NORWEGIAN REFUGEE COUNCIL

BRIDGING THE NEEDS-BASED FUNDING GAP: NGO FIELD PERSPECTIVES

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Lydia Poole
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Independent study commissioned by NRC

NORWEGIAN
REFUGEE COUNCIL

RESEARCHED AND WRITTEN BY: Lydia Poole (lydiapooleconsulting@gmail.com)

Lydia Poole is an independent humanitarian consultant specialising in international financing for humanitarian action. She has worked for international non-governmental organisations and the United Nations in Sierra Leone, Sudan, South Sudan and Myanmar, and formerly led the Global Humanitarian Assistance programme at Development Initiatives.

EDITOR: Cherry Ekins

EDITORIAL SUPPORT: Anike Doherty
COVER AND BACK PAGE PHOTOS BY: Christian Jepsen, NRC
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The **Norwegian Refugee Council** (NRC) is an independent, international, humanitarian non-governmental organisation which provides assistance, protection and contributes to durable solutions for refugees and internally displaced people worldwide.

For more information, please contact Anike Doherty at anike.doherty@nrc.ch or visit us at **www.nrc.no**.

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The study aims to contribute to ongoing efforts by humanitarian actors to improve support for needs-based humanitarian action. It provides an overview of current funding trends and existing and potential threats to needs-based funding, as well as practical recommendations to donors, the United Nations (UN) and fund managers, and non-governmental organisations (NGOs) to strengthen needs-based funding. Findings reflect the experiences of NGOs in Pakistan, South Sudan and Somalia.

This research was conducted by Lydia Poole, with coordination support from Christina Bennett (independent consultant), Kathleen Maes (formerly NRC), and Anike Doherty and Ingrid Macdonald (NRC).

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FOREWORD

Over the last 10 years, since I first initiated the humanitarian reform in 2005 as UN Emergency and Relief Coordinator, we have substantially enhanced our tools, systems, partnerships and coordination in the area of humanitarian financing. The ways in which we assess the needs of populations, prioritise, monitor results, mitigate risks and report to donors has become more accountable, cooperative and effective. Pooled Funding Mechanisms and funding appeals have also produced more rapid, targeted and predictable funding of humanitarian response. The Transformative Agenda, spearheaded by the current Emergency and Relief Coordinator, Valerie Amos, is further enhancing the timeliness and effectiveness of humanitarian financing, especially with the largest Level 3 emergencies.

However, important challenges remain. As 2014 begins, there are four declared "Level 3 global emergencies" – Syria, the Central African Republic, the Philippines Haiyan response and South Sudan. Numerous less-visible emergencies also continue to generate immense suffering for populations affected by these often protracted crisis. Whilst distinct in their scale, cause and impacts, all require adequate funding to support humanitarian operations. As a result, in 2014 we will witness the largest humanitarian appeal in history. A test to the current financing system. NGOs will be a frontline responder in these crises.

NGOs are the second recipients of international humanitarian aid globally after multilateral organisations, and received over USD 8 billion in funding from official and private sources in 2011. Yet, NGOs still face challenges with accessing timely, predictable and adequate funding, including compliance with donor conditions which can significantly impact the ability of NGOs to undertake operations safely, effectively and in an impartial manner.

This study "*Bridging the Needs-Based Funding Gap : NGO Field Perspectives*", highlights how donors and humanitarian actors can contribute to strengthen humanitarian financing systems and in particular, needs-based funding for NGOs as humanitarian responders. It explores different areas including coordination and burden-sharing, prioritization and needs-analysis processes, risk reduction and resilience, funding mechanisms, and accountability.

With trends such as growing needs and complexity of crises, climate change, population growth, and increased urbanization, humanitarian operations will need to adapt - as will the humanitarian financing system. This report provides concrete recommendations, which if implemented, will tangibly contribute to adaptations by improving funding for humanitarian action and our ability to meet the needs of affected populations. I am grateful to Lydia Poole, the Norwegian MFA and my NRC colleagues for realizing this important report.

Jan Egeland

Jan Egeland
Secretary General
NRC

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EXECUTIVE SUMMARY

The humanitarian imperative to respond, or in the case of donors to fund, on the basis of needs is critical to realising humanitarian commitments to provide protection and assistance in an impartial manner. These commitments are codified in a number of frameworks, including the Code of Conduct for the International Red Cross and Red Crescent Movement and Non-Governmental Organizations in Disaster Relief, the Humanitarian Charter and Minimum Standards in Humanitarian Response, the Principles and Good Practice of Humanitarian Donorship (GHD) and the European Consensus on Humanitarian Aid.[1] As front-line responders and the interface between the international response architecture and crisis-affected people, the role of NGOs in delivering on these commitments is pivotal.

In the last ten years a great deal of effort and resources has been invested by humanitarian organisations and donors to improve the evidence base on which decisions are made, with the intention of building mechanisms for inclusive dialogue, and developing shared analysis of needs and mechanisms and approaches to enable flexible, rapid and impartial humanitarian funding. The required knowledge and principles exist to make needs-based humanitarian funding a reality. In practice, however, funding levels across different crises are often disproportionate, funding for protracted crises is periodically volatile and NGOs often struggle to piece together adequate and sufficiently enabling funds to respond to new needs and sustain programmes to meet ongoing needs.

The following are major contributing factors to the uneven achievement of a collective needs-based financing response.

AN INCOHERENT DIVISION OF LABOUR

Funding allocations suffer from an unresolved "collective action" problem. While individual donors may make rational choices based on institutional preferences and priorities, these do not currently add up to coherent coverage of funding needs at the global level. Operational humanitarian organisations have responded to the need to coordinate their actions better,[2] however, no similar reform efforts have been launched within the donor community.

Humanitarian implementing agencies are in competition for limited resources, and the relationship between needs assessments and fundraising is an impediment to impartial analysis of needs. A rational division of labour among implementing agencies would require working according to the principle of subsidiarity.[3] To ensure that the organisations with the greatest comparative advantage to meet needs have access to required funding, international NGOs will increasingly have to adapt their modes of operation and work more collaboratively and transparently in partnerships and alliances, as well as taking on new responsibilities – including being fund managers in their own right.

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[1] The four commonly accepted humanitarian principles are humanity, impartiality, neutrality and independence. For a more detailed discussion of these principles, how they relate to these codes and frameworks, and challenges to principled humanitarian funding, see NRC's companion report "Tools for the Job" (Macdonald and Valenza, 2012).

[2] Notably the cluster coordination system.

[3] The concept of subsidiarity typically includes the notion that a central authority should perform only those tasks which cannot be handled at a more local level.

GAPS IN THE EVIDENCE BASE

Robust, comparable and comprehensive evidence is the fundamental basis underpinning impartial and proportionate resource allocation. Major progress has been made by a range of humanitarian actors to improve the evidence base for humanitarian needs – much of it as a result of both pressure and financial support from donors. Yet there remain "black holes" in the evidence base. Additional investments are needed in the capacity of humanitarian actors to understand crisis context and dynamics, to enable more contextualised and forward-looking judgements. Moreover, to support early action and crisis resilience, decision-makers will increasingly need to shift towards anticipatory and early-warning information in addition to traditional needs assessments.

BALANCING COMPETING CATEGORIES OF NEEDS AND EXPANDING HUMANITARIAN RESPONSIBILITY

The scope of humanitarian action described in the GHD principles is relatively wide-ranging and, in addition to responding to immediate material needs, includes humanitarian protection and actions to "*facilitate the return to normal lives and livelihoods*". As the scale, ambition and understanding of humanitarian action have expanded during the last 20 years, so too has our understanding of what constitutes a humanitarian need. The outer limits of the responsibility of humanitarian actors to respond have also grown.

Humanitarian needs are likely to continue to rise, and traditional donors are unlikely to be able to keep pace with the growth in demand for funding. Humanitarian actors will need to negotiate agreements on the limits of responsibility of humanitarian action with development, security and host-government counterparts. This will need to be based on a common commitment to prioritise the needs of crisis-vulnerable populations based on a shared understanding and analysis of risk.

ACCOUNTABILITY TO AFFECTED POPULATIONS

Humanitarian actors are not sufficiently accountable to affected populations. NGOs are investing in accountability at varying speeds and developing approaches in an uncoordinated manner. There is little leadership from clusters on good practices and common approaches to accountability, although the recent efforts of the Inter-Agency Standing Committee (IASC) Task Team on Accountability to Affected Populations, seek to improve this situation. While donors effectively rely on their implementing partners to deliver on commitments to be accountable, ensuring accountability to affected populations still appears to remain a much lower corporate priority than upward accountability.

A RENEWED COLLECTIVE COMMITMENT TO NEEDS-BASED FUNDING

To address and correct these challenges, a renewed commitment by humanitarian organisations and donors to the principles and practices that are fundamental to operating – and funding – in an impartial manner is suggested.

Drawing on ten years' experience of implementing the GHD principles and with reference to subsequent complementary sets of principles and commitments, including the Principles of Partnership and IASC commitments to accountability to affected populations, a robust and principled needs-based decision-making process would require humanitarian actors to:

- support burden sharing through active coordination, transparency and support to global burden-sharing financing mechanisms and organisations
- base decisions on evidence and invest in the generation of evidence as a core component of humanitarian action
- build analysis and prioritisation of needs on inclusive dialogue with a range of stakeholders, including affected populations, humanitarian organisations, governments of affected states and private sector actors where appropriate
- support principled partnerships with implementing

organisations rooted in mutual respect and dialogue
- invest in mechanisms and humanitarian response capacities which permit timely humanitarian action
- build more flexible mechanisms which can adapt to changing needs
- support accountability by being more transparent about the rationale, justification and terms on which decisions are made, and demanding the same of partners throughout the programme cycle
- build mechanisms which are enabling and support diversity within the humanitarian community based on the principle of subsidiarity
- consider transition, risk reduction and resilience from the outset of a response.

Note that more detailed recommendations are included in the Recommendations section of the report (see pages 51-53).

DONORS

- Improve coordination at the global level to facilitate a rational division of labour, sharing of needs analysis and coverage of gaps. This could be achieved through the development of an operational coordination cell within the GHD initiative.
- Commit to publishing policy priorities and criteria and the rationale and evidence applied to actual funding decisions transparently and in a timely fashion.
- Support NGO-led initiatives and funding mechanisms to advance funding to front-line responding agencies, including local and national NGOs.
- Coordinate and streamline due diligence requirements to lessen the burden of proliferating controls, and provide clearer guidance to NGOs on the extent of liability and the circumstances under which sanctions would be affected.

NGOs

- Reduce competition by working more closely together and in partnership where possible, in accordance with the principle of subsidiarity and recognising comparative advantages.
- Take up existing and new opportunities for NGO representation in clusters, pooled-fund advisory boards and humanitarian country teams.
- Invest in and share experiences of approaches to managing fiduciary and programmatic risk, particularly in remotely managed operations, and propose common approaches to verification and feedback.

UN AGENCIES AND FUND MANAGERS

- Continue to improve the timeliness and flexibility of pass-through funding and in particular allow greater flexibility within budgets and longer implementation time frames, according to the requirements of the context.
- Ensure that the criteria against which funding decisions are considered in pooled-funding allocation processes are published transparently and the decisions are publicly justified.
- Work with donors and partners to agree on minimum standards for partner reporting to streamline requirements across the accountability chain.

IASC MEMBERS

- Ensure that the unique contribution and financing requirements of NGOs are adequately represented and visible in coordinated funding appeals, that the consolidated appeals process retains a robust and inclusive prioritisation system and that NGOs do not suffer a reduction in funding as a consequence of current appeal reforms.
- Use the current Transformative Agenda focus on accountability to affected populations and the existence of the IASC task team to develop tools to ensure that the priorities and concerns of affected populations are built into coordinated needs assessments and decision-making processes.

1. INTRODUCTION

The existing system of global humanitarian response is immersed in a period of reflection and reform. Global demographic, economic and climatic changes indicate that humanitarian needs are likely to grow in both disbursed small-scale disasters and large-scale major crises. The contexts in which humanitarian actors respond are also changing and are increasingly likely to be in middle-income countries and urban settings,[4] where governments have a greater capacity and often desire to direct and control international humanitarian action. Humanitarian access in Syria, for example, is strictly controlled in government-held areas and subject to "compromises and accommodations" (Parker, 2013), illustrating starkly the difficult reality of principled humanitarian action in tightly regulated environments.

The scale of humanitarian action has grown significantly in the last 20 years,[5] and the scope of ambitions continues to expand as humanitarian actors look to invest more in prevention, preparedness and building resilience to disasters. In light of these changes, the boundaries of principled humanitarian action are evolving, including what constitutes a "humanitarian" need, the shape of appropriate financing and programmatic responses, and, ultimately, determining whose responsibility it is to respond.

The commitment to respond on the basis of needs is a constant work in progress. As front-line responders and the interface between the international response architecture and crisis-affected people, NGOs can make valuable contributions in identifying, assessing, advocating for and ultimately delivering responses to meet humanitarian needs. In practice, however, NGOs often struggle to piece together timely, adequate and sufficiently enabling funds to respond to new needs and sustain programmes to meet ongoing needs. In these areas humanitarian organisations and their donors can do better.

In this context the Norwegian Refugee Council, with the support of the Norwegian Ministry of Foreign Affairs, commissioned this study to identify current and emerging threats to principled needs-based humanitarian funding, particularly from the perspective of NGOs. The report provides a detailed overview of the current funding landscape and recommends a series of practical measures for donors, the UN and fund managers, IASC members and NGOs to strengthen needs-based funding.

