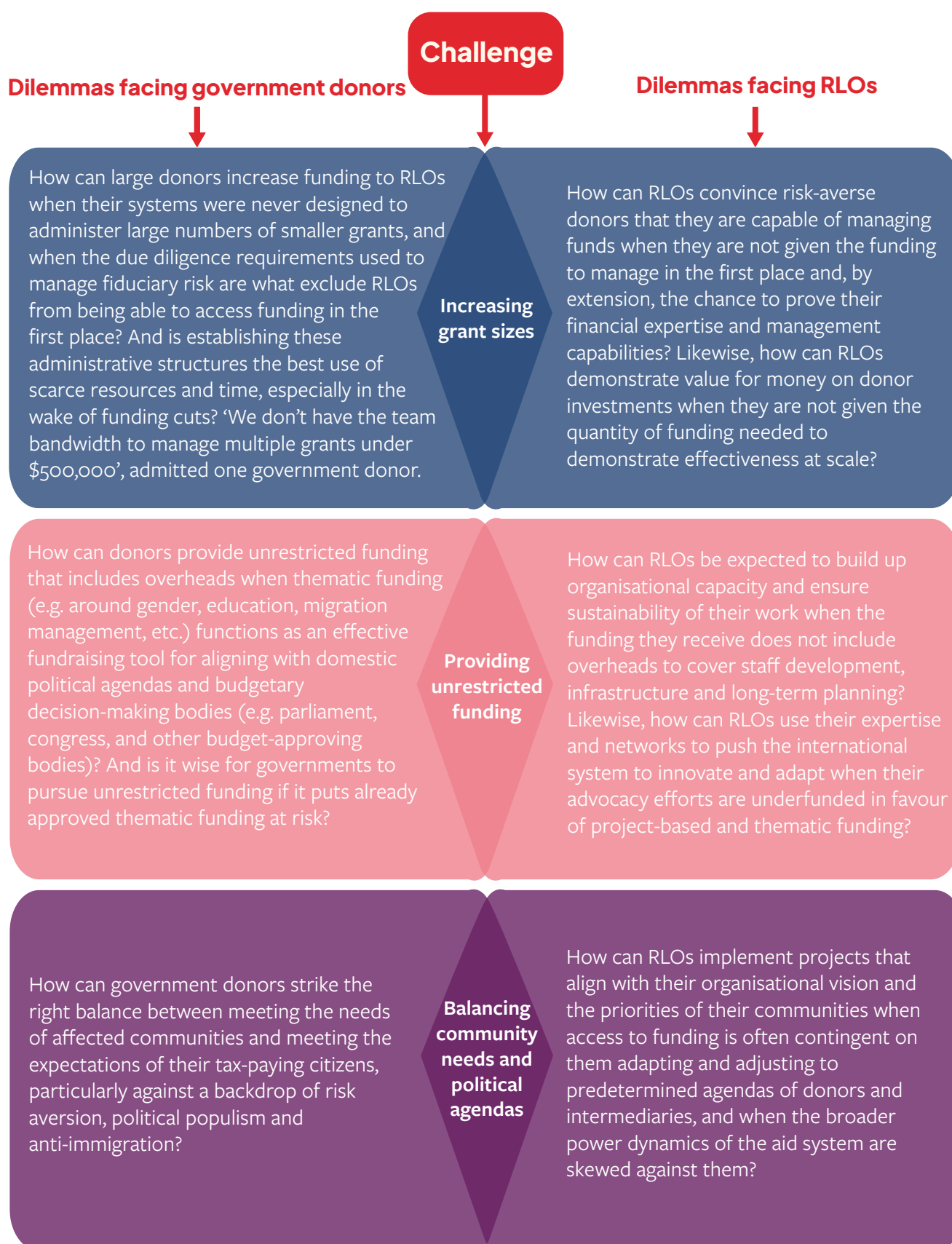
This list highlights the multiplicity and variety of challenges (real and/or self-imposed) that donors and RLOs face. Deeper discussion during the workshops revealed the ways in which these challenges interlock with one other to complicate and obscure the pathways forward. We present this confusion and complexity in Figure 1 as a series of catch-22s faced by donors and RLOs alike – i.e. dilemmas or circumstances from which it is difficult to chart a path forward because of mutually conflicting or dependent conditions.

