



Follow the Money: A Review and Analysis of the State of Humanitarian Funding

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Introduction

This briefing paper is about the financing of humanitarian action. In the paper, and in the forthcoming workshop, we want to ask some basic questions.

- Is the pot of humanitarian finance able to meet present and projected global humanitarian needs?
- Do existing financing mechanisms ensure that money follows need?
- Do the present financing mechanisms promote quality aid, encouraging it to be timely, context-specific, evidence-based and rigorous in its application?
- Are the operational agencies capable of using the funding appropriately?

More succinctly, is there enough money, is it going to the right people in the right places in the most efficient way?

The paper describes the present state of humanitarian funding—focusing on the global picture, key trends and recognized shortcomings. While it includes discussion of new financing mechanisms, such as the Central Emergency Response Fund (CERF) and Common Humanitarian Funds, these are not the primary focus of the paper. Combined these tools account for perhaps 10 percent of official humanitarian aid. Our analysis, by



contrast, is concerned with the totality of humanitarian financing, and how the many different instruments and mechanisms used to disburse these funds interact with each other.

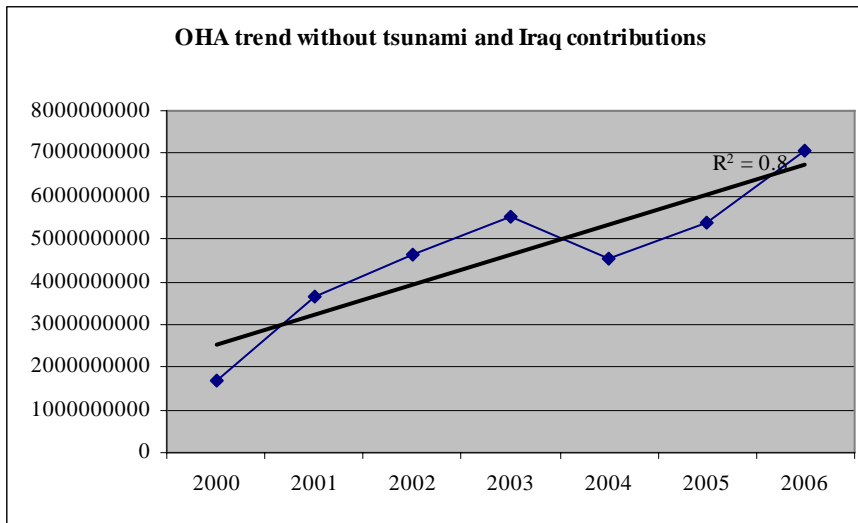
We raise a number of questions that are designed to assist the humanitarian community in identifying changes which will take the humanitarian funding system closer to its assumed goal: an ability to fund identified global humanitarian needs in an equitable, timely and efficient manner.¹

1. How much money is in the overall pot, is the pot big enough, and is it targeted to the right places?

1.1 How much money is in the pot and where does it come from?

Between 2000 and 2005 spending on global humanitarian assistance continued to rise in real terms. In 2005, an estimated \$18 billion was raised by the international community for humanitarian assistance² against an estimated \$10 billion raised in 2000.

Humanitarian contributions for the aftermath of war in Iraq and Afghanistan in 2003 and for the Asian tsunami in 2005 represent funding anomalies. The tsunami response in 2005 precipitated a massive spike in overall humanitarian contributions, adding additional



Controlling for the Asian tsunami and Iraq spikes in humanitarian funding, humanitarian aid levels reveal a steady upward trend between 2000 and 2006, approaching \$7 billion. Yet, after humanitarian reforms were implemented, this growth has slowed—humanitarian assistance grew at a much higher average annual rate during 2000-2003 than it did during 2004-2006. *Abby Stoddard, Adele Harmer, and Katherine Haver. "Operational Consequences of Reform Project: Financing Reform Study." Preliminary data analysis, May 2007, p. 5.*

funding of \$5.5 billion in contributions from the public to NGOs, the Red Cross, and UN agencies.³ Controlling for the tsunami and Iraq spikes in humanitarian funding, humanitarian aid levels reveal a steady upward trend between 2000 and 2006. Interestingly, after humanitarian reforms were implemented, this growth has slowed—humanitarian assistance grew at a much higher average annual rate during 2000-2003 than it did during 2004-2006.⁴

Looking at data from the last half decade,

humanitarian assistance—while still increasing—appears to be doing so at a slower rate. If the beginning of humanitarian reforms is marked at 2004, humanitarian aid is seen to have grown at a much higher average annual rate during the pre-reform period of 2000-2003 (55% growth rate) than it did in the post-reform years of 2004-2006 (11% growth rate).⁵

1.2 Who gets what?

Africa receives the largest share of DAC humanitarian assistance as a region (as recorded in 2004), and in volume terms, humanitarian aid to Africa has steadily increased since 1998. The Middle East has received an estimated one-fifth of DAC humanitarian assistance since 2003, making it the second largest recipient of humanitarian aid

In 2004, six countries received an estimated half of humanitarian assistance: Iraq (16%), Sudan (11%), Palestine (8%), Ethiopia (6%), Afghanistan (6%), and the DRC (4%). The remaining 53% of humanitarian assistance was shared among 148 countries. Over the past ten years, ten countries have captured a majority share of DAC humanitarian assistance.⁶ In other words, humanitarian assistance has been highly concentrated. These patterns of concentration cannot be explained by relative humanitarian need alone.

OCHA's FTS and WFP's International Food Aid Information Service (INTERFAIS) provide the best analysis of humanitarian assistance by sector. Food aid commands the biggest share of humanitarian assistance. A great deal of this is provided in the form of *tied* food aid. This is critical because the value of humanitarian aid significantly falls if tied food aid is taken out. Of CAP appeals between 2000 and 2005, \$8.6 billion (55%) were allocated within the food sector—larger than all of the other sectors combined.