The content and emphasis in priority in issues discussed draw heavily on interviews with front-line humanitarian organisations, coordinating actors and donors responding to humanitarian crises in Pakistan, Somalia and South Sudan. The report therefore does not claim to represent the concerns and challenges of all crises or even a particular "type" of crisis, but is intended as a contribution to an ongoing discussion from the perspective of front-line agencies.

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[4] For example, Kent and Obrecht (2013) note that: "The enhanced presence and influence of local and national authorities is a well-noted feature of urban areas that distinguishes it from 'typical' rural humanitarian response contexts. This presents a level of complexity that can be overwhelming for humanitarian actors… effective response and recovery in an urban setting requires a longer-term presence and familiarity with the relevant governance and power structures."

[5] Official funding for humanitarian action has grown more than fourfold (in real terms), for example, from US$3.6 billion in 1990 to $14.5 billion in 2012 (Development Initiatives based on OECD-DAC; using 2011 constant prices).

1.1 METHODOLOGY

Semi-structured interviews were conducted between August and October 2013 with 67 representatives of NGOs (both national and international), UN agencies and coordinators (including the UN Office for the Coordination of Humanitarian Affairs (OCHA), cluster leads and NGO coordination entities) working in Pakistan, Somalia and South Sudan and in donor capitals and international coordination hubs.

Interviews were conducted around a set of predefined questions, clustered around the themes of quality of evidence of needs; issues on coordinated analysis and action; political influences in decision-making processes; and inclusion, accountability and risk management. Questions were tailored to specific interlocutors. By prior agreement, conversations were confidential and are therefore not attributed to individuals or organisations to permit the most candid responses.

In addition to interviews in-country and in donor capitals, financing data analysis and literature reviews were conducted. The study also benefited from the support of an advisory group composed of NGO, donor and UN representatives from field and headquarters levels.

1.2 SITUATING THE COMMITMENT

Humanitarian action undertaken on the basis of needs is what separates humanitarian aid from other forms of aid, and is central to operationalising commitments to provide humanitarian assistance in an impartial manner. Impartiality is a core humanitarian principle, codified in frameworks such as the Code of Conduct for the Red Cross and NGOs,[6] the Sphere Humanitarian Charter (Sphere Project, 2011), the Principles and Good Practice of Humanitarian Donorship (GHD) and the European Consensus on Humanitarian Aid (see Table 1). These commitments exist against the backdrop of international humanitarian law, wherein the character of humanitarian activity envisaged in the Geneva Conventions is "impartial" and provided "without adverse distinction".[7]

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[6] Code of Conduct for the International Red Cross and Red Crescent Movement and Non-Governmental Organizations (NGOs) in Disaster Relief, 1994.

[7] For example, Article 10 of Convention (IV) relative to Protection of Civilian Persons in Time of War (Geneva, 12 August 1949) states that: "The provisions of the present Convention constitute no obstacle to the humanitarian activities which the International Committee of the Red Cross or any other *impartial humanitarian organization* may, subject to the consent of the Parties to the conflict concerned, undertake for the protection of civilian persons and for their relief." (Emphasis added.)

Crises affect individuals differently depending on their socio-economic status and physical characteristics, and it is a commonly accepted principle[8] that assessments and response must be impartial (not discriminatory) and include efforts to differentiate levels of risk and vulnerability. Targeting assistance towards the most vulnerable, seeks to ensure that those individuals or groups within an affected population whose needs may be greatest and/or are more likely to be otherwise excluded or marginalised receive adequate and appropriate assistance. Targeting on the basis of vulnerability therefore represents an important component of an impartial needs-based approach.

In 2012 95 per cent of humanitarian financing tracked in the OCHA Financial Tracking Service (FTS) was provided by the 41 members of the GHD initiative (Scott, 2013). GHD General Principle 6 to “allocate humanitarian funding in proportion to needs and on the basis of needs assessments” therefore applies to the overwhelming majority of humanitarian financing decisions.

The GHD commitment to fund on the basis of needs exists alongside a set of recommended good practices which facilitate needs-based funding allocations. This includes the need for donors to “contribute responsibly” on the basis of burden sharing and avoid favouring new crises to the disadvantage of pre-existing needs. The good practices outlined also seek to enhance the quality of funding from the perspective of recipient agencies, notably encouraging donors to reduce earmarking and ensure predictability and flexibility.

The means by which to achieve a needs-based approach to allocating funding is left to the discretion of individual donors, and there are many possible approaches. Indeed, in the ten years since the creation of the GHD principles a great deal of effort has been invested by donors, the UN and NGOs to improve financing processes, mechanisms and the evidence base on which decisions are made.

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[8] For example, the IASC (2012) Operational Guidance for Coordinated Assessments in Humanitarian Crises describes “vulnerable groups” as “Categories of displaced persons with special needs, variously defined to include: unaccompanied minors, the elderly, the mentally and physically disabled, victims of physical abuse or violence and pregnant, lactating or single women”, and under Principle 7 recommends that “Special arrangements should be made to ensure that information collection is sensitive to specific types of vulnerabilities.”

TABLE 1: KEY HUMANITARIAN PRINCIPLES, COMMITMENTS, INITIATIVES AND REFORMS

	COMMITMENTS AND PRINCIPLES	INITIATIVES AND REFORMS
1991	UN General Assembly (GA) Resolution **46/182** Strengthening coordination of UN humanitarian emergency assistance. Asserts guiding principles, including commitment to humanitarian ideals of humanity, neutrality and impartiality, and calls for UN to play "a central and unique role" in providing leadership and coordinating efforts of the international community to support affected countries. Also defines responsibilities of Emergency Relief Coordinator, provides for establishment of IASC and constitutes consolidated appeals process (CAP) and Central Emergency Revolving Fund.	
1992		Establishment of UN OCHA FTS, a "global, on-line, real-time database of humanitarian funding needs and international contributions. It serves to improve resource allocation decisions and advocacy, by clearly indicating to what extent populations in crisis receive humanitarian aid, and in what proportion to needs."
1994	**Principles of Conduct** for the International Red Cross and Red Crescent Movement and NGOs in Disaster Response Programmes agreed by eight of the largest humanitarian agencies. Principle 2: Aid is given regardless of the race, creed or nationality of the recipients and without adverse distinction of any kind. **Aid priorities are calculated on the basis of need alone.**	
2000	**Sphere Humanitarian Charter** "Assistance must be provided according to the principle of **impartiality**, which requires that it be provided solely on the basis of need and in proportion to need."	
2003	**Principles and Good Practice of Humanitarian Donorship** agreed by 17 donors (41 signatories in 2013). General Principle 6: **Allocate humanitarian funding in proportion to needs and on the basis of needs assessments.**	
2004		Humanitarian Aid and Civil Protection Department of European Commission (ECHO) develops forerunner of **Global Needs Assessment** vulnerability and crisis calibration index and forgotten crises assessment index.

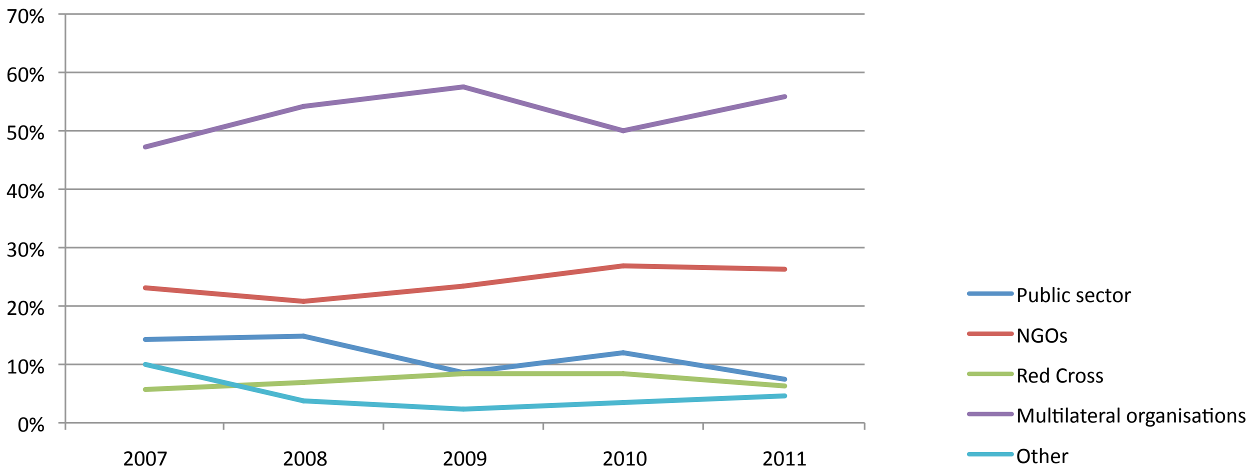
	COMMITMENTS AND PRINCIPLES	INITIATIVES AND REFORMS
2005	**UN GA Resolution 60/124**, upgrading Central Emergency Revolving Fund to Central Emergency Response Fund (CERF), adding a grant element with annual target ceiling of $450 million to “ensure a more predictable and timely response to humanitarian emergencies, with the objectives of promoting early action and response to reduce loss of life, enhancing response to time-critical requirements and strengthening core elements of humanitarian response in underfunded crises, based on demonstrable needs and on priorities identified in consultation with the affected State as appropriate”. **Hyogo Framework for Action 2005–2015:** Building the Resilience of Nations and Communities to Disasters Recommendations for resource mobilisation for implementation include “Mainstream disaster risk reduction measures appropriately into multilateral and bilateral development assistance programmes including those related to poverty reduction, natural resource management, urban development and adaptation to climate change.”	Humanitarian Reform process initiated to improve effectiveness of response through greater predictability, accountability and partnership. Reform comprised four main pillars: strengthened coordination through cluster approach; stronger humanitarian leadership among coordinators; **adequate, timely, flexible and predictable humanitarian financing**; and strengthened partnerships between UN and non-UN actors.
2006	UN GA Resolution **A/RES/60/195** endorses Hyogo Framework for Action and emphasises the “need for the international community to maintain its focus beyond emergency relief and to support medium- and long-term rehabilitation, reconstruction and risk reduction, and stresses the importance of implementing programmes related to the eradication of poverty, sustainable development and disaster risk reduction management in the most vulnerable regions, particularly in developing countries prone to natural disasters”.	

2007	**Principles of Partnership**, a "statement of commitment" from the Global Humanitarian Platform, intended to bring together UN and non-UN humanitarian organisations on an equal footing. Participating organisations commit to build partnerships based on equality, transparency, a result-oriented approach, responsibility and complementarity. **European Consensus on Humanitarian Aid** agreed by European Parliament, Commission and Council, defining common objective and scope of European Union (EU) humanitarian action, common principles and good practice and establishing a common framework for delivery. Includes: Point 8: **The objective of EU humanitarian aid is to provide a needs-based emergency response** aimed at preserving life, preventing and alleviating human suffering and maintaining human dignity wherever the need arises if governments and local actors are overwhelmed, unable or unwilling to act. Point 13: Impartiality denotes that humanitarian aid must be provided solely on the basis of need, without discrimination between or within affected populations.	
2011		**IASC Transformative Agenda** continues UN-led Humanitarian Reform agenda and focuses on: • strengthening leadership capacities • improved strategic planning; strengthened needs assessment, information management, planning, monitoring and evaluation • improved cluster coordination, performance • enhanced accountability for collective results, based on a performance framework linked to the strategic plan • strengthened accountability to affected communities. **IASC Commitments to Accountability to Affected Populations** agreed by IASC Taskforce on Accountability to Affected Populations, including commitments on leadership/governance; transparency; feedback and complaints; participation; design, monitoring and evaluation.
2013		Reform of UN CAP initiated as part of IASC Transformative Agenda. Includes sequential separation of needs analysis, strategic planning and fundraising elements.

2. THE STATUS OF NEEDS-BASED FUNDING FOR NGOs

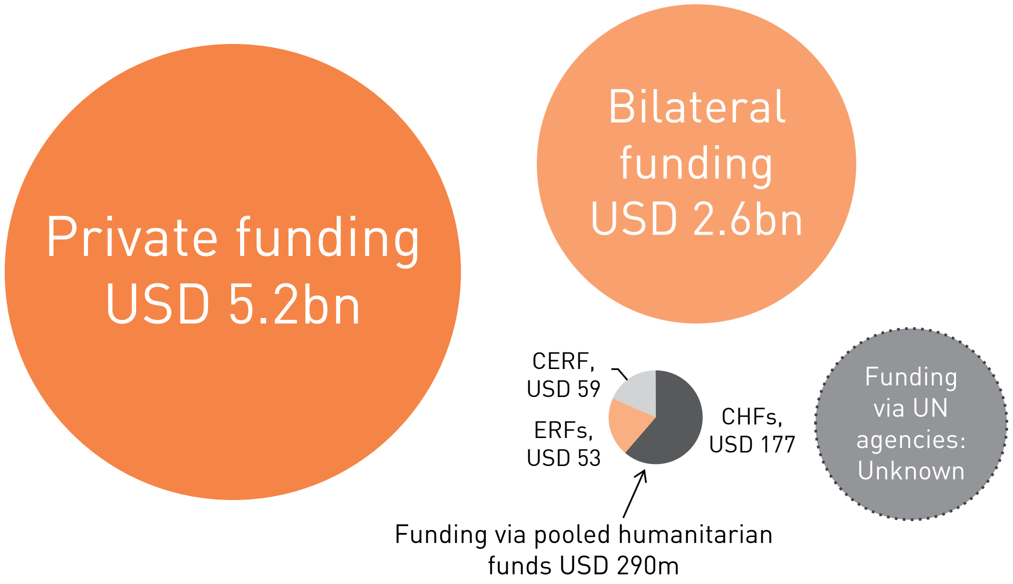
NGOs received almost a quarter of recorded funding from bilateral and private donors between 2007 and 2011. Their share of the total is in reality higher if one takes into account funding received indirectly via pooled humanitarian funds and UN agencies.

