



LOCAL CONTRIBUTION ACCOUNTING (LOCA) MODEL



National Alliance of Humanitarian Actors Bangladesh



Institute of Innovations for
Gender & Humanitarian
Transformations

insights

NAHAB THEORY OF CHANGE

- By heritage the first responders after the crises come from the community, the neighbours of the affected people and the local organizations. Gradually the external supports come from the national and international actors.
- But the traditional accounting system of humanitarian services counts in most cases the external funding from national and international sources, that represent a fraction of actual costs. Contributions from local actors and communities are seldom formally accounted for in the system.



NAHAB works to build a resilient community holding power to withheld challenges though **reviving the heritage** of community philanthropy, promoting voluntarism and generating resource pool

LOCA MODEL

PURPOSE

- LoCA Model for systemic inclusion of locally contributed costs in the accounting & financial reporting system
- Computation of financial values in local contributions
- Counting the local contributions and the external contribution with equal standing and reporting
- To create scope of amplifying voices of local humanitarian actors to lobby for changes in the financial accounting and reporting system of humanitarian actions both nationally and internationally.

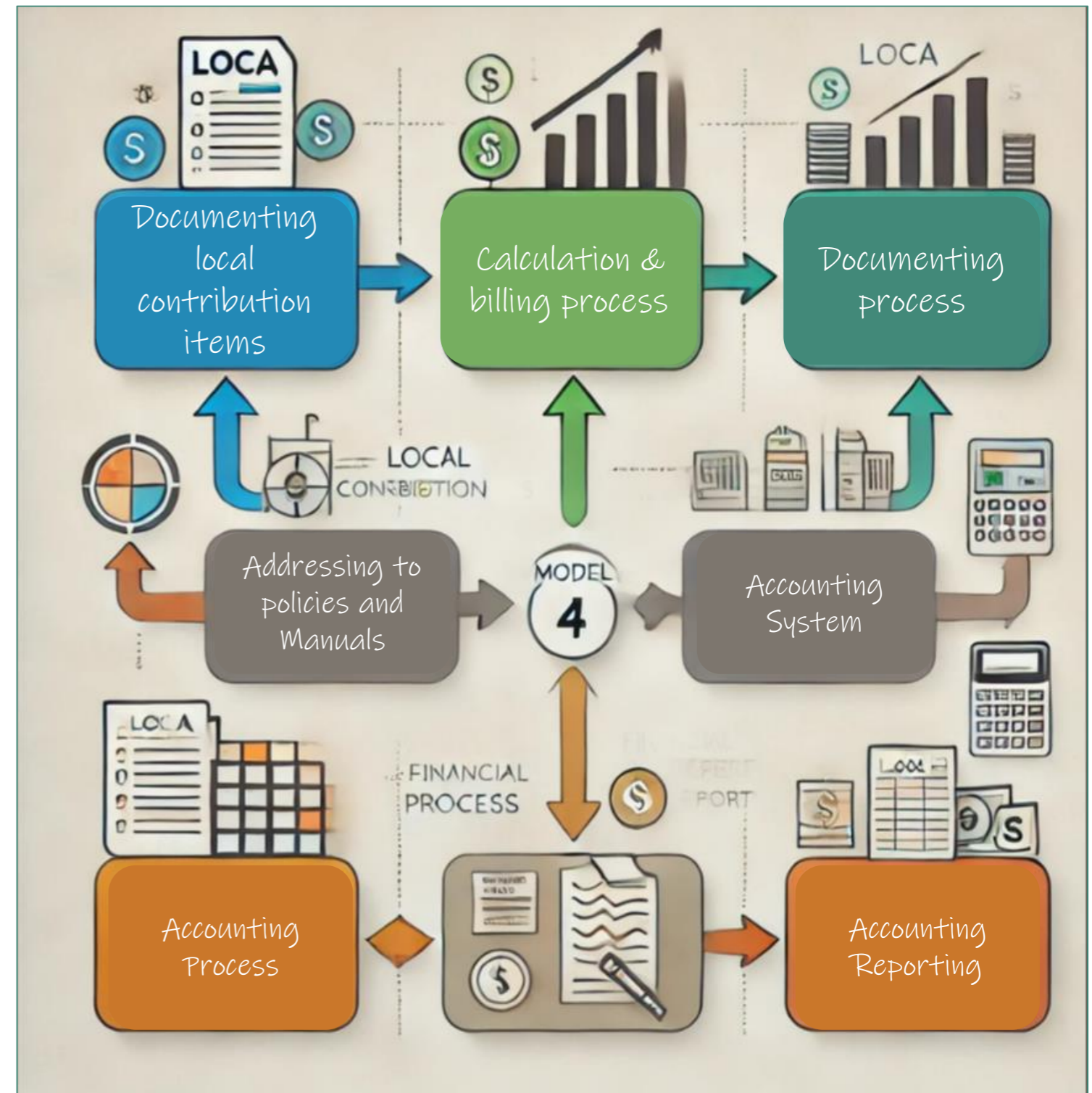
Development PROCESS

- Field study and consultation in communities affected by natural disasters.
- Piloting in four disaster prone districts
- Active engagement of seven local NGOs with their rich experience in humanitarian actions: AFAD, DUS, Jago Nari, MJSKS, MMS, NDP and Sangram

