



OI Policy Compendium Note on Humanitarian Funding

Overview: Oxfam International's position on Humanitarian Funding

People anywhere in the world whose life is under threat have the right to humanitarian assistance. When national governments are unable or unwilling to provide it, the international community has a responsibility to assist. One of the ways of doing this is through providing quick, appropriate funding.

However, despite increases in humanitarian funding, a greater diversity of donors and new donor initiatives, the level and nature of humanitarian funding remains inadequate.

In order to ensure the effectiveness of international humanitarian funding from donor governments, Oxfam believes that the following improvements need to be made:

- The global volume of humanitarian funding should be increased
- Its allocation must be fair – according to need – timely and efficient
- International humanitarian funding must be appropriate

1. Definitions¹

- *Humanitarian assistance* – the aid and action designed to save lives, alleviate suffering, and maintain and protect human dignity during and in the aftermath of emergencies.
- *Global humanitarian assistance* – a 'guesstimate' of the global expenditure on humanitarian assistance from all sources (donor governments, the European Commission (EC), members of the general public, and private organisations). It does not include local response or remittances from family members and diaspora communities. Neither does it include expenditure on refugees in the donor country.

2. Background

All people have the right to timely, appropriate assistance in situations of humanitarian need. When local governments do not have the capacity or will to meet these needs, the international community has a responsibility to act. Every year, millions of lives are devastated by 'natural' disasters, conflict, and other humanitarian emergencies. Yet despite a steady increase in humanitarian funding, for many of the estimated 46m people in need in 2006 this was still too little, too late.

Total expenditure on humanitarian assistance by DAC² donors has doubled each decade since 1975, reaching \$8.4bn in 2005. Total global humanitarian assistance was estimated at \$18bn in 2005, one-third of this pledged for Tsunami relief alone.³

The USA provides about a third of DAC's humanitarian funding, followed by the EC, the UK, Japan, and the Netherlands. Interestingly, the situation changes if we rank contributions on a per capita basis, with Norway at the top, followed by Sweden, the Netherlands, the UK, and the USA.⁴

Levels of humanitarian funding from non-DAC donors are increasing, notably from Saudi Arabia, the United Arab Emirates, China and Qatar in 2005. Private sources (the general public, trusts, foundations, private corporations etc.) play an increasingly significant role. International donors of course work with national governments that play a key role in almost all humanitarian emergencies.

Despite these positive increases, and the recent launch of new UN funding mechanisms and the Good

¹ According to the *Global Humanitarian Assistance* initiative <http://www.globalhumanitarianassistance.org>

² The Development Assistance Committee (DAC, www.oecd.org/dac) is the principal body through which the OECD deals with issues related to co-operation with developing countries.

³ Figures are from <http://www.globalhumanitarianassistance.org> based on data from the OECD, these figures are published with a considerable delay, thus it is still too early to assess the implications of funding in 2005.

⁴ Per capita ranking in 2005, excluding the EC.

Humanitarian Donorship (GHD) initiative⁵, inadequacies in humanitarian funding remain.

Oxfam assumes that international humanitarian need will remain high and might well increase, given the continued high number of natural and man-made disasters and the effects of climate change. This policy note focuses on the *responsibility* of the world's richer governments, working with international organisations (such as the UN) and non-governmental organizations (NGOs), to provide sufficient humanitarian funding for those in need, in the most effective way possible.

3. Oxfam International's position on humanitarian funding

3.1 There should be an increase in the global volume of humanitarian funding

According to the UN's Consolidated Appeal Process (CAP)⁶, only around two-thirds of humanitarian funding needs are met each year. The shortfall in humanitarian aid in 2006 was estimated at \$1.7bn – resulting in significant human suffering. The money required to cover this shortfall would only be about 0.005 per cent of the Gross Domestic Product (GDP) of the world's 25 richest countries. By comparison, in 2005 DAC countries allocated about \$752.8bn to military expenditure.

An increasing share of Official Development Assistance (ODA)⁷ has been spent on humanitarian assistance over the years, with humanitarian aid in 2005 reaching 14 per cent of ODA (*net* of debt relief). If more governments meet their commitments to increase ODA to 0.7 per cent of gross national income, we might expect a corresponding increase in humanitarian aid, though this is not certain.⁸

Donor pledges of humanitarian aid do not always materialise into actual assistance, with nearly \$60m of pledges not honoured in 2006. When a new crisis occurs, instead of new money being made available, it is often diverted from another crisis. Donors themselves want to address this through the GHD initiative.