FIGURE 1: FIRST-LEVEL RECIPIENTS OF INTERNATIONAL HUMANITARIAN AID, 2007–2011



Source: Development Initiatives, based on OECD-DAC and OCHA FTS data

FIGURE 2: MAJOR SOURCES OF HUMANITARIAN FUNDING FOR NGOs IN 2011



Source: Based on OCHA FTS and OECD-DAC data, UN CERF annual analysis of implementing partner sub-grants and research carried out by Development Initiatives into private funding for humanitarian action. Note that the volumes of humanitarian funds sub-granted to NGOs from UN agencies are not published publicly.

However, NGOs struggle to piece together sufficient funds to sustain organisational presence and programming across a proliferation of funding mechanisms, each with different application requirements, policy priorities and preferences. Obtaining funding to address the needs identified is, in the words of one NGO representative, “like a game of tetris” (Saslawsky, 2012). Securing funding which is sufficiently flexible to enable response to needs remains a major challenge for operational NGOs.

Response in the early stages of a crisis can significantly reduce suffering and loss of life and livelihoods, and enable considerable cost-efficiency gains.[9] Funding for early action is extremely difficult to secure, however, particularly in slow-onset crises, evidenced by the slow donor response in the Horn of Africa in 2011 (Hillier and Dempsey, 2012), where particularly in Somalia “earlier action could have prevented or at least substantially mitigated the worst aspects of the crisis” (Darcy et al., 2012a). The continued practice of appealing for funds reinforces this tendency towards gearing up responses based on late indicators of need, when crises have already escalated.

A lack of predictable and flexible funding is a barrier to effective and efficient response to needs, particularly but not only in protracted crises, which account for the majority of international humanitarian financing. In 2011, for example, 55 per cent of total official humanitarian aid was spent in countries considered to be “long-term recipients” of such aid.[10] In the words of one NGO representative in South Sudan, “more predictable funding is the answer to almost everything”, and indeed there is evidence to suggest that in addition to improved humanitarian outcomes, substantial cost-efficiency gains and an enhanced capacity for early action would result from more predictable funding (Cabot-Venton, 2013). However, much of the funding for operational humanitarian agencies continues to be available on a 12-month basis (shorter in the case of rapid-response funds).

The next section considers current challenges faced by NGOs in securing funds to respond to humanitarian needs across their major funding sources.

2.1 BILATERAL FUNDING

The single most important source of funds for the majority of NGOs is bilateral funding from government donors and regional entities such as ECHO. The disproportionate allocation of bilateral funds across crises and volatile funding flows within crises represent the biggest overall challenge for NGOs to finance needs-based humanitarian action, and indeed to affected populations in realising their rights to assistance. This is perhaps the largest unaddressed area of reform in the international humanitarian architecture.

Bilateral donors have invested in a variety of new approaches and mechanisms during the last decade to improve the quality of humanitarian funding in accordance with their commitments to the GHD principles. These include developing internal rapid-response mechanisms, helping to develop and contributing to external pooled humanitarian funds and developing more predictable and flexible funding mechanisms. There is still a long way to go, however, in extending these improvements across the majority of bilateral funding, and into the funds passed on to intermediary partners.

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[9] A recent study found that early action resulted in a mean reduction in cost of 40 per cent across five case study countries (Bangladesh, Ethiopia, Kenya, Mozambique and Niger) (DFID, 2013).

[10] As per Development Initiatives’ methodology, these are countries which received an above-average share of their annual official development assistance in the form of humanitarian aid for eight or more years.

Some of the gains from more flexible financing in particular are at risk of being partially offset by growing reporting requirements and controls, and the need for implementing agencies to navigate a “proliferation of funding mechanisms” (Inomata, 2012). There is also a risk that trends towards greater consolidation and control of financing could reduce the capacity of humanitarian actors to reach populations most at risk.

BURDEN SHARING AND A PROPORTIONATE RESPONSE

The majority of the NGOs consulted in Pakistan, Somalia and South Sudan considered that funding decisions at the global level were often heavily influenced by non-needs-based considerations. The effects are evident in the wide disparities in funding against requirements across UN appeals at the global level. For example, the UN consolidated appeals for the occupied Palestinian territories and Afghanistan, which had similar overall funding requirements in 2012, respectively received 72 per cent and 50 per cent of the funds required. They are also evident in the fluctuations in funding to particular crises over time, whereby funds are abundant when a crisis is highly visible or of strategic concern, but may drop off rapidly thereafter. For example, the 2010 flash appeal for the response to the Haiti earthquake received 73 per cent of its financing requirements as well as US$2.4 billion in funding outside the appeal. But just 56 per cent of Haiti’s appeal requirements were met in 2011, and by 2012 financing had fallen to only 47 per cent of requirements.

Coordination among donors remains a major challenge in achieving a proportionate collective needs-based response. While operational humanitarian organisations have adapted to the requirement to coordinate their actions, no equivalent reform for strengthening donor coordination has taken place.

The commitment to fund on the basis of needs applies to individual donors, and while donors are encouraged to support “burden sharing” there are no specific expectations as to how this should be achieved. No donor could reasonably and effectively respond to needs in every crisis, so choices must be made. There may be powerful incentives for donors to prioritise the needs of particular crises on the basis of public opinion, historic ties or links to wider governmental policy priorities. This may include responding in crises where a donor has a significant existing development investment or strategic interests, such as an interest in improving stability in fragile and conflict-affected states. The incentives to determine priorities for response on an individual basis, which may accrue certain benefits to the donor, often outweigh the incentives to coordinate and cover gaps in a disinterested manner, particularly for those donor agencies which have less independence of decision-making and where domestic public support for humanitarian aid is lower.

The supply of official humanitarian aid from bilateral donors is also heavily concentrated, with the leading ten donors providing over 80 per cent of the total between 2008 and 2012. The United States alone provided almost a third. Where a single donor provides a large proportion of the total funds and then withdraws or reduces its support,[11] it may be extremely difficult for other donors to close ranks to cover gaps.

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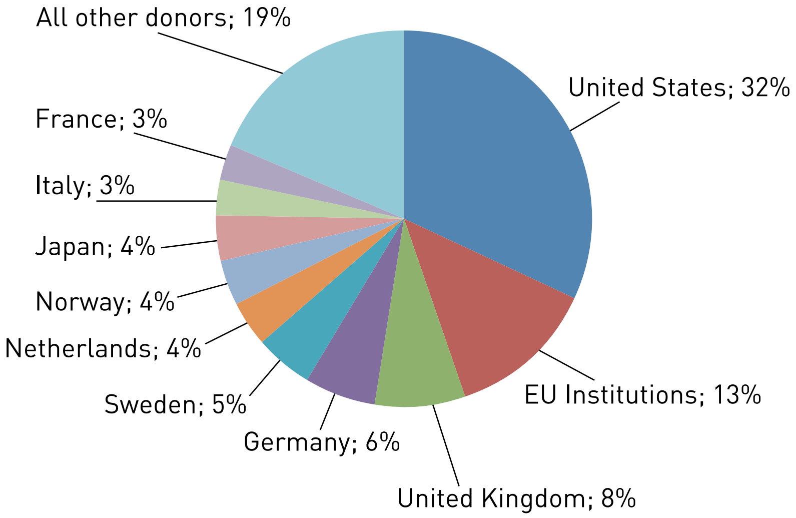
[11] In late 2009 over $50 million of US humanitarian assistance programmed for Somalia through the US Agency for International Development (USAID) and its Office for Foreign Disaster Assistance was suspended on the orders of the US Treasury Department’s Office of Foreign Assets Control, out of concern that it was at risk of benefiting al-Shabaab, and over allegations of fraud (Bradbury, 2010). This led to “a drastic fall in donor cash and in-kind contributions to WFP’s operations in Somalia” (WFP, 2012a).

FIGURE 3: PROPORTION OF TOTAL OFFICIAL HUMANITARIAN AID PROVIDED BY THE LEADING TEN BILATERAL DONORS, 2008–2012

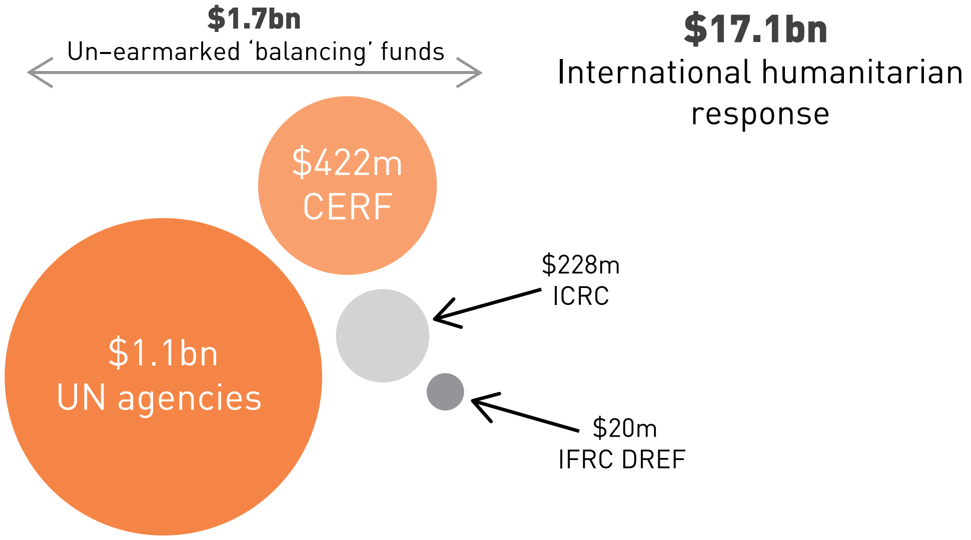


Source: Development Initiatives based on OECD-DAC data.

Funding allocations also suffer from an unresolved "collective action" problem, whereby the individual choices of donors do not add up to coherent coverage of funding needs at the global level.

To smooth some of the effects of the sum of individual donor financing decisions, many donors channel a proportion of their funds as unearmarked or lightly earmarked contributions to organisations and mechanisms to which they entrust responsibility for impartial needs-based funding decisions. In 2012, 10 per cent of the total funds recorded from institutional and private donors were provided as unearmarked contributions to UN agencies and CERF, the International Committee of the Red Cross (ICRC) and the International Federation of Red Cross and Red Crescent Societies (IFRC) Disaster Relief Emergency Fund.

FIGURE 4: UNEARMARKED OR LIGHTLY EARMARKED FUNDING CHANNELLED TO ORGANISATIONS, AGENCIES AND FUNDS WITH GLOBAL REACH, 2012



Source: Development Initiatives based on OECD-DAC and OCHA FTS; UN CERF; IFRC and ICRC annual reports. Note that unearmarked funds for UN agencies comprise multilateral official development assistance contributions to the Office of the UN High Commissioner for Refugees (UNHCR), the UN Relief and Works Agency and the World Food Programme (WFP), where contributions to WFP have been adjusted by Development Initiatives to reflect its estimation of the proportion of WFP's expenditure on humanitarian activities. This graphic is for illustrative purposes, and there will be inconsistencies in categorisation across sources.

These global-level "balancing mechanisms" are, however, insufficient in scale to compensate for the preferences and practices of the bilateral funding decisions taken by donors. And there is a clear gap in access to financing through global balancing mechanisms for NGOs – funds channelled indirectly to NGOs via CERF and UN agencies have major drawbacks in terms of timeliness and flexibility.[12]

The broader and fundamental problem is a lack of coordination and burden sharing among donors. While like-minded donors may coordinate their responses informally, as a recent review of GHD donor performance against its principles notes, "funding allocation decisions are currently being made in isolation – there is no forum to discuss donor funding intentions and there are no discussions between donors about division of labour" (Scott, 2013).

Addressing the gap in donor coordination ought to be the core business of the GHD group. According to a recent review commissioned by the group, however, it has undergone a shift from "what was intended to be an informal but vigorous platform for inter-governmental policy dialogue to essentially a Geneva-based information exchange mechanism with a very limited strategic role" (GHD, 2013). GHD's own subsequent review of performance against the principles finds there is scope for the group to be the forum for "co-ordinating donor funding intentions, perhaps in response to the annual CAP launch, and for major new crises" (Scott, 2013).

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[12] It should be noted that ECHO is the recipient of unearmarked funds from EU member state governments, and it could be argued that it forms part of the global suite of "balancing mechanisms", although contributions from member states are based on assessed contributions to the EU rather than being voluntary, as is the case with the other mechanisms described. ECHO funding constituted nearly 10 per cent of total international humanitarian aid in 2012, and 47 per cent of its funding was allocated to international NGOs.

BALANCING FLEXIBILITY, CONSOLIDATION AND CONTROL

There are many examples of good donor practice at the global level, and at the crisis level donors tend to follow conscientious needs-based approaches. Donors with an in-country presence, in particular, were considered by NGOs to be relatively flexible and responsive to needs. But there are potential risks that concentrating bilateral funding within a smaller pool of partners and crises may not always ensure that funding is directed to those best able to respond to needs and could contribute to a shrinking of humanitarian response capacity in some of the hardest-to-reach areas.