LoCA MODEL : COMPONENTS/ STEPS

LoCA model has four sequential steps:

- (a) Documenting local contribution items
- (b) Cost calculation and Billing process
- (c) Accounting Process
- (d) Financial Reporting



LOCA MODEL & ITS ADOPTION

For adoption of the Local Contribution Accounting model, Appropriate updating or modification of concerned clauses of relevant policies and manuals of the organization to be made

- Listing & grouping of Local contribution items in-kind Examples: Stationery items, Construction material, Food items, Household supplies, Healthcare items, etc.; Accommodation like office space, training venue; Staff and Volunteers time; Fixed assets.
- *Cash contribution from local sources shall be recorded by official money receipts*
- Cost calculation of each item should be made objectively so that the process can be verified and the rate determined are comparable with the local market price.

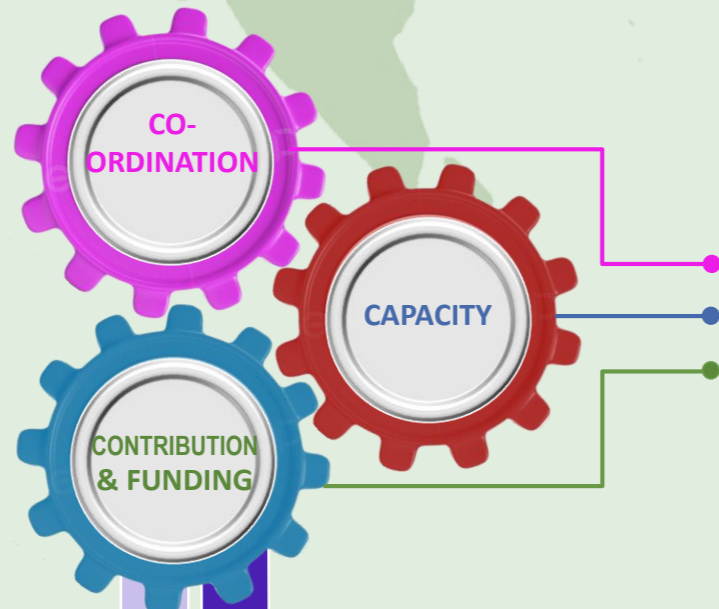
LOCA MODEL : BILLING, ACCOUNTING & REPORTING

Once the accounting system become inclusive of counting all local sources of income and expenses and its disclosure are made under separate heads or subheads, the standard financial reporting of the organization would automatically generate report separately showing local contributions and external funding.

- Essential elements for billing :**
 - **Budgetary provision**
 - **Invoicing**
 - **Stock entry**
 - **Billing**
 - **Vouching with proper coding**
 - **Validating by Internal Audit**

- Standard accounting process of the organization would be followed for the local sources of income and expenses by using appropriate code of accounts.**

LOCAL CONTRIBUTION ACCOUNTING MODEL DEVELOPMENT



RESILIENT COMMUNITY

Power to withstand in challenges

REVIVING HERITAGE

Appreciating the past for the present to make the future

- Community Philanthropy
- Voluntarism
- Resource Pool

- Bi-Multilateral Donors,
- UN Organisations
- International Philanthropy
- International Individual Funding
- National/International Corporates
- INGOs
- L/NGOs

- Affected community contribution
- Host community contribution
- Local Philanthropy

Accounted & Reported in the Global Humanitarian System

NOT
Accounted & Reported in the Global Humanitarian System

CHALLENGES & ISSUES OF NOT REPORTING

- ⇒ Lack of recognition of financial values of local contributions (in-kind, services, facilities etc.)
- ⇒ Communities lack of awareness about the financial values of their contribution.

Absence of local contribution inclusive standard and legal accounting system.

Present accounting system of humanitarian actions counts mostly the external funding, that represent a fraction of actual costs. Contributions from local actors and communities are seldom formally accounted for in the system.

There is a need to develop a systemic accounting process to recognize financial values of local contributions. Study shows that there are systemic barriers and lack of consciousness on these aspects. Local Contribution Accounting Model will enable systemic inclusion of local contributions in the financial information and accounting management system.

The model development process includes mapping diverse types and sources of local contributions, designing an accounting mechanism through defining the cost centres of local contributions, articulating the rational and validation formula of expenses from local sources, finally testing the tools and process of the system. This will be followed by training of actors and providing on-site support to practice the new model of accounting.

Develop a model for accounting and reporting local community contribution in humanitarian action

✓ Local contribution accounting model developed and practiced

✓ Advocate reporting local contributions in global humanitarian reporting

Results and Actions