In March 2006, the Central Emergency Response Fund (CERF) was launched by the UN to *complement* existing humanitarian funding. Donors (chiefly governments) contribute to the CERF, which is then allocated by the UN. Despite being a positive initiative, donors have not yet contributed enough to reach the target level of \$500m. There are also concerns around how much of the CERF is truly additional funding.⁹

Oxfam recommends that:

- Global humanitarian funding is increased in real terms, by at least \$1.7bn, with donor governments stepping up their contributions accordingly;
- Donors honour their funding pledges;
- Donors ensure funds for new crises are not taken from existing crises with remaining needs;
- The UN CERF reaches its target of \$500m and if proven effective eventually increases to \$1bn, with all donor contributions being 'new money';
- Reporting and tracking of humanitarian aid is more accurate, transparent, and comprehensive.

3.2. International humanitarian funding must be appropriate

Humanitarian funding is characterised by short timeframes and limited amounts. As a result in chronic crises, such as that in the Democratic Republic of Congo (DRC), humanitarian organisations often struggle to plan effectively in an unpredictable funding environment. For regions that are vulnerable to cyclical drought, such as Southern Africa, injecting short-term emergency funding every time there is a crisis is not the longer-term approach that is needed.

The transition between humanitarian and development contexts is often extremely difficult to fund, with development-funding mechanisms not kicking in sufficiently quickly. This has huge implications for planning,

⁵ In 2003 a number of donor governments created the Good Humanitarian Donorship (GHD) initiative to work towards achieving efficient and principled humanitarian assistance. <http://www.goodhumanitarianandonorship.org>

⁶ <http://ochaonline.un.org/humanitarianappeal> It should be noted that although the CAP is an imperfect tool for indicating humanitarian funding needs and shortfalls, it is the best we currently have.

⁷ Aid from DAC members to developing countries.

⁸ It should be noted, however, that counting debt relief as aid does skew the figures: ODA for 2006 actually fell by 5.1 per cent compared with 2005, chiefly due to 2005 figures being boosted by debt relief to Iraq (\$3bn) and Nigeria (\$11bn).

⁹ See: http://www.oxfam.org.uk/what_we_do/issues/conflict_disasters/bp100_cerf.htm?searchterm=CERF

sustainability, and cost-effectiveness, and in the worst case can lead to programme suspension. Efforts by donors such as the EC to strengthen linking relief, rehabilitation, and development (LRRD) are welcomed, but there is still a long way to go.

Investment in preparing for the effects of disasters, and reducing people's vulnerability to them, is a key and effective use of resources. Many donors are prioritising disaster risk reduction, but adequate funding needs to be made available.

Food is consistently the largest and best-funded sector: 89 per cent funded in 2006 compared to 30 per cent for water and sanitation.¹⁰ Though generous compared to other sectors, some donors still provide in-kind food, which is restrictive in quantity, type, and timing. Cash can be programmed flexibly according to the context; whereas food distributions can be inappropriate, for example when food is available but people simply cannot afford to buy it, and at worst it can cause harm by damaging local markets.¹¹

NGOs are often at the frontline of the international humanitarian response and may deliver up to 80 per cent of capacity.¹² NGOs have a wide diversity of expertise, often demonstrate considerable operational capacity, and can utilise valuable local knowledge. There is concern that the trend towards UN central funding (such as pooled funds, which do of course have benefits) may divert direct funding from NGOs and in that way undermine this significant proportion of the humanitarian response.

Oxfam recommends that:

- Donors adopt mechanisms that provide longer-term and more predictable funding to address both humanitarian needs and their causes;
- Tangible steps are taken in improving LRRD, with more funding specifically available for the transition phase;
- Donors increase their funding for disaster risk reduction and preparedness;
- In food crises, donors shift away from in-kind food aid towards responses that are more flexible and appropriate to the given situation, such as cash transfers;
- A balance is maintained between funding to relevant actors.

3.3. Allocation of humanitarian funding must be fair and according to need

As humanitarian aid has grown, strong disparities between the most- and least-funded emergencies have become starkly apparent. For example, Iraq received a larger share of DAC humanitarian funding in 2003 and 2004 than any other single country over the past ten years¹³. By contrast, the DRC often gets less than 60 per cent of its requirements.

Media pressure and political interests often guides funding. According to the 2006 World Disaster Report,¹⁴ the coverage of UN appeals closely mirrors media coverage, while aid per beneficiary decreases in line with lower media coverage.

Allocation of humanitarian aid according to need requires an effective, commonly used means of assessment. Some donors have their own methodology, such as ECHO's¹⁵ Global Needs Assessment method and the UN's Integrated Phase Classification model¹⁶. Many donors take part in joint assessments and use the analysis from others' assessments. Some donors prioritise 'forgotten emergencies'. However, aid decisions are not always transparent.