CASE STUDY 1

EXAMPLES OF DONOR PRACTICES TO FACILITATE ANALYSIS/PRIORITISATION OF NEEDS, FLEXIBILITY AND TIMELINESS

A growing number of donors include NGO and multilateral partners in their needs analysis and prioritisation, and are developing mechanisms and funding approaches designed to facilitate flexibility and timeliness.

Australia, ECHO, Germany, Luxembourg, New Zealand and Norway hold regular structured and informal dialogues with their major multilateral and NGO partners in the process of determining their funding priorities (OECD-DAC, 2012).

Australia, Denmark, Finland, Ireland, Italy, Sweden and the UK have rapid-response and draw-down agreements with pre-accredited partners, allowing rapid agreement and disbursement of funds.

Australia, Denmark, Luxembourg, Norway, Spain and Sweden increasingly use multi-annual partnership agreements, and a number of donors also have partnership agreements with certain pre-selected NGO partners negotiated at the global level. The US pioneered “programme modifiers” in grants permit an adjustment of activities and budgets within pre-agreed parameters when pre-agreed thresholds of needs are breached.[13]

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[13] According to the USAID interactive online “Programme Cycle Learning Guide” (http://usaidlearninglab.org/learning-guide/example-program-modifier), “The program modifier is a provision included in a funding mechanism that is designed to allow flexibility without the need for modification to the mechanism. The program modifier stipulates circumstances under which the approach to achieving an objective can be altered, and the budget increased (up to 27%) to cover the change in approach, when certain conditions are met.” It is worth noting that concerns were raised by one NGO that the pre-agreed “modifiers” in its grant were too rigid and prescriptive in practice to serve the intended function. If, for example, the numbers of displaced people failed to reach a certain threshold, the modifier could not be triggered, despite there being an already significant level of needs.

While donors have been busy developing more enabling approaches to financing, many have also been consolidating their portfolios, reducing the number of countries they support with bilateral humanitarian aid. Sweden, for example, reduced its coverage from supporting 123 crises in 2011 to 22 in 2013 (OECD-DAC, 2013); in 2012, Spain worked in only ten countries, down from nearly 40 in 2011 (Institute of Studies on Conflicts and Humanitarian Action, 2013); and Denmark reduced its list of humanitarian partner countries to seven under its new humanitarian strategy for 2012 to 2015 (OECD-DAC, 2011). In many cases donors are also reducing the number of partner organisations they work with, and investing instead in longer-term strategic relationships with a limited number of accredited and trusted partners. As one donor representative in Pakistan noted, “we can’t continue to work the way we did ten years ago when we had hundreds of NGO partners, it’s just not practical”.

Consolidation has many potential benefits quite apart from reducing transaction costs for donors, including greater potential for programming at scale through larger partners and greater opportunities for meaningful dialogue between donors and a select number of trusted partners. Consolidation, however, also risks increasingly stacking the odds in favour of larger organisations. Smaller, specialised and local organisations that may have a variety of desirable comparative advantages – particularly with respect to technical expertise, access and accountability to affected populations – may risk being competed out of the market.

Perceptions of resource scarcity in relation to needs among NGO representatives interviewed varied significantly depending on the size of the organisation. Large NGOs were far less likely to express anxiety over funding shortfalls and are able to access the most flexible and predictable sources. The ten NGOs and NGO networks with the largest annual budgets, for example, have a total of 33 partnership and pre-negotiated agreements giving access to emergency response draw-down facilities with Australia, the UK, Denmark, Ireland, Norway and Sweden, compared with 13 agreements across the next ten largest NGOs.[14] Smaller organisations reported being obliged to respond to donor priorities and chase multiple smaller grants at the country level, which may include the least timely, least flexible, least principled and most administratively burdensome funding.

The effects of donors concentrating on a smaller number of countries cannot yet be determined, but there is a risk that smaller crises in particular could become “forgotten” by bilateral donors in their desire to consolidate.

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[14] NGO budget size is based on a list researched by Humanitarian Outcomes, with additional research drawn from NGO annual reports and using the latest available financial reports produced by NGOs. Details of partnership and framework agreements are derived from donor websites and direct correspondence with donors.

The ability of organisations to manage risk effectively is of increasing concern to donors at the global level, and NGOs' capacity to provide risk-management assurances is a key criteria in donor funding allocation decisions.

Failing to ensure appropriate targeting and control of resources runs substantial risks of "doing harm", including compromising respect for humanitarian principles and causing considerable reputational damage to humanitarian actors.[15] Gains from strengthened accountability include more effective humanitarian outcomes, greater efficiency and enabling organisations to detect problems early and adjust programming accordingly.

Excessive concerns with the ability to manage fiduciary risk and pressure to demonstrate results may, however, create disincentives to assist those whom it may be risky or costly to assist, and to implement programmes where results cannot be easily measured.

Donor-imposed counterterrorism measures have reportedly had a variety of detrimental impacts in Somalia and the occupied Palestinian territories, including "halts and decreases in funding to blocking of projects, suspension of programmes, planning and programme design not according to needs, as well as the slowing of project implementation" (Mackintosh and Duplat, 2013).

The growing burden of controls – and particularly counterterrorism measures – represents a considerable additional administrative cost for implementing agencies and may pose significant challenges to needs-based approaches. These include influencing the availability and timeliness of funding (see case study example below) and impacting on the ability of responding agencies to select partners and target populations on the basis of needs.[16]

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[15] Notably among donor tax-paying publics

[16] For example, Mackintosh and Duplat (2013) describe donor conditions restricting assistance to beneficiaries in areas and structures under Hamas control in the occupied Palestinian territories: "USAID-funded NGOs stated that they have geographic limitations, and are only allowed to work with a small number of municipalities in the Gaza Strip that are deemed not to be under the authority of Hamas."

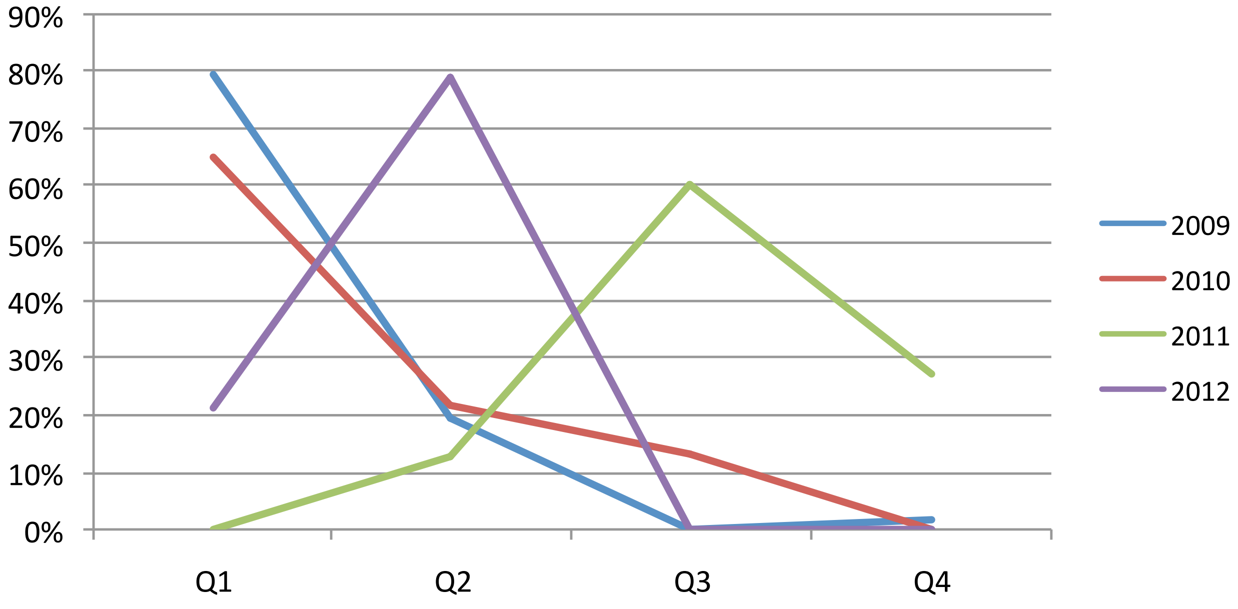
CASE STUDY 2

MANAGING FIDUCIARY RISK IN SOMALIA

In 2010 and 2011, donor anxiety around possible diversion of resources, combined with diminished access, contributed to the slow scale-up of a financing response despite the clear evidence of growing humanitarian need. Government measures to manage the risk of diversion include legislation sanctioning possible diversion of humanitarian resources to finance terrorist organisations and activities.

Typically, the US government allocates the majority of its funding in the first and second quarters of each year (upwards of 85 per cent in 2009, 2010 and 2012), with the exception of 2011, when only 13 per cent was allocated in the first half of the year. It was not only the United States whose funding allocations were uncharacteristically low in the early part of 2011 – ECHO, the second-largest bilateral donor to Somalia, also exhibited an unusually late allocation of funds that year. It is worth noting, however, that some major donors were convinced by the evidence and not all were constrained by counterterrorism legislation. Recognising the severity of the crisis and the compelling case for response, the UK Department for International Development (DFID) sought approval at ministerial level to accept the risks of operating in the worst-affected regions (**Independent Commission for Aid Impact, 2012a**).

FIGURE 5: SHARE OF TOTAL HUMANITARIAN FUNDING ALLOCATIONS FROM THE US GOVERNMENT ALLOCATED BY QUARTER



Source: OCHA FTS.

Concerns around the fungibility and perceived ease of diversion of cash also contributed to reluctance to scale up cash-based responses in 2011.

In the wake of the famine, donors and implementing agencies have invested intellectual energy and resources in improving, in particular, their due diligence procedures. Notable initiatives include the following.

Risk management in cash programming

Cash-based programmes were held to a higher level of scrutiny than other types of intervention, which has stimulated NGOs to identify best practices and develop common approaches to managing risk and strengthening accountability.

The Cash Consortium has been instrumental in developing shared practices and procedures for risk management in six areas: coverage of humanitarian needs; markets; acceptability; humanitarian space and security; delivery mechanisms and diversion; and protection risks for beneficiaries. The consortium has published and updated a set of risk analysis and management guidelines.

Cash-based agencies are also working with *hawala* companies to strengthen accountability and traceability, including through tripartite reconciliation and encouraging companies to invest in biometric technology to facilitate early detection of fraud at the point of distribution.

The Risk Management Unit for Somalia

Established in 2011, the Risk Management Unit (RMU) supports UN agencies, their partners, donors and other stakeholders to manage programmatic and fiduciary risks.

RMU has created a contractor database populated with risk assessments of UN agency partners. Organisations are assessed against the ISO 31000 standard based on audit information and RMU's own independent research, including monitoring and surveillance work. The contractor database holds assessment information on around 1,300 organisations. Funders (including bilateral government donors and NGOs) may consult RMU for advice on the risk assessment of prospective partners prior to and during contracting relationships. RMU has recently set up a surveillance team to verify in real time that projects are indeed taking place as agreed.

RMU also provides assistance to organisations in strengthening the legal basis of their contractual relationships, and informal advice and training to NGOs.

Common Humanitarian Fund "risk-based management"

From late 2012 OCHA initiated a "shift from a control-based to a risk-based management approach" which involved undertaking systematic assessments of 112 prospective Common Humanitarian Fund (CHF) partners on their "institutional (Due Diligence), technical, programmatic, and financial capacities" (UN OCHA, 2013a). Organisations must pass the assessment to become eligible for CHF funds. The rating they receive influences the management and financial control measures applied to their grant. For example, those with a higher risk rating may be required to report with greater frequency, and may receive funding in a series of smaller disbursements on the basis of demonstrating the successful liquidation of previous disbursements.

Other enhanced accountability and risk management measures in operation in Somalia

- Separation of reporting lines between monitoring and programme teams.
- Triangulation with other agencies working in the same geographical area.
- Centralisation of procurement, award of contracts and recruitment at head office level.
- Complaints mechanisms and verification of programme outputs by mobile phone, which in some cases involve creating partnerships with private sector companies.[17]
- Prior internal organisational agreement on levels of financial risk which can be taken by programme staff and sustained by the organisation if necessary, under different response scenarios.

Despite these efforts to develop monitoring and accountability mechanisms, there is no guarantee that these or due diligence/financial controls will identify fraud, diversion or malpractice. The need for independent verification and triangulation in addition to enhanced internal accountability measures was frequently noted by humanitarian actors consulted. The idea of a shared independent monitoring service has been mooted by both donors and NGOs.

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[17] In June 201 the Somalia CHF also set up a call centre to obtain feedback from people receiving assistance.

While NGOs consulted uniformly supported the need to improve accountability and risk management practices, they also felt that the burden of responsibility and risk is being offloaded on to them. There remains a lack of clarity – and sometimes misunderstandings on the part of NGOs (Mackintosh and Duplat, 2013) – around potential liability in cases of diversion or fraud. In trying to get to grips with managing fiduciary risk, fear of punitive consequences has in some instances stifled the necessary frank discussions between "partners" which could broker a set of shared expectations that would allocate a mutually acceptable distribution of risk. NGOs are unclear as to what measures would satisfy donor due diligence and risk management requirements and are therefore unsure where best to invest their efforts. As one NGO representative remarked, "accountability should not only be an NGO affair, we need to work together on this".

2.2 POOLED HUMANITARIAN FUNDS

Pooled humanitarian funds make a significant contribution to promoting coordinated coverage of financing gaps at both global and country levels, as well as providing a critical global balancing function, supplying injections of rapid-response funds and supplementary grants for underfunded crises and sectors.