Over the past 30 years, an increasing percentage of ODA has been spent on humanitarian assistance; up from around 3% in the 1970s to between 10% and 14% today. Based on commitments to reach the Millennium Development Goals (MDGs) and debt relief being included in ODA totals from 2005 to 2007, ODA levels are anticipated to carry on rising. We would expect humanitarian contributions to also rise in dollar terms but we may see a leveling off in their value as a percentage of total aid.

Why has the percentage of donor funds going to humanitarian assistance risen? There are many explanations, political and pragmatic. It may be that a greater proportion of human suffering is only amenable to humanitarian responses – more complex emergencies and more climate induced disasters requiring more assistance. Donors may also be increasingly aware of their humanitarian obligations and of the political expediency—and value—of funding humanitarian work⁷.

But OECD donor funding is not the whole picture. To get a more complete picture, these numbers have to be modified to include funds from governments that are not members of the OECD, funds channeled through military forces for humanitarian-related activities, additional diaspora remittances (in response to crises), funds raised from the public by

NGOs, corporate and foundation contributions and the contribution of affected states and their municipalities. Most of this data is either not collected, or not collated.

1.3 Non-traditional donors

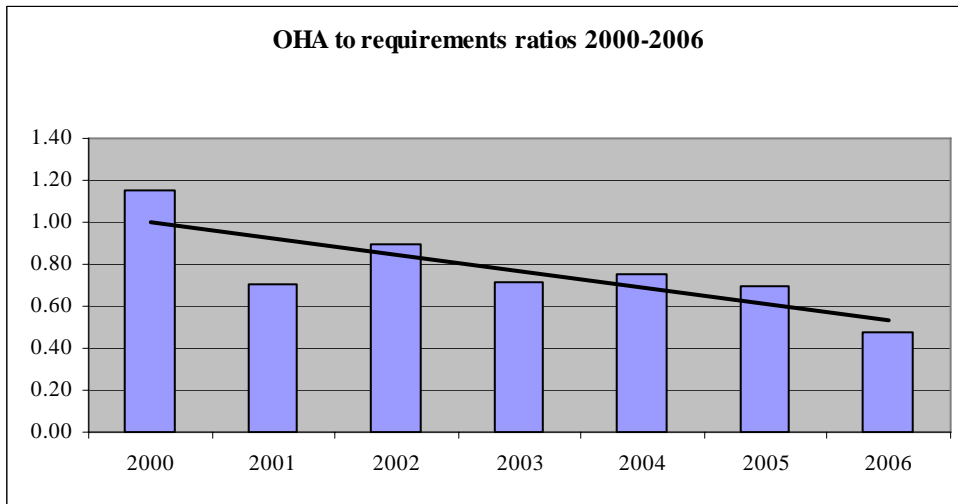
“Non-traditional,” “non-DAC,” or “emerging” humanitarian donors are starting to support the joint mechanisms and normative codes that have recently characterized the traditional humanitarian financing system.⁸ For instance, the United Arab Emirates recently joined the OCHA Donors Support Group. Likewise, during the Asian tsunami and in Lebanon after the Israeli offensive, new donors made significant contributions toward humanitarian efforts.

These states are a part of an evolving dynamic that has seen a host of new donors add their weight to the traditional pool of wealthy, industrialized countries best represented by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD).

A recent report estimates that non-DAC donors represent up to 12 percent of official humanitarian financing in any given year.⁹ These donors have focused on humanitarian engagement in neighboring countries, and maintain a strong preference for bilateral aid, including the Red Cross/Crescent over multilateral mechanisms.

The development aid programs of China, India, and South Korea have been shown to be closely associated with regional investments in economic growth, and in the post-9-11 context global and regional security concerns have also served as significant determinants for many donors in assessing development aid (and by extension, humanitarian aid) flows.

Chinese investments in Africa have climbed from \$10 billion in 2000 to \$40 billion in 2006, according to African Development Bank¹⁰. At a summit of African leaders in Beijing last fall, China said it would also double its level of assistance to Africa by 2009.¹¹ It is unclear how much of this spending will be allocated for humanitarian activities (such as a recent \$10 million Chinese investment in Darfur), but China is rapidly and significantly increasing its visibility in the development and humanitarian aid community.



Global numbers reveal a downward trend in the proportion of humanitarian need funded when analyzing overall aid volume after the introduction of financing reform instruments against need. *Abby Stoddard, Adele Harmer, and Katherine Haver. "Operational Consequences of Reform Project: Financing Reform Study." Preliminary data analysis, May 2007, p. 7.*

1.4 Private funding to NGOs

NGOs receive their funding from three sources: public fundraising (estimated annual average of \$2 billion), from government agencies (estimated at \$1.2 to \$2 billion in 2004), and channeled UN funds (estimated at \$500-800 million in 2004). The largest seven or eight transnational NGOs deliver the lion's share of emergency assistance, and in 2004 NGOs were responsible for as much as 45 percent of all humanitarian assistance.¹²

We also know that many of the larger NGOs, after decades of increased reliance on government funding sources, are seeking to diversify their funding portfolio and increase the proportion coming from private sources. The US NGO coalition, Interaction, estimates that its members have increased their general public funding from \$4 billion three years ago to \$5 billion today for all their international relief and development work.¹³

In 2005 approximately one-third of the \$8.4 billion state-donor funding ended up flowing to NGOs, directly or via UN agencies. In addition NGOs received somewhere between \$2 and \$5 billion in private donations, suggesting that between 48% and 58% of all known humanitarian funding flowed through NGOs.¹⁴

With respect to funding from foundations, a recent evaluation observed that although the number of foundations has increased in recent years, it is nevertheless impossible to discern a growing trend of funding directed specifically to the humanitarian sector.