Collective responses are key

These challenges are interconnected – they influence and are influenced by a range of actors from across the funding ecosystem. They require a joined-up and collective response involving donors, RLOs, civil society, philanthropies, researchers and international non-governmental organisations (INGOs). These different actors need to come together around a shared objective, whilst playing different (albeit complementary) roles to get there (Box 1). Achieving this balance takes compromise and negotiation – particularly when goals, values and priorities are divergent.

Closer cooperation is also needed within organisations – between colleagues or sub-teams working on localisation, humanitarian response and displacement. Considerable progress has already been made in making the case for increasing quality funding to local and national actors – the lessons and learnings of which could be better used by those advocating on behalf of RLOs through improved cross-departmental learning and collaboration.

Figure 1 Catch-22s facing governments donors and RLOs alike



Box 1 Complementary roles towards a shared objective

Those in charge of steering funding streams (**primarily governments and UNHCR**) must drive institutional change from within: expanding opportunities for risk-taking and change through sustained internal advocacy and learning, and broadening the policy space on localised humanitarian action and meaningful refugee participation.

Refugee leaders and civil society experts play a unique role in clarifying what must change, in order to see crucial proximate refugee-led work financed. Refugee advocates are already successfully using their expertise and networks to push the international refugee regime to innovate and adapt, and must be supported to continue doing so.

Philanthropies must continue to finance RLOs to support continued proof of concept in a way that government donors can follow – demonstrating RLO investments can be made safely and effectively. Going forwards and to further reassure risk-averse donors, philanthropies should increase the amounts they allocate to RLOs, invest in RLO capacity and governance structures, and transition to more direct funding. They should also work collaboratively with government donors to share learnings and experience, and encourage successful elements of funding RLOs to be scaled up and replicated.

Researchers must clarify the impact RLOs have on refugee community outcomes, especially in the current era of efficiency, value for money and prioritisation. Evidence-based research and policy recommendations are key for justifying systemic shifts in RLO funding, and can be used by others as an influential advocacy tool for increasing the quantity and quality of RLO funding.

INGOs should act as responsible partners in advancing refugee leadership and shifting power within the humanitarian system. This means actively supporting and facilitating direct engagement between RLOs and funders/donors, while stepping back from gatekeeping roles. INGOs should use their networks and position to open doors for RLOs to participate in decision-making spaces, influence funding priorities and co-create solutions.

Recommendations: six steps for government donors

The challenges above present an intractable conundrum: do we start by addressing the metaphorical chicken (the system itself) or the egg (the immediate and visible obstacles to funding RLOs)? Achieving direct, high-quality and flexible funding for RLOs at scale requires a fundamental overhaul of the current aid architecture and the dismantling of entrenched barriers and assumptions. While transformation is overdue, a singular focus on this long-term vision can overshadow the immediate funding gaps faced by RLOs, as well as the potential for incremental progress. When it comes to government donors, this paper recommends a two-pronged approach that is grounded in six strategic steps. These interim steps are not intended to be end goals to substitute the long-term ambition of direct funding, but nor are they just stopgaps. They represent some of the building blocks needed to unlock funding in the short term, and lay the groundwork for systemic change in the long run.

Step 1: Increase funding for values-driven proximate intermediaries

Intermediaries can unlock RLO funding by enabling donors to channel funds to organisations lacking the administrative thresholds for direct grants. Some argue that intermediaries inherently replicate the gatekeeping tendencies of some INGOs, particularly when they fail to pass on quality and flexible funding or decision-making power. While gatekeeping is a real issue, this broad-brush approach overlooks the values-based intermediaries – for example, organisations like RRLI, APNOR and Collective for Refugee Leadership in MENA (CRLM), among others – that are already rolling out participatory and inclusive grant-making models designed to build trust, legitimacy and inclusion (see Box 2). To ensure best practice, donors should prioritise intermediaries that:

- are led or staffed by refugees, and integrate RLOs into their governance structures, decision-making processes and resource prioritisation;
- can demonstrate a track record of co-design and equitable local partnerships;
- have transparent feedback mechanisms and formal avenues for RLOs to report misuse of funds, tokenistic inclusion or harmful practices.