However, overall volumes of funds channelled through pooled mechanisms remain modest (5 per cent of total international humanitarian funding in 2012[18]), and the coverage of country-based pooled humanitarian funds is geographically limited. From the perspective of NGOs, these pooled funds have challenges in accessibility, timeliness and flexibility which limit their potential.

The five-year evaluation of CERF concluded that it has achieved what its designers envisaged: increasing the predictability of funding flows for new emergencies; encouraging early action through assuring reimbursement of agency emergency reserves; and supporting less well-funded crises and areas of activity, particularly common services, including transport and communications (Goyder, 2011). CERF may also contribute to leveraging additional funds for less well-funded emergencies (Featherstone, 2013a).[19]

For UN agencies, the CERF is often the most rapid source of funding (Goyder, 2011), but for NGOs, which access CERF funds indirectly through UN agencies, the timeliness of CERF disbursements has been a long-running concern. There have been improvements, but in 2012 it still took on average 48.7 working days for sub-recipients to receive CERF funds after disbursement to the primary recipient agency (CERF Secretariat, 2013).[20]

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[18] Equivalent to US$886 million.

[19] The 2013 independent review of the value added of CERF in Pakistan, for example, notes some evidence that CERF funds helped to leverage additional donor contributions for "hard to fund" humanitarian responses (Featherstone, 2013a).

[20] In 2011 the average lead time was slightly higher at 50.5 days. Disbursement rates for rapid-response grants were somewhat faster at 40.5 days in 2012, compared to 49.6 days in 2009. Based on CERF Secretariat (2013).

CERF guidelines make clear provision for the inclusion of NGOs in the development of CERF proposals.[21] Yet proposals are still frequently developed without making full use of the analytical and prioritisation capacities of the clusters and in country-based pooled-funding governance structures. For example, 2012 rapid-response planning in Pakistan was “considered a relatively closed process with NGO (both international and national) and government stakeholders often playing little or no part in the process” (Featherstone, 2013a). NGOs were also not included in the 2013 CERF application for provision of humanitarian air services in response to the crisis in Jonglei in South Sudan. Some NGOs felt that subsequent difficulties understanding the terms on which agencies may use this facility could have been avoided had they been involved in discussions at the proposal development stage.

Country-based pooled humanitarian funds strengthen leadership, coordination and inclusive prioritisation at the crisis level and serve an important balancing function, addressing underfunded needs. As one coordinator noted, “typically, the CHF is picking up financing needs in clusters no one else wants to fund”. From the perspective of underfunded clusters, the relative importance of CHF contributions may be very significant. For example, in 2012 the South Sudan CHF provided 59 per cent of the education cluster’s CAP funding requirements (UN OCHA, 2013b).

CHFs and emergency response funds (ERFs) have increasingly sought to balance funding in favour of NGOs. For example, the South Sudan CHF prioritises NGOs over UN agencies seeking to sub-grant to NGOs. And in the Democratic Republic of the Congo (DRC), the humanitarian coordinator elected to fund UN requirements via CERF to give priority to NGOs in CHF (Goyder, 2011). Country-based pooled funds have become an important entry point to international funding for local and national NGOs in particular, with for example national NGOs in Pakistan receiving 70 per cent of ERF funds in 2011. However, NGOs working in both South Sudan and Somalia frequently described CHFs as providing “top-up” funding, citing the low level of permissible overhead costs, short implementation period, unpredictability and small grant sizes which mean that co-financing is almost always a prerequisite for a viable CHF-funded programme.

UN agency influence over the prioritisation of CHF funding allocations, identified as problematic in the early years of CHF, has been addressed through NGO co-representation of clusters and NGO representation on CHF review boards. CHF in South Sudan for example, which has donor-funded NGO co-leads in each cluster, is considered by NGOs and donors to follow a robust, transparent and inclusive needs analysis and prioritisation process.

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[21] The “CERF Rapid Response Window: Procedures and Criteria” (CERF Secretariat, 2011), for example, states that “The grant development process should be inclusive and transparent, involving UN agencies, IOM [International Organization for Migration], national and international NGOs, government partners, and any other relevant in-country humanitarian actors. If NGO or government partners are not part of these established coordination forums, every effort should be made to engage them through ad-hoc arrangements.”

The 2013 evaluation of ERFs concluded that they “play a valued, albeit limited role, in supporting civil society to respond to unforeseen gaps in the overall humanitarian response” (Universalia, 2013). Despite improvements in grant processing and disbursement rates, the average lead time from approval to disbursement of ERF funds is between 45 and 70 days (ibid.). The relatively narrow mandate of ERFs, the small grant size and limited duration of grants mean they have a limited role in responding to needs.

The allocation schedules of CHFs and ERFs are heavily dependent on timely and adequate donor contributions. In some instances late contributions – as was the case in Somalia in 2013 – have delayed standard allocations. Moreover, some ERFs struggle to attract adequate funding to remain viable.[22]

Pooled funds have become a key component of the international humanitarian financing architecture and perform critical functions, particularly in filling strategic gaps. But their scope and effectiveness are circumscribed. NGOs have themselves begun to develop experience as pooled fund managers in their own right, with notable advantages in their ability to advance funding rapidly to national and international NGOs effectively positioned to respond to needs which might not otherwise attract the attention, or meet the criteria, of UN-managed pooled funds or bilateral donors (see examples below).

CASE STUDY 3

NGO-LED POOLED FUNDING MECHANISMS

The Rapid Fund for Pakistan

The Rapid Fund is an umbrella grant from USAID’s Office for Foreign Disaster Assistance managed by the international NGO Concern (**https://www.concern.net/en/where-we-work/asia/pakistan/rapid-fund**) to provide rapid access to funding for NGOs to address gaps and overlooked needs. The first phase (August 2009 to September 2013) channelled funds to assist 3 million displaced and disaster-affected people in Pakistan in 125 projects managed by primarily national NGOs.

The Rapid Fund has a strong track record in rapid disbursement of funds, with proposals typically approved within two weeks and final disbursements liquidated within two to four weeks of receiving the final project report.

The Rapid Fund also has a major emphasis on providing practical support to implementing partners through on-the-job capacity building. This support aims to enable partners to develop their ability to manage and account for funds.

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[22] The 2013 evaluation of the ERFs notes, for example, that the Afghanistan ERF was in a state of “virtual bankruptcy” and had not made a funding decision for over a year (Universalia, 2013: 11).

CASE STUDY 4

THE START FUND

The Start Fund (**www.thecbha.org/start-fund/**) was created by a network of 18 NGOs (formerly the Consortium of British Humanitarian Agencies) building on an earlier pilot of an NGO-managed ERF. The pilot ERF (2010 to 2012) reached 1.1 million crisis-affected people, often in small-scale climate-related crises. An independent evaluation of the ERF found it to be two or three times faster in disbursement and project start-up times than other pooled humanitarian funds, with allocations in slow-onset crises as fast as 72 hours compared with 80 days for other grants to NGOs. During the pilot 67 per cent of ERF grants went to local organisations.

Building on the successes of the pilot ERF, the Start Fund will be a global pooled fund run for and by NGOs, complementing existing pooled humanitarian funds but focusing on filling a critical gap in rapid, first-response funding for NGOs – including local NGOs – particularly in underfunded emergencies. It envisages establishing a decentralised managed funds.

2.3 FUNDING VIA MULTILATERAL AGENCIES

Multilateral agencies, including UN agencies, received 53 per cent of international humanitarian aid financing in 2011.[23] A proportion of this was passed on to NGOs, though the overall volumes are not reported publicly. While NGOs often respect the vital coordination and technical roles of UN agencies, from the perspective of recipients, funding in this way is too often untimely, inflexible, short term and excessively burdensome. Several UN agencies have improved their approaches to partnerships and contracting processes, but procedures are still far from satisfactory.

Despite GHD good practice stipulating that signatory donors should strive to reduce earmarking of funds, the relative importance of core unearmarked contributions to UN agencies has declined both in volume and as a share of total official humanitarian aid. Whereas in 1992 unearmarked funds to WFP, the UN Children's Fund (UNICEF) and UNHCR constituted 48 per cent of total official funding reported to OECD, by 2012 this had fallen to just 8 per cent. The reduction in flexible core funding has likely affected the ability of UN agencies to determine and respond to humanitarian needs independently.

Flexible unearmarked funding is vital from the perspective of UN agencies, enabling them to "seize opportunities within both fast-moving policy environments and emerging humanitarian contexts" and "provide flexible funding to meet needs where they are greatest" (UNICEF, 2013). WFP (2013b) estimates that if it was to receive 20–30 per cent of its funding as unearmarked funds, it would be able to "prioritize resources optimally and manage its critical funding gaps".

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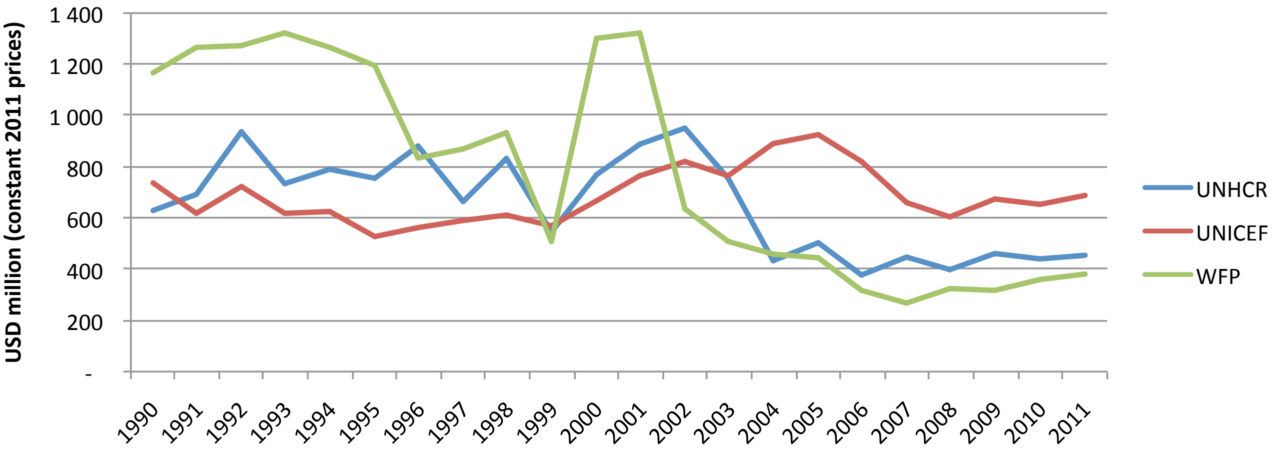
[23] This includes both bilateral and core unearmarked funding to humanitarian multilateral agencies as calculated by Development Initiatives.

FIGURE 6: CORE UNEARMARKED FUNDING CONTRIBUTIONS TO UN HUMANITARIAN AGENCIES FROM ALL DONORS REPORTING TO OECD, 1990–2011



Source: OECD-DAC. Note WFP also received a one-off multilateral donation of US$500 million from the Kingdom of Saudi Arabia in 2008, which is not reflected here.

Funding trends suggest that confidence in the effectiveness and value for money of unearmarked contributions to UN agencies has diminished and donors have sought increasing control by shifting money towards earmarked funds. Establishing clear decision-making criteria and publishing the rationale and outcome of decisions[24] could usefully contribute to improved donor confidence and trust in UN agencies to manage multilateral funds efficiently and on the basis of needs.

While there have been some improvements,[25] UN agencies were the least desirable source of funding from the perspective of NGOs, due to protracted contract negotiations, small overall volumes of funds, low permissible overheads, delayed disbursements and a lack of flexibility.

UN agencies were considered by many NGOs to be excessively concerned with reporting requirements and financial controls, which places a heavy administrative burden on organisations with uncertain benefits for those collecting this information. NGOs often perceive a lack of consultation in the identification and prioritisation of needs and a lack of transparency around the decision-making processes. These problems are felt to a greater extent by local and national NGOs, for whom UN agencies are often a major funding source.

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[24] Such as, for example, World Food Programme (2012b).

[25] There have been improvements in agency approaches to partnership, including review and modification of UNICEF's programme cooperation agreements in 2012 and an update to WFP's field-level agreements in 2012. See, for example, http://documents.wfp.org/stellent/groups/public/documents/newsroom/wfp261062.pdf.

2.4 PRIVATE FUNDING

NGOs are major recipients of private funding from individuals, trusts, foundations and corporate donors, and private funds channelled to NGOs accounted for 27 per cent of the total international humanitarian funding in 2011.[26] Many NGOs argue that private funding underwrites their independence and safeguards their ability to respond in an impartial needs-based manner. The distribution of this funding within the NGO community is highly concentrated among a relatively small number of organisations, while the majority of NGOs have little or no private funds, leaving them vulnerable to the weaknesses and shifting priorities of institutional funding.

NGOs are responsible for the allocation of large volumes of humanitarian financing in their own right and may use private funding to compensate for a lack of timely and proportionate distribution of institutional funds. For example, in Syria in 2011, while government donors made relatively small contributions to the regional crisis of just US$106 million, private funding through humanitarian delivery agencies including NGOs, UN agencies, the ICRC and IFRC amounted to $79 million (Stoianova, 2013).

Private NGO resources provide an important balancing function in collective international efforts to fund on the basis of needs, and private funding, particularly for NGOs, also appears to have been more resilient to the post-2008 global financial and economic crisis than the budgets of institutional donors (ibid.).

There is a lack of transparency in the reporting of private humanitarian funding however, which makes it difficult to determine its contribution to covering financing gaps and whether it is contributing to a more coordinated, impartial and proportionate collective response.