Compared with other sectors that are more heavily funded by foundations (with education topping the list), international humanitarian assistance plays a minimal role.¹⁵

1.5 Funding through foreign military

Military forces in their home countries have a long history of involvement in emergency relief. Following most major conflicts in the last century, the victors or occupying forces have undertaken some form of humanitarian action. Today it is becoming a more integral part of military activity as forces adjust to what Rupert Smith has termed *wars amongst the people*¹⁶.

Consider, as an example, the US “Commander’s Emergency Response Program (CERP)”. These funds, for use in Iraq and Afghanistan, are described by the US Secretary of Defense as:

“Additional resources to improve local governance, delivery of public services, and quality of life – to get angry young men off the street and into jobs where they will be less susceptible to the appeals of insurgents or militia groups. Commander’s Emergency Response Program, or (CERP) funds are a relatively small piece of the war-related budgets... But because they can be dispensed quickly and applied directly to local needs, they have had a tremendous impact – far beyond the dollar value – on the ability of our troops to succeed in Iraq and Afghanistan. By building trust and confidence in Coalition forces, these CERP projects increase the flow of intelligence to commanders in the field and help turn local Iraqis and Afghans against insurgents and terrorists.”¹⁷

The CERP funds have expanded from zero in 2003 to \$136 million in 2005 and a requested \$456 million for 2007. According to OECD, between 2002 and 2005 USAID’s share of US ODA decreased from 50% to 39%, and the Department of Defense’s increased from 6 to 22%.¹⁸

Are these funds truly part of the humanitarian pot? Are they being used to undertake actions which would otherwise be carried out by humanitarian agencies? As standing armies adjust to fight today’s wars their use of “hearts and minds” related strategies are more likely to grow than shrink. Humanitarian agencies need to confront this reality—it cannot be wished away.

1.6 Funding through corporations

The use of corporations and for-profit consultancies to deliver on foreign aid development strategies has been a feature of development aid for some time, though not without its critics.¹⁹ In the humanitarian sector, particularly in the grey areas of post-crisis rehabilitation and compressed development projects (often wrongly billed as livelihood interventions) corporations are starting to bid along side UN agencies and NGOs for a slice of the cake. A study of USAID funding for fiscal year 2000, for instance, reveals that the top ten recipients of procurement funding (development and humanitarian) included five NGOs, four corporations and one university.²⁰

1.7 Implications and Analysis

We do not have a clear estimate of the total funding going into humanitarian aid, nor do we have an estimate of how much of that funding is potentially available for international and national humanitarian agencies. Without estimates of this overall figure and its fungability, our descriptions of the humanitarian funding pot are at best partial and potentially misleading.

What we can say with certainty is that humanitarian funding continues to rise in dollar terms and in percentage of ODA terms, but that this growth is slowing down. The anomalies of Iraq, Afghanistan and the tsunami—particularly when expressed as aid/beneficiary—also highlight the continuing problem of moving the system away from being overly-driven by emotive or political intent and less concerned with evidence-based impartiality.

The complexity of Iraq, Afghanistan and the aftermath of the tsunami also highlight the problem—perhaps of our own creation—of where humanitarian aid ends and other forms of assistance such as reconstruction, national building, and social service provision begin. Research in Afghanistan suggests that most recipient communities really do not care who delivers what aid and services or from which pot they fund it. What they do care about is the quality and appropriateness of that aid, and the quality of the relationship between the aid agencies and the recipient community.²¹

The evidence, therefore, is that the system has a long way to go before it approaches impartiality, both in terms of how donors allocate their funding and where and how agencies choose to operate.

The evidence also suggests that agencies need to deal more robustly with the issue of *realpolitik* in the allocation for funding. It is entirely legitimate and appropriate for nations to express their foreign policy through the allocation of funds to affect the economic and political development of other states. The question humanitarians need to ask is, do they ignore this, seek to distance themselves from it by defining it out of the humanitarian system or engage to affect its direction and intent?

This analysis prompts three main questions that need to be answered

- Do we know whether there is enough money? Is the problem that total resources are inappropriately distributed or is there is a real scarcity?
- The present pot comes from many different sources – official aid is but one, albeit a very important source. How can we make sure that these different sources better support each other? What are the comparative advantages of official and private funds, or local and international funds?
- How do humanitarian funding flows sit aside new sources of funds, e.g. more developmental flows in fragile states and new sources via the military?

2. Are the mechanisms for channeling funding appropriate and efficient?

2.1 How does the money flow?

Bilateral humanitarian aid flows through an assortment of agencies and organizations, including UN agencies, the International Red Cross and Red Crescent Movement, the European Commission (EC), NGOs and occasionally directly through host governments, as is observed in Ethiopia and Mozambique for support to their safety nets. In turn, these organizations frequently become donors themselves to other smaller humanitarian organizations.

2.2 Transaction costs

Funding flows along a chain of varying length with varying percentages of the total being retained at each stage—for transaction costs that are perceived as legitimate. It is astonishingly difficult to get accurate figures from agencies on these costs. UN agencies are thought to regularly retain between 7% and 13% of their revenue. NGOs may retain anything from 3% to 15%. Understanding the service paid for by these funds is another matter. In most cases they pay for specific and needed services, but a lack of financial transparency makes it impossible to determine whether these transaction costs are justified.