Step 2: Unlock country-based pooled funds²

Country-based pooled funds (CBPFs), managed by the UN Office for the Coordination of Humanitarian Affairs (OCHA), are primarily funded by government donors and represent one of the largest sources

² We recognise that this recommendation is most applicable in refugee-hosting countries with a Humanitarian Response Plan managed by OCHA, such as the Central African Republic, Chad, Democratic Republic of Congo, Ethiopia, South Sudan and Sudan.

of humanitarian funding for local and national actors.³ However, onerous and complex application processes mean that few (if any) RLOs currently secure CBPF funding. To make CBPFs more accessible to RLOs, government donors should use convening, dialogue and advocacy to encourage OCHA to:

- emulate and scale up inclusive and participatory approaches to grant-making (Box 2).⁴
- develop more flexible approaches to risk in collaboration with refugee leaders. A collaborative approach can avoid the burden of risk falling disproportionately on RLOs – many of whom already absorb significant legal, reputational and operational risks by operating in restrictive or unstable contexts.

Box 2 Examples of participatory and inclusive approaches

Complex submissions, bureaucratic compliance requirements, a lack of access to information about funding opportunities, and English language as the default pose major obstacles to RLOs. By designing funding and reporting mechanisms with RLOs in mind, funders can alleviate the administrative burden that funding processes currently place on RLOs. Practical suggestions are well documented and include: flexible deadlines and deliverables to reflect changing needs and conditions on the ground; user-friendly portals with low technological requirements; multiple language submissions; proportionate reporting; and due diligence passporting.ⁱ

When donors lack the in-house capacity to provide tailored support to RLOs, they can use experienced third parties, and/or recruit refugee leaders (ideally as permanent staff members) to assist with initial design or evaluating submissions. RLOs bring critical knowledge and expertise needed to build cultural and contextual understanding within donor teams, inform programme design, and increase the effectiveness of interventions. As well as investing in their own capacity-building, donors should also invest in initiatives that strengthen collective RLO capacity, such as regional alliances, peer-learning platforms, refugee-led funding networks and tailored fundraising consultants.

ⁱ Due diligence passporting allows RLOs to circumvent the need for multiple and repetitive compliance processes with numerous donors. For more information, see the Charter for Change Due Diligence Passporting Tool at <https://humentum.org/charter-for-change-due-diligence-passporting-tool/>.

Step 3: Scale up fiscal sponsors and equivalency determination

These mechanisms use third-party partners to receive funding on behalf of RLOs – bypassing the legal and administrative roadblocks (in-country registration, banking restrictions) faced by many RLOs operating in restrictive regulatory environments. Fiscal sponsorship has been used effectively in Uganda

3 According to Humanitarian Action, CBPFs allocated \$418 million out of a total of \$1.1 billion allocated to local and national actors in 2023, equivalent to almost 40%. See: <https://humanitarianaction.info/article/pooled-funds-o>.

4 For more detailed guidance on pooled funds, see: OCHA (2022) and UK, Switzerland and Denmark (2024).

(to provide legal protection to lesbian, gay, bisexual, trans, queer/questioning, intersex and asexual plus (LGBTQIA+) RLOs) and Egypt (helping to protect unregistered RLOs from government scrutiny; see Al-Mahdi et al. (2024) for more details). To avoid tokenism and short-termism, fiscal sponsorship and equivalency determination⁵ should be:

- explored and developed in collaboration with RLOs. Their experience of navigating hostile legal environments and familiarity with the context gives them unique insight into local institutions and civil society actors that could credibly serve as trusted fiscal agents. RLOs are also best placed to define the level of fiscal oversight that protects without disempowering.
- paired with broader policy and legal dialogue needed to support local advocacy efforts already working to dismantle the exclusionary regulatory environments that prevent RLOs from registering, opening bank accounts and operating safely in the first place. Addressing these structural barriers would create the long-term conditions that RLOs need to operate autonomously, negating the need for fiscal sponsorship or equivalency determination.