2.5 DEVELOPMENT AND TRANSITION FUNDING

In each study country – Somalia, Pakistan and South Sudan – a source of major frustration was the difficulty experienced in sustaining funding to support crisis-affected and vulnerable populations beyond an initial intervention and towards “the return to normal lives and livelihoods”. The scale of this problem and its negative consequences for affected communities cannot be emphasised strongly enough. As one donor interviewee in South Sudan explained:

> "Once you establish a base and a programme, you get stuck. You begin to know the community, the situation begins to improve and then donors want to shift to other areas of higher need. Sustaining a presence would be more desirable from the perspective of the population and would enable greater accountability to that community."

There is often a dearth of appropriate and accessible non-humanitarian funding opportunities to support crisis-affected communities beyond an initial response, and this is not necessarily a problem of an absolute shortage of funding.

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[26] Based on values for private funds received by NGOs reported by Stoianova (2013) and the Development Initiatives (2013) figure for “total international humanitarian response”.

A recent evaluation of financing for global protection notes, for example, that most protracted emergencies with severe protection needs are also major recipients of development assistance and therefore these funds ought to be available “if the connection can be made” (Murray and Landry, 2013). But in Pakistan, Somalia and South Sudan there are in reality few obvious places where humanitarian protection concerns are reflected within development funding mechanisms or programmes, and even fewer opportunities open to NGOs.

A cultural and ideological divide exists between humanitarian and development actors. This means that a notionally straightforward “transition” from one type of funding source, programming approach and timeframe to another may be extremely difficult to achieve. Humanitarian actors are primarily concerned with addressing the needs of individuals and communities, and by virtue of their principled commitment to the “humanitarian imperative” feel a sense of duty or obligation to respond (Slim, 2002). In the post-Paris Declaration era, development actors consider the needs and priorities of governments as their unit of assessment, and focus on strengthening systems and structures of governance and markets so that improved outcomes which meet the needs and priorities of individuals are indirectly achieved. There is little consideration of the vulnerabilities and needs of specific groups within the overall population, and no equivalent sense of duty or obligation to respond to these needs. In “transitional” contexts there is therefore a risk that the needs of particularly vulnerable populations are likely to fall between conceptual paradigms and financing mechanisms.

For example, in line with the new approach to funding the health sector via the EU, US and the Health Pooled Fund in South Sudan, CHF did not fund health programmes in its second standard allocation in 2013. However, from the perspective of responding agencies, a critical need has fallen into the gaps between funding strategies: there is no provision for emergency response within the primary healthcare package, and seemingly no humanitarian route for funding the capacity to respond to unforeseen (but highly predictable) health emergencies.

Providing funding in transitional contexts and fragile states is notoriously difficult. Resilience funding may provide some resources to ensure more predictable support to vulnerable populations,[27] but an appropriate mix of funding mechanisms during transition[28] requires development funding targeted to address vulnerability and risk as well as a sustained capacity to respond on an impartial needs basis to unforeseen humanitarian crises and deteriorating situations.

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[27] Not all humanitarian sectors are likely to benefit equally from resilience funding, however, and livelihood activities are more likely to benefit than for example education and protection.

[28] OECD-INCAF (2012), for example, recommends that “a financing strategy should be agreed, mixing and matching different instruments based on agreed objectives”.

3. WIDER CHALLENGES TO NEEDS-BASED HUMANITARIAN FINANCING

There are a range of broader cross-cutting issues which influence the ability of the humanitarian architecture to respond on the basis of needs. These include persistent and emerging challenges to the ways in which actors understand, measure and respond to evidence of humanitarian needs; difficulties reconciling principled commitments to respond on an impartial basis with other organisational principles and priorities; competition dynamics between humanitarian implementing agencies; and a widespread deficit in accountability to affected populations.

3.1 DEFINING HUMANITARIAN NEEDS

What we include in our definition of "needs" is far from straightforward. How one compares and prioritises different types of needs and where the humanitarian duty to respond ends are often unclear. In addition, there are major deficiencies in our ability to measure, understand and therefore prioritise needs. There is also a growing movement in policy circles to expand the scope and ambitions of humanitarian action towards early action and preparedness (Kellett and Peters, 2013) and building resilience to crises. However, the reality of a growing demand for humanitarian funding and a limited supply of resources often obliges actors to prioritise a much narrower range of "life-saving" activities. Effectively balancing the growing demands on humanitarian financing is an unresolved challenge.

The scope of action described in the GHD principles is relatively wide-ranging and, in addition to responding to immediate material needs, includes humanitarian protection and actions to "facilitate the return to normal lives and livelihoods".

Humanitarian actors in practice respond to a range of needs, including what we might consider "classic life-saving" responses to acute humanitarian needs (as per CERF live-saving criteria, for example), protection needs, medium- to long-term responses to chronic needs in protracted crises (which account for the majority of humanitarian financing) and, increasingly (at least in rhetoric), future potential needs through emergency preparedness, resilience building and risk reduction programming.

In addition, there are many activities which indirectly contribute to meeting humanitarian needs, including supporting coordinated action, investments in research and evidence, and activities to strengthen the collective response, such as common pipelines, telecommunications and security services.

Not all needs are considered equal, however, and chronic and potential needs fare poorly against acute needs in a competitive global funding environment. When priorities need to be made, life-saving interventions to meet acute needs are typically top of the list. This often leads to lower prioritisation for education and protection needs in particular – despite both often being priorities identified by crisis-affected people. Funding for chronic crises is vulnerable to "funding flight" in competition with acute needs. In 2010, for example, many chronic crises experienced a marked reduction in the proportion of appeal funding requirements met as donors committed large volumes of funds to the Haiti response early in the year (Development Initiatives, 2013: 46, Figure 3.7). Emergency preparedness routinely struggles to attract funding when prioritised against current needs (Kellett and Peters, 2013).

Constantly reallocating funds towards the most acute needs fits with a strict interpretation of impartiality and proportionality. Yet it is in tension with good donor practice, which stipulates that funding should not benefit new crises to the disadvantage of existing crises, and it does not correspond with a reality in which humanitarian organisations may support vulnerable populations for years, even decades. Withdrawing funding from long-term interventions in chronic crises to address acute needs elsewhere may demonstrate impartiality (at least in situations where needs are demonstrably in fact more acute rather than just more visible), but it is not necessarily a responsible approach and can reverse gains made with earlier investments. For example, due to serious funding shortages in 2013, thought to be a result of donors prioritising funding for the Syria and Philippines crises, WFP's long-running food assistance programme in DRC scaled back its rations, noting that "a suspension, even a reduction, of humanitarian assistance could seriously compromise our long-standing investment in improving food security, restoring livelihoods and building resilience" (World Food Programme, 2013).

One approach to dealing with this problem is a partitioning of funding portfolios. DFID, for example, has segmented its portfolio in its new strategy for Somalia, distinguishing between funding envelopes to support "classic" humanitarian programming, those to support resilience building, those which indirectly benefit the collective response, and access to contingency reserves which can be drawn on in the event of unforeseen emergencies. The new three-year CAP in South Sudan also includes a clearer segmentation of activities around three strategic pillars of classic humanitarian response, resilience and capacity building.

As humanitarian needs grow, actors will have to deliver more with less, which may require some reflection on the boundaries of humanitarian action or, more specifically, the extent to which some needs should be addressed with financing from humanitarian funding streams. Where indicators of needs exceed emergency thresholds but there is no conflict and no triggering event, the humanitarian obligation to respond is not clear cut; for example, in Pakistan humanitarian NGOs wish to tackle chronic malnutrition in Sindh province on the grounds that nutritional indicators are well above emergency thresholds. While humanitarian organisations have valuable competencies to respond in these situations, it is by no means clear that a humanitarian approach to addressing such structural problems is required or that they should be financed out of limited humanitarian funding streams.

The boundaries of responsibility are also troubled where humanitarian aid is deployed tactically and stretched beyond the mandate in order to channel funds quickly and flexibly, bypass governments and compensate for structural weaknesses in other funding streams. In South Sudan, for example, humanitarian aid has been subject to pragmatic instrumentalisation to plug gaps arising out of failures in international and domestic efforts to finance recovery, development and basic service provision.

In a context of diminishing resources in relation to needs, actors may need to draw stricter limits on their willingness to use humanitarian resources to take on responsibilities which "in the end …. are developmental challenges and part of the central function and responsibility of the state" (OECD-INCAF, 2011).

3.2 MEASURING AND UNDERSTANDING HUMANITARIAN NEEDS

Comprehensive, comparable and objective evidence should form the foundation of impartial and proportionate allocation of resources. The reality, however, is that decisions are made on the basis of a patchwork of sometimes incompatible information and evidence. From the outset, the lens through which we view humanitarian needs is coloured by our own organisational preferences and interests. And the relevance of the focus on "needs assessments" to capture information about current needs looks increasingly anachronistic as humanitarians look to recalibrate their point of entry towards early action and addressing crisis risks.

There are categorical distinctions of persons and types of crisis risk which influence the likelihood of a person's needs being visible and measured. Affected people who are categorised as having the status of refugees, conflict internally displaced persons (IDPs) and returnees may have specific vulnerabilities, but those needs are often more likely to be recognised formally and assisted than those of people displaced by urban land clearance or violence, localised land disputes, or indeed the "host" populations who support displaced peoples. Some populations are difficult to reach, costly to assist or of low priority for host governments and donors. Many humanitarian organisations then tend to assess and respond primarily in their existing areas of operation, reinforcing an information bias in favour of areas which are already covered by humanitarian programming.

Humanitarian actors have predetermined programming repertoires and specialisations, and individual organisations can usually only respond to one or two dimensions of a person's needs. We are often unable to disaggregate effectively the needs of different groups of people who might experience and be impacted by crisis differently – we rarely, for example, collect information on sex and age of affected populations (Mazurana et al., 2011). And, crucially, humanitarian actors more often than not fail to listen to what to the people they seek to assist consider to be their needs and priorities.[29]

Our efforts typically focus on the collection of evidence at just one point in the evolution of a crisis, and needs assessments serve as a baseline, rather than a living calibration of needs on which humanitarian actors could adjust responses and priorities throughout the lifetime of an intervention.

Moreover, measuring manifest humanitarian needs is clearly not adequate to match the growing ambitions of humanitarian actors to address preparedness, early action and resilience, which would require analysis of vulnerability, risk and effective early-warning systems. One donor interviewee in South Sudan, for example, commented, "We have a superficial analysis of needs. We need a much better understanding of risk and vulnerability in order to situate needs and identify what should be addressed through other mechanisms." Indeed, OCHA South Sudan is developing a multi-hazard risk index to inform prioritisation in the 2014 CAP to help to prioritise humanitarian and resilience investments.

Funding for assessments and routine monitoring and analysis remains difficult to secure, and many NGOs struggle to finance this vital work. And despite efforts to coordinate responses at the crisis level, the net result is often an incoherent collective picture of needs, artificially segmented by status and sector and partial in geographical coverage.

In the absence of comprehensive and robust evidence, powerful narratives and shorthands about the nature of needs in a crisis often gain currency. These pose a major challenge to impartial prioritisation across crises at the global level, and may permit bias and omissions in our analysis of needs and targeting of resources at the crisis level.

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[29] For example, more than 60 per cent of 1,104 people surveyed who received humanitarian aid during 2009–2010 in Haiti (179), DRC (325), Pakistan (100) and Uganda (500) reported that they had not been consulted by the aid group providing assistance on what they needed prior to distribution (Taylor et al., 2012).

CASE STUDY 5

CONTEXT-DRIVEN INTERPRETATIONS OF NEEDS

The evaluation of needs in Pakistan tends to follow a relativist logic that considers the scale of crises in relation to the 2010 floods, in which 20 million were affected; the proportion of the total population (around 180 million people) affected; and the perceived theoretical capacity – based on Pakistan's middle-income status – and stated intent of the government to respond. A crisis affecting several million people, which might be considered catastrophic in sub-Saharan Africa, might thus be considered relatively "small" in the Pakistan context.

In South Sudan, in response to the pragmatic instrumentalisation of humanitarian aid to plug gaps arising from failures in international and domestic responses to finance recovery, development and basic service provision, many humanitarian actors have developed an extremely wide-ranging interpretation of the boundaries of humanitarian action, such that almost anything can qualify as being a humanitarian need. This broad scope for classifying needs, combined with omissions and distortions in the evidence base and the overwhelming scale of chronic poverty and vulnerability in South Sudan, makes prioritisation extremely challenging.

Humanitarian space in south central Somalia is so severely restricted that organisations have little flexibility to respond truly on the basis of needs within the constraints of the limited areas they can access. This has led to an overemphasis on accessible areas, and particularly on IDP populations, which may in turn have provided a "pull factor" drawing vulnerable people towards humanitarian aid centres, while other affected populations have not been assessed or assisted for years.

More recently, global policy debate on needs-based funding has followed an empirical turn, focusing energy and resources on improving technical quality, comparability and capacity to measure and quantify needs. Standardised indicators and methodologies have been developed and agreed at the global cluster level, and coordinated multi-cluster needs assessments are increasingly the preferred alternative to piecemeal assessments influenced by agency interests and fundraising imperatives. The multi-cluster/sector initial rapid assessment developed by the IASC Needs Assessment Taskforce in 2012, for example, has been adapted to many crises and is frequently in use.[30]

There are also a number of examples of recent innovative initiatives working to improve the quality, coverage and objectivity of evidence of humanitarian needs; they demonstrate the potential for productive partnerships across NGO and UN communities, combining technical and technological capabilities with field-based experience. Some of these new approaches have dramatically improved the objectivity and inclusiveness of the identification of crisis-affected populations.