Timeliness of Funding

“I would like donors to be willing to reimburse expenses incurred during the early stages of emergency. NGOs spend their own money during the early stages of a response while developing proposals for major donors. Some donors are willing to pay back expenses incurred during the early stages of the response; however, other donors are not willing to go down this road yet.”

—Quotation from field worker

One can imagine a scenario in which a \$1 million grant passes from donor to a UN agency to an international NGO to a local partner, and finally to the beneficiaries, with each actor along the chain taking out a 10% overhead. Thus the UN agency receives \$1 million, which passes down to the NGO as \$900 K, which is then funneled to a local NGO as \$810 K, which is finally received by the beneficiaries as \$729 K. Is the \$271 K in accumulated transaction cost money well-spent?

2.3 Breadth as well as depth: Too many actors or a dearth of capacity?

The system also has complexity in its breadth as well as depth. The 2006 Global Humanitarian

Assistance Report profiled ten of the largest bilateral donors, and determined that 21 NGO groupings received 60 percent of all humanitarian funds channeled through NGOs. The remaining 40 percent was channeled through an additional 302 organizations,²² creating what some have referred to as the “NGO scramble.” Inexperienced NGOs—without an understanding of the local context and “staying power”—can crowd an already highly-competitive field of competent actors, and introduce a host of coordination, logistical, public relations, and financing complexities.

Such a negative analysis, however, may be premature. Small specialized NGOs provide quality aid in water, pharmaceuticals, veterinary care and other specialized areas. Local NGOs provide essential contextual knowledge, and links between affected populations,

local power structures and the visiting outside agencies. Rather than focusing on the numbers, it might be more useful to focus on an agency's capacity to deliver and quality of service.

Timeframes of Funding

Project timeframes are too short. The real question we need to be asking is what is the objective of emergency humanitarian assistance? Is it to (a) save lives, (b) to build communities resilience to shocks, or (c) to protect and build livelihoods? In most situations to do (a) you need to do (b) and (c) but you can do that in cannot be done in 3-6 months.

—Quotation from field worker

2.4 The Red Cross & Red Crescent Movement

The Red Cross and Red Crescent Movement - the ICRC, IFRC and National Societies - represent a further complexity. They are not inter-governmental organizations such as the UN agencies, and neither are they in line with the modern concept of an NGO. Their close relationship to the implementation and spirit of International Humanitarian Law and their doctrine of neutrality sets them apart from the overall effort to produce a more streamlined and coherent humanitarian system. In 2005, they were by far the largest

recipients of aid for tsunami victims (\$2.18 billion). Funding for the relief programs run by the International Committee of the Red Cross and the International Federation Secretariat are in the region \$1 billion a year when the tsunami is excluded.

2.5 Implications and Analysis

The multilayered nature of the humanitarian system makes it extraordinarily difficult to gauge overall efficiency, and raises a fundamental question. In a complex system owned by multiple parties, who has final accountability for safeguarding overall standards of efficiency and effectiveness? Concerns for sovereignty, mandate protection, independence, and inclusiveness seem to cause donors and agencies to shy away from tackling the system-side issues. The donor, UN and NGO reforms of the past decade may have improved individual components of the system, but its overall architecture is still inherently inefficient. How will the humanitarian aid community as a whole - donors and operational agencies - start addressing what is essentially a governance issue?

An Irish Aid assessment highlights the “complex mixture of donor bureaucracies, competing foreign policy priorities, information deficits, institutional incentives, and weaknesses in the humanitarian system [which] all play a part.”²³ This is echoed by financial managers in the field who point to the very practical accounting and regulation hindrances which make it difficult to move funds between UN agencies, to administer one rather than multiple auditing systems, or to have common standards for financial reporting. In many instances, the barriers to effective reform are not conceptual, and often not political but rather administrative. As with corporate mergers, the daunting task of making disparate financial and human resource systems work in harmony can effectively kill the deal.

Neither do we know how the fragmentation of aid streams translates into assistance provided. Dollar for dollar, we would want to say something about the appropriateness and efficiency of every aid provision, whether provided by an NGO, a UN agency of a government service—but we can't. UN agencies do not provide the same type of services as

NGOs. Crisis-focused NGOs provide very different services from livelihoods and development-focused agencies.

Perhaps a precursor question is required: how do we measure the various services provided in an impartial manner such that we can begin to have honest and meaningful debates over their relative merits and degrees of effectiveness?

Finally, do the present efforts at reform preserve the value of diversity in the system? With their unique and historical status and track record, donors need to ask whether the overall push for reform is helping or hindering the Red Cross in its work. Are the unique talents of smaller NGOs with regional expertise being subsumed under a global framework?

The following are suggested critical items to address in the workshop, in terms of the overall shape of the humanitarian financing system.

- Can we collectively build a common analysis of the system of financing as a whole, not just its constituent parts, and use that analysis to target the most problematic shortcomings?
- How can we secure a greater degree of procedural and system harmonization to reduce transaction costs and unnecessary delays?
- How can we get better information regarding the costs and benefits of different funding mechanisms?
- How do we ensure that the system is making the best proportional use of the various operational actors available?

3. How do new humanitarian funding mechanisms compare with the old ones?

3.1 The shape of funding reform

This section briefly reviews four of the more recent reforms to humanitarian programming. These reforms do not represent a majority share of funding and consequent aid, but they aptly illustrate the complications, and gains made, in improving the quality of the overall system.

In 2005, in part galvanized by an inadequate humanitarian response to the crisis in Darfur, multiple humanitarian reforms were introduced. These mechanisms were implemented in tandem with an improved needs analysis framework (NAF) and a new mechanism for interagency and sectoral coordination (the Cluster Approach).