In 2006, the UN piloted common 'pooled' humanitarian funds in the DRC and Sudan – with donors providing un-earmarked funding to a central country pot, allocated by the UN humanitarian co-ordinator to priority

¹⁰ According the UN CAP

¹¹ See Oxfam's Policy Compendium Note on Food Aid at www.oxfam.org/en/files/oi_hum_policy_foodaid.pdf

¹² "Background Paper 2: Enhancing UN/Non-UN Engagement at Field Level", IASC/SCHR, July 3, 2006. Published following conference in Geneva, Switzerland "Enhancing the Effectiveness of Humanitarian Action: A Dialogue between UN and non-UN Humanitarian Organisations, 12-13 July 2006"

¹³ However humanitarian funding has now reached dangerously low levels given the enormous and growing needs in Iraq. See the Oxfam and NCCI's Briefing Paper 'Rising to the Humanitarian Challenge in Iraq at:

http://www.oxfam.org.uk/resources/policy/conflict_disasters/downloads/bp105_iraq.pdf

¹⁴ www.ifrc.org/publicat/wdr2006/index.asp

¹⁵ The EC Humanitarian Aid Department (http://ec.europa.eu/echo/index_en.htm)

¹⁶ The FAO Integrated Phase Classification (IPC) model is increasingly considered as a tool to inform decisions on appropriate allocation of global resources according to needs. Oxfam is participating in further testing of this tool.

needs identified in the field. Many stakeholders are positive about the principle of these mechanisms, and the increased donor funding they have attracted. However, there are significant concerns including lack of transparency and shortcomings in the prioritisation process. In order to address this, it is essential that NGOs as the primary providers of immediate humanitarian assistance are fully involved. This includes effective and inclusive implementation of the UN 'cluster' system for sectoral co-ordination,¹⁷ which is becoming more integral to UN funding allocation.

Oxfam recommends that:

- Donors allocate humanitarian funding according to need;
- Donors co-ordinate effectively to ensure global humanitarian funding needs are met;
- Donors increase their commitment to funding 'forgotten crises';
- A more effective mechanism for measuring overall humanitarian funding needs is put in place;
- The UN CERF and Pooled Fund mechanisms are made more transparent and efficient, with standardised inclusion of NGOs in decision-making and prioritisation.

3.4. Humanitarian funding must be timely and efficient

Humanitarian disasters, by their very nature, require a rapid and appropriate response. In many cases, funding is received well after the height of the crisis, or fails to respond to real needs. For example, many agencies receiving Pooled Fund or CERF money in 2006 in the DRC confirmed to Oxfam that there was a delay of 3–6 months between the initial needs-identification and disbursement of money.

Some donors have rapid funding mechanisms, such as ECHO's Primary Emergency funding. Many donors are able to give informal commitments before a funding contract is signed. However, donors rarely fund needs assessments, and many humanitarian agencies do not have sufficient funds to pre-finance a response.

Efficient aid requires the number of links in the chain from source to beneficiary to be minimised. Adding a link to that chain must be balanced with an immediate benefit. The CERF and Pooled Fund in the DRC have the potential benefit of making available larger amounts of funding from one source on the basis of a commonly agreed assessment, rather than smaller amounts from several sources. However, too much time and money is wasted as the funds move from one agency to the next before reaching the beneficiaries, and NGOs cannot currently access the CERF directly.

Some donors are looking for ways to cut the administration costs of providing separate humanitarian grants to individual agencies. For example, in Liberia DFID¹⁸ is piloting a model of financing the water, sanitation, and hygiene (WASH) sector through Oxfam, who in turn distribute the funding to other agencies. Donors and NGOs need to engage on new models of funding in a coordinated way.

A key practical challenge to agencies is the variety of different donor-reporting requirements. Accountability is essential at all levels – to the people on the ground we are helping, to our donors and to the taxpayers whose money donor governments are entrusted with. It is recognised that donor formats are often determined by national government financial regulations, yet a real commitment towards more consistent formats and procedures is essential to enable humanitarian actors to report to donors more efficiently. This is in line with the GHD principles, and would result a greater global impact as well as increased cost-effectiveness.

Oxfam recommends that:

- Humanitarian funding is allocated and disbursed swiftly;
- Humanitarian funding takes the most direct route possible to get to those in need in order to achieve maximum impact on the ground;
- UN CERF and Pooled Funds are disbursed more quickly, and eventually NGOs access CERF funding more directly;
- Donors continue dialogue with NGOs on new mechanisms for more efficient direct funding of NGOs, such as flexible annual humanitarian grants;
- Donors streamline their formats and requirements, to enable more efficient reporting and better analysis of impact.

¹⁷ See the Oxfam Policy Compendium Note on Humanitarian Co-ordination:

www.oxfam.org/en/files/oi_hum_policy_coordination.pdf

¹⁸ UK Government Department for International Development (<http://www.dfid.gov.uk/>)