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[30] Notably, no equivalent tool exists for chronic crises, which account for the majority of global humanitarian needs.

CASE STUDY 6

JOINT NGO INITIATIVES IMPROVING THE EVIDENCE BASE

The **IDP Vulnerability Assessment and Profiling** (**IVAP – www.ivap.org.pk/**) project was established in 2010 to address observed inclusion and exclusion errors in the government-led registration process of IDPs in Khyber Pakhtunkhwa and the Federally Administered Tribal Areas (FATA) of northwest Pakistan. In an initial baseline assessment, an independent joint team of six UN agencies and six international and two national NGOs conducted a door-to-door census gathering information on the needs, vulnerabilities and registration status of nearly 500,000 conflict-affected IDPs. The data collected identified around 200,000 unregistered IDPs and enabled thousands of previously unregistered families to become registered and receive assistance, considerably strengthening the impartiality of the collective response. IVAP continues to collect evidence on the location and needs of IDPs, their breakdown by gender and age, and their needs for water, sanitation and hygiene (commonly known as WASH), shelter, food, healthcare and other kinds of assistance to inform the targeting, coordination and resource allocation of humanitarian actors.
(Based on Bennett and Morris, 2012.)

The **Assessment Capacities Project** (**ACAPS – www.acaps.org**) is an initiative of a consortium of three NGOs (HelpAge International, Merlin and NRC), established in December 2009, based in Geneva and funded by DFID, Sida, Switzerland, Norway, Ireland, ECHO, Danida and CIDA.

ACAPS worked closely with the IASC Needs Assessment Taskforce and has collaborative partnerships with the Feinstein Centre, Karolinska Institutet, CartONG, iMMAP, Joint IDP Profiling Service, Cash Learning Partnership, Infoasaid, Emergency Capacity Building Project and MapAction.

ACAPS develops assessment tools and methods, and provides training and operational deployments to support training and capacity building. It has also developed a range of analytical tools, including the Global Emergency Overview (GEO), which displays near-real-time information and analysis on the severity of evolving crises. GEO provides a timely and independent additional source to complement analysis through formal coordinated assessments and appeals, is updated weekly and is available as a mobile app for smartphones and tablets. According to ACAPS, GEO is among the top three most-downloaded documents from ReliefWeb every week and is widely used by decision-makers at both headquarters and field levels.

REACH is a joint initiative of two international NGOs – ACTED and IMPACT Initiatives – and the UN Operational Satellite Applications Programme. It works through inter-agency coordination mechanisms to enhance the effectiveness, efficiency and efficacy of aid through the collection, management, analysis and dissemination of information among aid actors before, during and in the aftermath of an emergency, promoting an area-based approach (**www.reach-initiative.org/@REACH_info**).

Notable recent REACH field interventions include a deployment with the Shelter and Non-Food Item cluster in South Sudan, funded by the CHF, to assess flood vulnerability in Warrap state, where humanitarian organisations often feel pressure to respond to situations characterised as a major crisis by local authorities, but are unsure of the real severity of the crisis. REACH overlaid and coded ten years of satellite imagery of the extent of flooding to determine normal and severe ranges. It confirmed this information on the ground, visiting 151 villages to discuss their experiences of floods and assess mitigation and preparedness measures at community and household levels in order to develop a flood vulnerability index. These interviews revealed that perceived flooding levels in 2012 were much higher than in previous years but did not constitute a major national emergency, and while certain villages were badly affected each year, people had chosen not to relocate because of the likelihood of receiving international assistance. This analysis provided vital evidence to counter pressure to provide relief aid where it was not justified by the needs, and to adjust programming practices to avoid creating an unintentional "pull factor".

The extent to which evidence is in fact used in humanitarian decision-making is questionable, and donors often place a higher priority on "heuristic" approaches which rely on experience and trust placed in the analysis of partners (Darcy et al., 2012b). More GHD donors, for example, identified the capacity of humanitarian actors on the ground as the criteria and tools they use to decide who, where and what to fund than identified needs of affected populations (Scott, 2013).

There is a need for clearer guidance for decision-makers on how to respond to evidence, including indicators of a mounting or likely crisis. Developing commonly agreed "triggers" for early action has been suggested by a variety of actors (Hillier and Dempsey, 2012; Independent Commission for Aid Impact, 2012a), and incentives have been created to ensure that evidence is in fact used in decision-making. This would require as a minimum a commitment to transparency and inclusion in decision-making processes, and establishing who has decision-making authority, what evidence must be considered at which stages in the process, the timeline for decisions and full transparency around the justification and rationale for decisions taken, including the basis on which partners and projects are selected.

3.3 CONFLICTS OF PRIORITY AND PRINCIPLE

Humanitarian donor agencies exist within complex institutions, which are constantly weighing a variety of principles and priorities that may at times be in conflict with their principled humanitarian commitments to respond on the basis of needs. In "comprehensive" approaches and integrated missions, needs-based prioritisation can become subsumed by political priorities and expediency.

Many donor governments have committed to a variety of principles and good practices, which in some instances complement principled humanitarian approaches and strengthen good outcomes.[31] But other principles and commitments may conflict with humanitarian approaches, for example where host governments are party to an active conflict, or the humanitarian imperative for impartiality and independence cannot be maintained alongside the Paris Declaration, which encourages alignment with government priorities and the injunction of the Principles for Good International Engagement in Fragile States and Situations to "focus on state-building as the primary objective".

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[31] Notably, the Hyogo Framework for Action 2005–2015: Building the Resilience of Nations and Communities to Disasters, which commits governments to a set of actions to strengthen disaster risk reduction and community resilience to disasters.

The political and security objectives and priorities of government donors, and indeed of the UN in its support of peacekeeping and stabilisation efforts, often conflict with needs-based prioritisation and other key elements of a principled approach, including commitments to advocate for the protection of civilians and respect for international humanitarian law. These tensions are felt keenly within "integrated" approaches, including UN integrated missions, and "whole-of-government" or "comprehensive" approaches which align aid strategies to security and political objectives.

There was little evidence to indicate in the case study countries that donor funding allocations at the crisis level had been influenced by political or other non-needs-based agendas. But the willingness of donors to lend their influence to secure humanitarian space in which to operate and promote respect for international humanitarian law and protection of civilians was felt to be compromised in some cases by the need to temper their statements and remain consistent with wider institutional approaches. The inclusion of NGOs in dialogue on principled needs-based targeting, access to affected populations and protection of civilians is critical to ensuring humanitarian priorities are not subsumed by conflicting priorities and interests in comprehensive approaches, as one donor representative in South Sudan noted:

> In order to be principled, humanitarian actors need the support of others. They need for example donors to be outspoken on political issues. There therefore needs to be a mature and robust dialogue which means NGOS need to be willing to speak openly with and, when necessary, criticise donors.

In addition, where development and security actors support one party to a conflict (typically the government), their actions and funding decisions to support government and stabilisation objectives may indirectly affect the ability of humanitarian actors to operate in a principled manner.

In Somalia, for example, there are further risks to the independence and perceived impartiality of humanitarian action associated with the rising tide of stabilisation funding. NGOs are concerned that such funding will further muddy perceptions of the independence and impartiality of humanitarian action by being explicitly partial and yet resembling humanitarian action. Deciding how to engage with stabilisation funding is particularly challenging because, as one NGO staff member noted, "All the non-humanitarian funding for Somalia is not visible."

Many government donors to Pakistan are party to the conflict in neighbouring Afghanistan and consider their aid investments in Pakistan as part of a wider strategy towards stabilising the region. The largest donor of humanitarian aid, the US, plays a controversial role by providing financial support to the military and carrying out drone strikes in the FATA area, with serious repercussions for public perceptions of Western actors. Many NGOs are deeply concerned at the implications of security-linked international aid for their ability to project a neutral and impartial public image and, consequently, to negotiate access to affected populations. One NGO representative commented, for example, "We are losing ground every day. Most armed groups don't trust us; the government doesn't trust us and the political motives of donors add another dimension to our public perception."

Non-needs-based priorities of host-country actors also have a major indirect influence on the distribution of funding by controlling the ability of humanitarian organisations to access affected populations. In fact, access was overwhelmingly the primary concern reported by organisations working in Pakistan, Somalia and South Sudan.

In Pakistan, the traditional suite of high-visibility coordinated humanitarian assessments, fundraising appeals and coordination mechanisms has proved increasingly unpopular with a government whose priorities are increasingly to take the lead in response and to manage the image presented of its ability to respond to crises.

CASE STUDY 7

PRINCIPLED ACTION AT THE LIMITS OF CONSENT IN PAKISTAN

International humanitarian action is at an uncomfortable impasse in Pakistan. As the capacity and interest of the government of Pakistan (GoP) to control and direct humanitarian action grow, actors struggle to reach agreements to secure principled humanitarian access, impartial and independent needs-based targeting of beneficiaries and rights-based principled responses. For example, the GoP declined offers of international coordinated assessments, fundraising and response to the two earthquakes in Awaran district in Balochistan in September 2013. This leaves limited space for programmes and, consequently, limited opportunities to fund principled humanitarian action.

Prior to 2005, humanitarian action was largely concentrated around support to Afghan refugee populations. The earthquake response in 2005 saw a sharp increase in funding, the arrival of many new international actors and very productive and mutually satisfactory coordinated work between the international community and the military of Pakistan, who led the response.

Times have changed, however. The priorities and interests of international actors and the GoP seemingly coincide less often, and agreements on points of principle are increasingly difficult to broker. The traditional suite of high-profile coordinated assessment and fundraising tools appear to be less welcome in Pakistan – despite efforts to develop locally acceptable alternatives, including low-profile funding appeals with substantial government involvement.

International actors are often equivocal in their approaches to principled humanitarian action. Pakistan is one of the pilot countries in the UN's Delivering as One approach, and UN agencies and programmes are therefore in principle part of a coherent approach to development, humanitarian and environmental programming, which aligns with government priorities. This coherent approach is at odds with UN humanitarian reform, however, which empowered humanitarian country teams and OCHA to coordinate humanitarian action in accordance with its principles (Péchayre, 2011).

Humanitarian NGOs (and indeed some donors) find themselves in disagreement with key UN agencies, considering them to fall short on a number of issues concerning humanitarian access, principled returns of displaced people and refugees, the impartial registration of IDPs and the use of armed escorts. These NGOs are therefore now looking to develop NGO-led approaches to engagement with the GoP, including a proposed exercise to find mutual understanding of principled humanitarian action by mapping and cross-referencing humanitarian principles and laws against existing laws in Pakistan's statutes.

As increasing numbers of countries move towards middle-income status and the resources and capacities of governments increase, humanitarian actors are likely to find themselves responding in much more tightly regulated spaces. Access is more likely to be remote, and access and priorities mediated by political actors. In such a future humanitarian actors will need to invest in new approaches to dialogue and promoting mutual understanding of and respect for principled action, including needs-based prioritisation.

3.4 COMPETITION AND CONFLICTS OF INTEREST

Competition for funding among humanitarian organisations and the connection between needs assessments and fundraising are impediments to the impartial allocation of funds. Competition between NGOs and between NGOs and UN agencies is a barrier to realising an effective division of labour – whereby those best positioned and capable receive funding – and has a powerful conditioning effect on the articulation of needs. A fundamental conflict of interest also lies at the core of the needs assessment-funding nexus, whereby those charged with collecting evidence of humanitarian needs typically do so as part of a fundraising strategy. This creates incentives to overstate needs to reflect organisational funding requirements.

In each of the study countries humanitarian actors noted competition for funding among NGOs as being problematic, and there are indications of an “oversupply” of NGOs relative to the available funding (although it is difficult to conclude that there are insufficient needs to justify their presence). The huge flooding disaster in 2010 in Pakistan led to a scaling up of NGO capacity and establishment of new NGOs in-country, some of which are struggling to maintain a presence as humanitarian funds reduce. According to the Southern Sudan NGO Forum, the number of registered international NGOs in South Sudan increased from approximately 47 in 2005 to over 155 in 2010, with as many national NGOs again.[32] In Somalia the widespread shift towards remote-control operations through local NGO partners after 2008 gave an artificial stimulus to the growth of a large number of Somali NGOs and community-based organisations, and clusters reported struggling to coordinate among hundreds of members.

A rational division of labour among implementing agencies requires working according to the principle of subsidiarity. International NGOs must be able to leverage their comparative advantages in accessing funding, providing quality and accountability assurances to donors and advocating for principled response from an independent position, and to use these advantages to ensure that resources reach those best positioned to respond to needs. This would mean in some instances shifting out of direct implementation and towards supporting the development of national and local preparedness and response capacity, working increasingly through effective partnerships with local and national NGOs, or collaboratively in networks and consortia, and operating as fund managers.

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[32] See for example the UK government’s independent evaluation of DFID’s bilateral aid to Pakistan (Independent Commission for Aid Impact, 2012b: 12).

CASE STUDY 8

CONSORTIUM APPROACHES IN SOMALIA

Consortium approaches may offer a variety of advantages, including improved analysis and coverage of needs, enhanced collective advocacy and reduced competition and transaction costs for donors. Consortia are not appropriate in all circumstances, however, and should not be imposed on NGOs or formed during crisis response (Independent Commission for Aid Impact, 2012).