3.2 CERF

The Central Emergency Revolving Fund (CERF), created in 1991, was originally designed as a \$50 million fund to expedite the response of UN agencies to sudden crises ahead of receiving funds from donors. The CERF was expanded tenfold in 2005 to provide grant

funding, empower UN agencies to respond more rapidly to emergencies, and to address under-funded crises.

CERF

The UN cluster mechanisms are using the CERF for rapid disbursement of funds during the early stages of a response.

However, the CERF mechanism can only provide grants to UN agencies and not to NGOs directly. For NGOs to receive funding from the CERF, they have to be sub-grantees to the UN Agencies. This undermines NGOs independence and it is a major shortcoming.

—Quotation from field worker

Since its official launch in March of 2006, the CERF has committed more than \$426 million for more than 510 projects in 44 countries. As of June, 2007, more than \$269 million was disbursed for rapid onset and existing crises, and \$161 million went toward under-funded emergencies in 24 countries.²⁴

3.3 CHFs

Another significant reform mechanism is **the common humanitarian fund (CHF)**. This instrument—piloted in the Sudan and the DRC in 2006— is designed to address a critical flaw in

the Consolidated Appeal Process (CAP). The CAPs were originally envisaged as a strategic planning and resource mobilization tool.

The CHF was designed around an existing structural flaw in the funding process—donors were only committing to certain projects. The sum of their individual choices weren't necessarily adding up to a coherent and rationale whole. Additionally, the Humanitarian Coordinator, responsible for delivery of the CAP, had little influence over these resource allocations.

The CHFs provide funds against the CAP, and allows the HC to determine resource allocation, working closely with the cluster/sectoral leads. The common fund is intended to ensure that humanitarian funds flow toward strategic priorities in the field, through quick and flexible channels. An intended strength of the common fund is a donor commitment to provide initial funding at the beginning of the year, potentially a significant step toward improving the timeliness and predictability of humanitarian financing.

3.4 ERFs

Emergency response funds (ERFs) seek to offer rapidly available small grants (up to \$130,000) to in-country organizations (both NGOs and UN agencies). More than \$53 million has been disbursed through ERFs over the past six years. ERFs are currently operational in Liberia, Somalia, the DRC, Iraq, Ethiopia, Indonesia and the Democratic Republic of Korea (DPRK), and may be introduced in Burundi, the Republic of Congo and Cote d'Ivoire.

3.5 CAPs

CAPs are part of an older reform move but are becoming increasingly noteworthy as a crisis level coordination mechanism as well as a vehicle for supporting the Cluster Approach of the present round of reforms.

In 2005, **CAP appeals** targeted close to 46 million people in need.²⁵ An analysis of CAP data reveals that quick onset disasters received higher percentage funding than chronic disasters. Likewise, humanitarian aid funding to sectors which experience chronic issues—such as health, water, and sanitation—are routinely neglected in favor of emergency food aid.

3.6 Analysis

Funding according to identified need and in proportion to priority needs is a core principle of humanitarianism, and at the top of the GHD commitments list. With varying degrees of concern, most donors and recipient agencies agree that not all funding is distributed on this basis, but instead is driven by a multitude of pressures impinging on a (rather elusive) objective needs-assessment analysis. This is not just an issue for donor funds, but an issue for NGO private funding, whether raised through the donations of US Christian congregations or through the UK public in thrift shops. The point is that impartiality is a quality of the system, not just the agency. All agencies, funders, coordinators and aid providers have a mutual responsibility to affect the shape of the system.

More parochially, we don't know which instruments are best designed to do this. Both CERF and CHF have this aim at their core, but are these any better than reduced earmarking in delivering on that objective? It is also becoming more evident that the process of allocating according to need has two distinct dimensions – allocation of the global pot and allocation of the country-level pot. Do we need to consider these separately? The evidence is not conclusive as to whether new UN financing reform mechanisms will effectively pool funding in an impartial and rapid manner and direct them into priority needs. There is a concern that these new instruments could introduce another layer of bureaucracy and transaction costs without resulting in a clear improvement in strategic needs- assessment.

One donor interviewed reported that perhaps 10-15% of their funding was politically driven, and “outside the realm of principled allocation.”²⁶ The report continues to consolidate key constraints on humanitarian funds targeting needs into three categories: management/mechanical, political and system-wide coordination issues.

As of mid-May, 2007, the total funds contributed to the CERF represent only three percent of overall humanitarian aid, and the Cluster Approach has been rolled out in six of 25 “ongoing emergencies” (where a humanitarian coordinator is present) and six “major new emergencies.”²⁷ Perhaps the most robust reform—the country-level common humanitarian fund—has only been piloted in two countries, the DRC and Sudan. Any effects on aid flows will only be detectable under a more micro-level analysis and relevant only to donors and countries participating in limited reform measures.

What measures can be taken to improve the allocation of global resources? Additionally, what needs to be done in terms of better prioritizing allocations below the country level. At present, few of the donor, UN, or NGO reform mechanisms—with the possible exception of

the CERF—appear to directly address the issue of global impartiality. Is reduced earmarking part of the solution?

The CERF could be a mechanism for funding forgotten emergencies and crises too small or insignificant to hit the radar screens of bilateral donors and larger NGOs. Yet, so long as only three percent of funds flow through the CERF, its impact will be limited.

The CAP data suggests that the system is getting better at funding short-term response to acute crises, but is not as successful in its response to endemic and chronic issues which feed ongoing humanitarian emergencies.

Once again this takes us back to that fundamental question of agreeing the legitimate response of the international community to a humanitarian crisis; a band-aid on the symptoms or redress for the causes of those symptoms coupled with a prescription for reform? These are not just issues of definition, they are intensely political ones and it is by no means clear that the “humanitarian community” can or should, come to a consensus on the answers. It is clear however, with the proliferation of interests in crisis management; military interests, commercial interests, state and humanitarian interests; this conundrum is growing, rather than decreasing, in importance.