Step 4: Invest in micro- or bridge financing during emergencies

In fast-moving or high-risk contexts (such as emergencies and during the Covid-19 pandemic), RLOs are often first responders. But standard donor funding mechanisms that require extensive applications and long review cycles delay funding to RLOs at a time when their response is most critical. To close this response gap, government donors should invest in locally led micro-funding and bridge financing mechanisms that allow RLOs to access small-scale, rapid-turnaround grants. These could be structured through pre-qualified windows, crisis-specific envelopes, or as part of pooled funds with light compliance requirements.

Step 5: Commit to better tracking and reporting of funding to RLOs

The RLO funding landscape is not transparent, with key gaps in understanding where donor funding goes and how much reaches RLOs, especially funding that passes through one or more intermediary organisations. Publicly available data would allow independent and efficient tracking of funding that reaches RLOs. This greater funding transparency would:

- increase RLOs' visibility and credibility within the funding ecosystem;
- improve coordination, by allowing more joined-up fundraising efforts;
- strengthen accountability within the funding system as a whole.

5 'Equivalency determination is a process by which a US grantmaker evaluates whether an intended foreign grantee is the equivalent of a US public charity.' This means the organisation is then considered equivalent to a 501(c)(3) in the US for 12 months, a status that enables them to get funding from other US-based donors. See: www.ngosource.org/how-it-works/what-is-equivalency-determination.

Step 6: Conduct rigorous research on RLO impact

Robust evidence and data are key to justifying funding to RLOs, especially against a funding backdrop of efficiency, value for money and prioritisation. While a large body of literature already exists on localised funding, equitable partnerships, RLO positionality and meaningful participation, more rigorous research is needed evidencing RLO impact. Making the case that they are impactful, cost-effective and sustainable partners is critical for building donor confidence, justifying larger investments, and addressing donor risk aversion. Knowledge gaps identified during the workshop series include:

- comparative impact of RLO investments on their communities versus larger national and international NGOs;
- documenting and understanding the differences in how RLOs and funders interpret and measure 'impact'.

Conclusion: making the case for interim steps

The six recommendations outlined in this paper are about scaling up what is already happening, taking inspiration from what others are doing, and sustaining momentum. However, they should not be seen as substituting for the more ambitious approach that is ultimately required. But how exactly do these kinds of interim strategies lay the groundwork for more substantive change?

Building evidence to challenge prevailing risk perceptions. By unlocking much-needed funding in the short term, the recommendations help consolidate RLOs' track record of financial and management expertise – an important building block for convincing risk-averse donors to transfer funding and decision-making. As funding increases and impact evidence accumulates, it becomes easier to challenge entrenched biases, influence policy reforms, and create a pathway toward larger, multi-year and direct funding relationships.

Using soft power to improve the system from within. Government donors can use their power and influence to build a more sustainable and collaborative funding ecosystem. Through robust convening, dialogue and advocacy, and by being selective about the kinds of funding mechanisms and intermediaries they invest in, donors can put pressure on aid actors to address underlying power imbalances and improve the governance and transparency of intermediary structures – particularly in the current era of funding scarcity.

Strengthening RLO inclusion at the national level. Conversations around RLO inclusion tend to be louder and more progressive on the global stage than in national contexts with restrictive regulatory environments towards refugees. By investing in proximate intermediaries, CBPFs and local fiscal sponsors, government donors can help strengthen RLOs' inclusion within local and national funding ecosystems and humanitarian coordination structures. Ongoing policy dialogue and legal advocacy can also, in the long-run, help dismantle the exclusionary regulatory environments that force many RLOs to operate under the radar and out of sight.

Creating the time and space needed to build consensus. Complex challenges require collective responses. By allowing time for reflection and networking, interim steps can create the space for divergent groups (refugee leaders, government donors, philanthropies, INGOs, academia) and functions (project management, finance, legal, administrative) to find common ground and consensus – an important foundation for securing sustainable and meaningful change.

Taken as a whole, interim steps – that strengthen capacity, generate evidence, foster dialogue and demonstrate feasibility – can help build the confidence, trust and consensus needed to take the bigger strides needed for systemic change. The key is to ensure that donors don't get stuck implementing interim steps ad infinitum. Small changes, compounded over time, can add up to something significant – as long as they form part of a bigger vision and strategy that addresses the causes, and not just the symptoms, of the failure to fund RLOs.

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