Somalia Resilience Consortium In early 2013 SomReP, a resilience-focused consortium of seven NGOs (Care, COOPI, Danish Refugee Council, Oxfam, Action Contra la Faim, ADRA and World Vision, led by the latter), began piloting activities. SomReP works around a harmonised strategy within which partners implement joint assessments, share best practices, coordinate their programmes to ensure rational coverage and engage in joint monitoring and evaluation.

Somalia Cash Consortium As the food security crisis escalated in early 2011, no “plan B” was forthcoming from the Food Security and Livelihoods (FSL) cluster as to how to respond to nutrition needs in the absence of the two major food actors, Care and WFP. A group of four NGOs (Action Contre la Faim, Adeso, Danish Refugee Council and Save the Children) came together to build a case and a body of support for what was considered by many at that time to be a radical alternative: unconditional cash and voucher-based responses on a large scale in an active conflict.

The Cash Consortium faced resistance from WFP, which opposed the use of cash on the basis that it would result in market inflation, and scepticism from some donors concerned with the risk of diversion. Marshalling evidence on the feasibility of markets responding to increased demand without significant inflationary effects, and the viability of transferring funds via the existing *hawala* money transfer system, the consortium played a major role in changing the FSL cluster and donor policy towards supporting the scale-up of a large cash-based response.

In addition to advocacy and the effective expansion of cash-based responses to the famine in 2011, the consortium has advanced technical standards, evidence and learning in the area of cash transfers.

As noted above, larger organisations tend to attract the best-quality sources of funding. But they may also exert disproportionate influence over the collective analysis of crisis needs, and in some cases may directly influence the allocation of resources. UN agencies operating as cluster leads are often criticised by other cluster members as having a conflict of interests which affords the agencies undue influence over funding prioritisation to their own advantage. The introduction of NGO cluster co-leads and greater transparency around the criteria and rationale for decisions have improved this situation, but international NGOs are not beyond reproach and were also highlighted in interviews as having used their influence as cluster co-leads to prioritise their own projects for funding.

Greater inclusion, diversity and transparency are key to undercutting opportunities for prioritising on the basis of organisational self-interest. Indeed, national NGOs often cite being included in identifying needs and prioritising responses as a high priority for change (Poole, 2013). In Pakistan and South Sudan donor-funded forums representing the interests of national NGOs are a mechanism to support collective advocacy and identify representatives to sit on a variety of coordination bodies, including humanitarian country teams and pooled-fund advisory boards. But ensuring that local and national NGOs are involved in prioritisation and decision-making requires much greater political commitment to ensure there are reserved seats at the decision-making table for national actors and that they have the resources, capacity and interest to participate.

NGO competition acts as a disincentive to share information which might confer advantages to a competitor. This in turn is a major obstacle to building a comprehensive analysis of needs. Among agencies working in Somalia, for example, unwillingness to share information is pervasive, and clusters struggle to extract basic data such as needs assessments and details of operational responses from members.

Making transparency and information sharing a basic requirement of funding, and providing appropriate platforms through which to do this, may help to influence the current disincentives. At the global level, UN OCHA is currently working to develop information-sharing tools which will “remove excuses” for withholding data by establishing closed platforms for sharing information with a specified group of members.

Conducting needs assessments is often a pathway to funding, and this may influence the characterisation of needs in order to increase the likelihood of funding. Coordinated appeals in particular have been criticised for taking the financing needs of participating agencies as the starting point of their “needs analysis” and tactically overstating funding requirements. OCHA’s reforms of CAP initiated in late 2013 crucially attempt to delink needs analysis from determination of financing requirements by sequentially separating these processes. Various proposals for determining the cost of response and funding needs have been mooted and will be trialled over the coming CAP cycles, which is considered highly controversial by many NGOs and coordinators. Dispensing with the project-based approach to costing a response may reduce the visibility of NGO contributions to the response, and appears to have led to a reduction in NGO funding when this approach was trialled in DRC and Zimbabwe (UN OCHA, 2013c). Many of those consulted in Pakistan, Somalia and South Sudan were concerned that dispensing with projects would undermine inclusive prioritisation processes.

3.5 ACCOUNTABILITY TO AFFECTED POPULATIONS

Part of the “transformative” change envisaged by the IASC Transformative Agenda is a major shift in our emphasis on accountability towards crisis-affected people, whose priorities and concerns are frequently omitted in needs assessments and decision-making processes. But NGOs are investing in accountability at variable speeds and developing approaches in an uncoordinated manner.

There is progress at the IASC level, with the five Commitments to Accountability to Affected People/Populations endorsed in 2011 and its sub-working group upgraded to a task team on accountability to affected populations. There has also been some progress in developing related guidance and tools, such as the guidelines on minimum operating standards for protection from sexual exploitation and abuse by personnel of the UN, NGOs and other international organisations published in 2013. But there is little leadership as yet from the IASC or global country-level clusters on good practices and common approaches to accountability. And while donors effectively rely on their implementing partners to deliver on commitments to be accountable, the goal of ensuring accountability to affected populations is a much lower corporate priority than upward accountability.

Accountability to affected populations is often considered something of a luxury to agencies focused on the very difficult and urgent work of negotiating access and delivering humanitarian responses, and among many agencies consulted accountability was a low priority – most notably in South Sudan. There were large variations in levels of interest and commitment depending on the demand from affected communities (for example, in Pakistan people have greater access to television, radio and mobile phones), pressure from donors (in Somalia NGOs are obliged to improve accountability by dint of having to work remotely and in response to donor pressure) and whether organisations had shown commitment at the leadership level.

There are of course many individual examples of good practice, and there is now an established body of methodologies and approaches on which agencies can draw to enable organisations to "pass power to those receiving assistance" (Featherstone, 2013b). Complaints hotlines are practically de rigueur in Pakistan, where for example USAID funds an "anti-fraud hotline" (**https://www.anti-fraudhotline.com/**), all DFID-funded humanitarian projects have a complaints hotline in operation and WFP manages a large "beneficiary feedback desk" (Jamal and Smith, 2013). In Somalia in particular, where accountability in remotely managed operations has become a high-priority concern, some NGOs are shifting their programme modalities towards a much greater emphasis on mutual accountability with affected communities, including a clearer expectation that communities will ensure primary responsibility for negotiating access.

CASE STUDY 9

IMPROVING TARGETING AND ACCOUNTABILITY IN SOUTH CENTRAL SOMALIA

Particularly in IDP camps, access to affected populations is mediated via gatekeepers, locally known as "black cats". Gatekeepers have the power to influence who receives aid and how much they should pay in "taxes" to a variety of possible powerful local actors. Distortions in targeting, diversion of resources – including the creation of "ghost-camps" – and physical abuse of IDPs by gatekeepers are common. In a recent study on the role of gatekeepers in Mogadishu, IDPs reported that they had little direct contact with humanitarian agencies (**Bryld et al., 2013**).

The identification of populations in need of assistance is therefore highly problematic and, combined with limited opportunities for monitoring and learning, there is little evidence to confirm the efficacy of humanitarian actors in targeting the right people, meeting their needs or providing an appropriate response.

There are, however, some encouraging initiatives emerging from within the NGO community.

- The Somalia Cash Consortium's recent research into the role of gatekeepers identified a range of recommendations aimed at curbing some of their negative influences and maximising their positive contributions (ibid.).
- A number of NGOs are increasingly committing to greater community involvement in targeting, programme design, monitoring and in some cases implementation, such as Oxfam's Alternative Ways of Working programme
- At the household level, cash transfers provide beneficiaries with greater agency and choice around the targeting of humanitarian resources.

But, overall, approaches to accountability to affected populations are piecemeal, fall short of the expectations of the recipients of humanitarian aid and are not systematically used to improve the performance – including prioritisation – of such assistance (Taylor et al., 2012). Moreover, they are often a technocratic exercise designed to meet agency priorities and upward accountability requirements (Darcy et al., 2013), as opposed to a more radical dialogue which would genuinely "ensure, to the greatest possible extent, adequate involvement of beneficiaries in the design, implementation, monitoring and evaluation of humanitarian response" (GHD General Principle 7).

4. CONCLUSIONS AND RECOMMENDATIONS

As the demand to address not only more but a greater scope of needs with limited funding grows, humanitarian actors must be able to prioritise needs and ensure that funding is channelled to the most effective organisations in the most efficient ways. The principles, knowledge and experience to achieve this are within our reach. But the international humanitarian financing and response architecture will need to undergo considerable shifts in mind-set and ways of working together to get there.

Donors will increasingly have to be prepared to deliver their commitments to fund on the basis of needs, not simply as individual organisations but as actors within a coordinated collective donor effort to achieve a principled needs-based response. The division of labour among responding agencies will also need to devolve power and resources to actors at the front line, through working together in the full spirit of the Principles of Partnership with smaller local and national NGOs.

Robust, comparable evidence combined with inclusive and transparent decision-making processes are the foundation of impartial needs-based decisions and critical to enabling rational prioritisation of resources across competing needs. All humanitarian actors can improve considerably in each of these areas. Finally, a far greater commitment to accountability to affected populations in the identification and prioritisation of needs is long overdue.

A renewed commitment by humanitarian organisations and donors to the principles and practices that are fundamental to operating – and funding – in an impartial manner is needed to address the challenges outlined here.

Drawing on ten years' experience of implementing the GHD principles and with reference to subsequent complementary sets of principles and commitments, including the Principles of Partnership and the IASC Commitments to Accountability to Affected Populations, a robust and principled needs-based decision-making process would require humanitarian actors to:

- support burden sharing through active coordination, transparency and support to global burden-sharing financing mechanisms and organisations
- base decisions on evidence and invest in the generation of evidence as a core component of humanitarian action
- build analysis and prioritisation on inclusive dialogue with a range of stakeholders, including crisis-affected people, humanitarian organisations, governments of affected states and private sector actors where appropriate
- support principled partnerships with implementing organisations rooted in mutual respect and dialogue
- invest in mechanisms and humanitarian response capacities which permit timely action
- build flexible mechanisms which can adapt to changing needs
- support accountability by being transparent about the rationale, justification and terms on which decisions are made, by demanding and supporting partners to be transparent and including affected people in needs identification and prioritisation throughout the programme cycle
- build mechanisms which are enabling and support diversity within the humanitarian community based on the principle of subsidiarity
- consider transition, risk reduction and resilience from the outset of a response.

To achieve these principles and good practices, humanitarian actors will need to adapt current practices. Specific recommendations include the following.

NGOs

- Reduce competition by working more closely together and in partnership where possible, in accordance with the principle of subsidiarity and recognising comparative advantages.
- Take up existing and new opportunities for representation in clusters, pooled-fund advisory boards and humanitarian country teams.
- Develop expertise as fund managers, to give an alternative route for donors to channel large-scale funds directly to NGOs at the front line.
- Commit to much higher levels of organisational transparency, including in sharing evidence of humanitarian needs; on the timeliness and terms on which funds passed on to partners; and on the use of private funds in operational responses by reporting these transactions to OCHA FTS.
- Invest in and share experiences of approaches to managing fiduciary and programmatic risk, particularly in remotely managed operations, and propose common approaches to verification and feedback.
- Initiate an NGOs-led dialogue in the lead-up to the upcoming International Council of Voluntary Agencies annual conference on humanitarian financing, to clarify understandings, propose common working definitions of different types of humanitarian needs and suggest approaches to balancing competing priorities for funding.

DONORS

- Improve coordination at the global level to facilitate a rational division of labour, sharing of needs analysis and coverage of gaps. This could be achieved through the development of an operational coordination cell within the GHD initiative.
- Commit to publishing policy priorities and criteria and the rationale and evidence applied to actual funding decisions transparently and in a timely fashion.
- Continue to develop more diversified funding approaches, including rapid-response mechanisms for acute needs, multi-annual flexible funding and joint approaches with development actors to fund resilience building.
- Build the cost of evidence – including early warning, risk mapping and needs assessments – into the cost of doing business and make the transparent sharing of information on needs a basic requirement for partners.
- Increase support to NGO cluster co-lead positions and NGO coordination forums, including national forums, so NGOs can engage on a more equal footing in needs analysis and prioritisation processes.
- Coordinate and streamline due diligence requirements to lessen the burden of proliferating controls and provide clearer guidance to NGOs on the extent of liability and the circumstances under which sanctions would be affected.
- Support NGO-led initiatives and financing mechanisms to advance funding to front-line responding agencies, including local and national NGOs.

UN AGENCIES AND FUND MANAGERS

- Continue to work to improve the timeliness and flexibility of pass-through funding, and in particular allow greater flexibility within budgets and longer implementation timeframes according to the requirements of the context.
- Ensure that the criteria against which funding decisions are considered in pooled-funding allocation processes are

published transparently and decisions publicly justified against these.

- Commit to much greater transparency around pass-through contracting by reporting these transactions publicly through the Financial Tracking Service and established pooled-fund tracking mechanisms.
- Work with donors and partners to agree on minimum standards of partner reporting in order to streamline reporting information across the whole accountability chain.

IASC MEMBERS

- Ensure that the unique contribution and financing requirements of NGOs are adequately represented and visible in coordinated funding appeals, that CAPs retain a robust and inclusive prioritisation process and that NGOs do not suffer a reduction in funding as a consequence of current appeal reforms.
- Maintain the momentum to improve the generation of quality, comparable data achieved by the former Needs Assessment Taskforce. In particular, continue the development of coordinated needs assessment and monitoring tools suitable for chronic crises.
- Use the current Transformative Agenda focus on accountability to affected populations and the existence of an IASC task team to develop tools to ensure that the priorities and concerns of affected populations are built into coordinated needs assessments and decision-making processes.

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