The CAP is perhaps the most widely accessible tool and “least worst measure” available which can provide a common denominator of need that humanitarian organizations can utilize consistently and assess need on a global scale. Yet, despite this universality, the CAP was not designed for this purpose.

A 2006 review of the Common Funds in Sudan and DRC reveals an increase in “strategic funding” (aid flows to activities inside the countries’ strategic plan frameworks, as opposed to uncoordinated direct bilateral payments) since the introduction of the reform mechanism—a 79 percent increase in Sudan (from a 56 percent average in previous year) and an 82 percent increase in DRC (previously 54 percent).²⁸ The review concluded that the reform mechanism merits continuation in the two pilot countries, and justifies replication additional countries.

The review continues to flag several key concerns.

Similar to the funding predictability criticism of the CERF, the report asserts that “internal, home office funding mechanics did not change accordingly to enable them to frontload the Funds in the early part of the year. The goal of predictability of funding, therefore, was advanced little.”²⁹

The report notes that NGOs are responsible for a majority of program implementation, and yet their political relationship with the UN system does not reflect this dynamic. NGOs are seen as subcontractors - as opposed to operational partners—and while some UN agencies are “reaping a windfall” under the common fund system, NGOs are reporting “only

backdoor access to the fund.”³⁰ As with the CERF there are clearly questions around the pragmatics of the funds and the politics of coherence versus independence.

Finally, an evaluation of the OCHA-managed Emergency Response Funds (ERFs) in six countries (Angola, the DRC, Indonesia, Liberia, Somalia, and Ethiopia) notes a more favorable mutually satisfactory political relationship between participating UN agencies and NGOs.³¹

The report observes that the majority of ERF funding has been allocated to NGOs, and that ERF advisory boards are comprised of both UN and NGO representatives—on balance, engendering a cooperative dynamic.

The issue of delayed disbursements surfaced again, as the evaluation records the average time from proposal submission to the signing of a grant agreement at 30-40 days, and a multitude of rules that render ERFs inflexible (not allowing participants to move more than 10 percent between budget lines, for example).³²

The funding reform mechanisms demonstrate that change can happen. Within themselves they are positive moves forward, but they prompt many questions. Are they scalable? Can they move from being minor parts of the global picture to major ones? Can they make best use of the diversity of the humanitarian community rather than encouraging oligopolies? Can they tackle the twin issues of global and crisis specific impartiality?

4. Assessing their needs, rather than our delivery potential

4.1 The importance of a clear conceptual model

Principles of impartiality, appropriateness and efficiency in humanitarian assistance are predicated upon the assumption that the system can accurately measure need on an unbiased, global and ongoing basis. Without this, there is no baseline against which to judge.

This approach necessitates (1) a conceptual model which can—theoretically— work across the globe (2) robust methodologies for collecting and analyzing information to plug into the model (3) the manpower and resources to feed those methodologies and (4) the willingness of the system to base its allocations upon the results of these assessments.

4.2 The NAF

The OCHA sponsored Needs Assessment Framework (NAF) has the potential to be this conceptual model. It was piloted in five countries in 2005, and intended for further implementation in 75% of CAP appeal countries in 2006. The NAF is designed to support the CHAP and the CAP by strengthening the analysis of humanitarian needs. “Sector prioritization” is still contained within the CHAP and CAP process, but the NAF is intended to help country teams and coordinators to organize and present this information in a more effective manner.

The NAF is designed to assist in the collection of information to better construct an overall picture of needs, but allows agencies to employ their own assessment methodologies, according to their ability (and willingness) to collect this information. The NAF analysis framework seeks to catalogue the complex interaction of a large number of factors that can help make decisions regarding an assessment of needs, including a political, economic, security, demographic, socio-cultural, geographical, health, and food security analysis. OHCA is planning to develop a further more systematic approach to needs assessment.

Human Resources

Organizations rely on short term consultants who often have little or no experience of the project area and communities...As their own job security is not guaranteed you will often find that consultants have very little commitment to the project or the NGO.

–Quotation from field worker

methodologies (partly being tackled under the cluster sector reform and by OCHA), by appropriate staffing (partly being addressed by the collective NGO Emergency Capacity Building (ECB)³³ project, and by a commitment—from donors and agencies alike—to be evidence-driven, as advocated in the GHD..

Donors, recipient agencies, beneficiaries, and humanitarian personnel have flagged a number of key concerns regarding the state of humanitarian needs- assessment.

There is a critical dearth of hard data, particularly in the early stages of rapid onset disasters, to support dynamic needs assessment. Quantitative data on mortality, health, and nutrition could provide a critical assessment of vulnerability, however, there are limited systematic and coordinated efforts to track and analyze this information. The proposed Humanitarian Health and Nutrition Tracking Service (HNTS) is designed to partially address this.³⁴

As a result, agencies are accustomed to making rough assessments from preliminary observations in rapidly changing environments. Lack of data on key indicators creates a self-defeating cycle where needs assessments are under-resourced by donors, agencies are therefore unable to invest in them, and as quickly lose visibility for donors.

Behind this data gap exists a chronic problem of staffing, training and systems to enable agencies to collect data in a rigorous fashion. It may be a problem of under-investment, but it may also be a problem of system inefficiency, with too many agencies all intent upon carrying out their own assessments according to their own rational.

4.3 Analysis

What impact the NAF will have on matching dollars to needs is unclear, both in terms of agency resources and expertise to collect large volumes of data in dynamic environments, and the political willingness of donors, agencies, and other humanitarian actors to commit to mechanisms that seek to allocate funds to identified needs.

The NAF is a starting point, but needs to be followed up by more rigorous work on assessment

A great deal of needs analysis requires not just generic skills but acute context specific knowledge and experience. This strongly suggests a role for local information collectors and analysts. Yet, in many crises, operational agencies staffed by relatively inexperienced expatriate staff are reticent or incapable of investing in the hiring, training and relationship building with local expertise and institutions.

Humanitarian needs assessments are still strongly linked to operational agencies. Should there be independent, objective structures to promote rigor in these assessments, perhaps channeled through sector leaders, such as the methodology being attempted by the Cluster Approach? This is a fundamental issue. Doctors always prescribe medicine, teachers education and lawyers litigation. Aid agencies are no different. Food aid providers have a propensity to offer the solution of food aid and health providers look to medical solutions.

Donors frequently make decisions independent of consultation with each other, and collective efforts to pool funding and make joint decisions regarding needs assessment are frequently viewed as inefficient and counter-intuitive to rapid service delivery. Therefore, perhaps one answer entails donors enhancing their own coordination to complement operational agencies devising mechanisms for them?

Funding cycles (unlike development aid) are unrealistically short for many donors. Funding mechanisms are critically limited by timelines of 6-12 months, when practitioners feel that they should be accorded a similar time investment as development aid funding cycles. Some donors do have mechanisms for multi-year funding. The critical issue here is that while some humanitarian crises may be unpredictable, many are only too predictable – chronic emergencies, annual flooding and the like. In addition, the aggregate case load of the system possesses a high degree of predictability. Most operational agencies can predict at the beginning of the year at least half - and often as much as 80% - of their final workload.

5. Looking Forward – Critical Questions

The paper has tried to provide data, and analysis, not answers. To help move forward we have pulled out below what we believe are the more critical questions to ask about the humanitarian funding system. For each question we provide what we think the answer is today, and a brief analysis, but not the way forward.

We hope that those reading this paper will take the next step and suggest practical actions to move forward on each of these issues.

1. *Is global humanitarian funding commensurate with global humanitarian needs and do we have an effective methodology for determining humanitarian needs in any one crisis?* – **Not really**

In reality, we have no idea what global humanitarian needs are. We only know what we measure, so crises that are unnoticed, or are contained within a nation state go unrecorded. In addition we measure what we do know in a very imprecise way. Our

definitions of what constitute needs are based on models where crises are unexpected, time-limited phenomena. An increasing number of crises are open-ended and recurrent, involve previously marginalized communities and constitute a new, if unacceptable normality. When crisis becomes normality, is it still of humanitarian concern?

The impact of climate change, migration patterns and the proliferation of powerful small arms, will only add to this load. In addition, crises often left off the “humanitarian” table—most notably Israel/Palestine and Iraq—have not yet been fully addressed by the humanitarian community.

Most agencies have their own needs-assessment methodologies. The Needs Analysis Framework (NAF) devised by OCHA provides an excellent framework for analysis but the question of good data collection methodology and analysis still remains. There are just not enough trained and skilled people in the right places to collect and analyze the data. Even where data gathering is strong, the innovative programming initiatives suggested often prove impossible for agencies to implement. Of course, in many environments a fundamental problem is that there is a lack of access to collect robust data.

2. *Is there enough humanitarian funding available?* – **Probably not**

Funding from the DAC donors is well-tracked, as is funding through the UN system. Funding from private donations and foundations into NGOs (large and small) is poorly-tracked outside of each individual agency. Increased direct funding to affected communities from Diaspora is unknown. Local NGO and government funding is largely unknown.

Therefore, in reality we do not know how much funding is really available, but we do know that in many crises there is not yet enough funding to allow agencies to reach even the minimum agreed standards. However, access—as well as funding—is a key factor in limiting delivery)

3. *How well do we address the volatility of humanitarian aid flows?* – **Sporadically**

Can the humanitarian community get better at resource planning? We can predict a great deal of the humanitarian load. It could be funded up front. The community could revisit the value of assessed funding for some crises. Most funding is still reactive. As disasters happen, appeals are written and funds are allocated.

There are exceptions. The US State Department’s Bureau of Population, Refugees, and Migration makes large annual largely un-earmarked contributions to ICRC’s and UNHCR’s relief work. Many other donors also make un-earmarked allocations.

Public funding to NGOS is also fickle, both on the downside and the upside (as the tsunami demonstrated). NGOs in particular are concerned that the reform mechanisms; CERF, Common Funds and ERF’s put them at a further distance from the funding source, adding another layer of decision making, and thus unpredictability.

4. *Is humanitarian funding timely?* – No

The reactive nature of funding systems combined with the increased attention paid to financial accountability ensure that funds flow more slowly through the system than we would like. The critiques of the CERF and the Common Funds highlight this, suggesting that funding can take up to 40 days to be released. Anecdotal evidence from operational agencies suggests that this is close to the norm for most funding mechanisms, noting that delays are caused both on the donor and on the operational agency side.

5. *Is humanitarian funding flexible enough?* – No

The push for greater accountability has resulted in substantial funding being allocated against RFPs (requests for proposals) and for agencies having to work against detailed line item budgets which form part of their contractual agreement with donors. There is some evidence that leading donors are starting to back away from this heavy management approach. The reality is that humanitarian operations, like military campaigns, deviate from their plans from the day they start implementing (for much the same reason). Agencies report that their staff feel constrained to program along the grant-defined deliverables even if these—upon implementation—prove to be inappropriate. The challenge is to have both fiscal accountability and operational flexibility.

6. *Do funding mechanisms sufficiently serve the differing needs of the various humanitarian assistance agencies?* – Unsure

Agencies as diverse as the ICRC, UNICEF and CARE work to different objectives, timetables and *modus operandi* though all are vital components of a humanitarian response. In the search for funding reform and consolidation, donors need to ensure that they retain the ability to fund agencies according to their principles and specific strengths.

7. *Are funding mechanisms sufficiently transparent and accountable to their stakeholders, including beneficiary groups and their nation states?* – Getting better

OCHA's Financial Tracking System has greatly increased the transparency of aid flows. Transparency of decision making involving what is essentially a "public good" (global humanitarian funding) is less well-developed although the growing commitment to beneficiary accountability is a welcome move.

¹ The report draws upon published literature, with particular thanks to Judith Randel and her team at Development Initiatives for permission to use their data, interviews with a number of operational managers of humanitarian agencies and a poll of 50 former Feinstein International Center Masters students who are now all active program-managers in the humanitarian community.

² Development Initiatives (2006) *Global Humanitarian Assistance 2006*. London: Development Initiatives, p. 10.

³ *Ibid*, p. 49-50.

⁴ Abby Stoddard, Adele Harmer, and Katherine Haver. "Operational Consequences of Reform Project: Financing Reform Study." Preliminary data analysis, May 2007, p. 5.

⁵ Ibid, p. 5.

⁶ Development Initiatives (2006) *Global Humanitarian Assistance 2006*. London: Development Initiatives, p. 14.

⁷ There is a growing commitment among the donor community to provide support to populations in fragile states. One donor has estimated that approximately 30 per cent of its aid in fragile states is provided in the form of humanitarian assistance. This suggests that there will be a need for humanitarian actors to watch carefully how the fragile states agenda evolves.

⁸ Abby Stoddard. "International Humanitarian Cooperation: Aiding war's victims in a shifting strategic environment." Draft chapter for *Cooperating for Peace and Security: Evolving Institutions and Arrangements in a Context of Changing US Security Policy*, p.8.

⁹ Barnaby Willitts-King. "Practical approaches to needs-based allocation of humanitarian aid: A review for Irish Aid on donor practices." July, 2006, p. 20.

¹⁰ African Development Bank. "PBC Governor Visits AfDB." URL: www.afdb.org.

¹¹ Antoaneta Bezclova,. "China: As Role Model for African Development." IPS – Inter Press Service. URL: <http://ipsnews.net/news.asp?idnews=37763>. June 17, 2007.

¹² Ian Smillie. "Distant Obligations: Disorder and Reform in the Response to Humanitarian Emergencies", April 2007, p. 5.

¹³ Email communication from InterAction President, Sam Worthington. June, 2007.

¹⁴ Development Initiatives (2006) *Global Humanitarian Assistance 2006*. London: Development Initiatives. (Data compiled from Chapter 3)

¹⁵ Laura Altinger and Virginia Tortella. "Monitoring Trends in International Humanitarian Action: Privatisation and Corporatisation: a growing trend?" Paper on private financing of humanitarian action 1995 to 2005." June, 2007, p.3.

¹⁶ Rupert Smith. *The Utility of Force*. Alfred Knopf: New York, 2007, p19.

¹⁷ Secretary of Defense's statement to the Senate Appropriates Committee.
<http://www.defenselink.mil/utility/printitem.aspx?print=http://www.defenselink.mil/speeches/speech.aspx?speechid=1127>

¹⁸ OECD. United States (2006), DAC Peer Review: Main Findings and Recommendations.
http://www.oecd.org/document/27/0,3343,en_2649_34603_37829787_1_1_1_1,00.html

¹⁹ Ruben Berrios. "Contracting for Development: The Role of For-Profit Contractors in U.S. Foreign Development Assistance." Westport: Praeger, 2000.

²⁰ United States General Accounting Office. "Report to the Chairman, Subcommittee on National Security, Veterans Affairs, and International Relations." Committee on Government Reform, House of Representatives. GAO-02-471. April, 2002.

²¹ Antonio Donini, L. Minear, et al. « Humanitarian agenda 2015: Principles, power, and perceptions: Preliminary report." Feinstein International Center, Tufts University. 2006.

²² Development Initiatives (2006) *Global Humanitarian Assistance 2006*. London: Development Initiatives, p. 44.

²³ Barnaby Willets-King, "Practical approaches to needs-based allocation of humanitarian aid; A review for Irish Aid on donor approaches." Dublin: July 2006.

²⁴ Central Emergency Response Fund, United Nations. OCHA Online. URL : <http://ochaonline2.un.org/Default.aspx?tabid=9932>

²⁵ Development Initiatives. *Global Humanitarian Assistance 2006*. London: 2006, p. 28.

²⁶ Barnaby Willitts-King. "Practical approaches to needs-based allocation of humanitarian aid: A review for Irish Aid on donor practices." July, 2006, p. 22.

²⁷ Abby Stoddard, Adele Harmer, and Katherine Haver. "Operational Consequences of Reform Project: Financing Reform Study." Preliminary data analysis, May 2007, p. 7-8.

²⁸ Ibid, p. 14.

²⁹ Center on International Cooperation and Humanitarian Policy Group, "Common Funds for Humanitarian Action in Sudan and the Democratic Republic of Congo: Monitoring and Evaluation Study", New York and London: December 2006, p. 15.

³⁰ Ibid, p. 21.

³¹ Development Initiatives. "Review of OCHA Emergency Response Funds (ERFs)." January, 2007, p. 1.

³² Ibid, p. 2.

³³ Emergency Capacity Building project. URL: www.ecbproject.org

³⁴ Health Cluster document: Humanitarian Health and Nutrition Tracking Service: An operational proposal. December, 2006.