



EMERGENCY GAP SERIES 06

Humanitarian financing: is it all about money?

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The Emergency Gap Series is a collection of reflexion pieces produced by the MSF Operational Centre Barcelona Athens (OCBA) in the context of the wider Emergency Gap project, which responds to operational concerns over the declining emergency response capacity of the humanitarian sector at large. The analysis is informed by OCBA's operational experience and discussions with key external experts.

The project is further motivated by the current paradigmatic push to relegate emergency response to the status of exception, with the consequent lack of investment in adequate emergency response capacity so necessary in the face of the number of acute conflicts and escalation of violence across the globe. Thus, the Emergency Gap work aims to diagnose the drivers of such loss of emergency focus in current humanitarian action, and to analyse the enablers and disablers for the provision of effective humanitarian response in the context of acute armed conflict. For more information go to <https://emergencygap.msf.es>

Executive summary

Discussions around humanitarian financing are usually focused on closing the *funding gap* –the mismatch between the available funds and the needs to be met– by either attempting to reduce costs or improve the way funding is channelled and used by the sector. However, it is the *emergency gap* that is leaving critical needs unmet. Disappointingly, very little thinking has been galvanised to address this critical failure of the humanitarian community. *Ad hoc* rapid response mechanisms and technical fixes aimed at increasing efficiency and reducing existing costs will not address the underlying causes of the emergency gap.

To begin with, there is a need to narrow the scope of the humanitarian objectives that are funded through humanitarian budgets, and to build better links with development aid and other forms of financing that can support the full spectrum of human needs and address the underlying causes of suffering. This is particularly urgent for emergency response in armed conflict, where principled action must remain a distinct form of assistance that cannot be aligned with or folded in the wider political goal and transformational efforts, however legitimate they might be from a developmental, security, environmental or human rights perspective. A narrower remit for humanitarian assistance will help manage expectations of the sector; a rational division of labour between humanitarian and other forms of action, and amongst aid actors, will contribute to narrowing the funding gap. It will also help refocus the sector's attention on ensuring that humanitarian financing and its aid architecture result in an adequate field presence and quality delivery of aid in armed conflicts.

The current aid architecture of the so-called traditional humanitarian sector presents a critical design flaw: the misalignment between the main recipients of funding (United Nations agencies) and the main deliverers of aid (non-governmental organisations and the Red Cross and Red Crescent Movement). This inherent dysfunctionality is the main structural driver of the emergency gap and can only be addressed by directing adequate quantity and quality funding to frontline humanitarian organisations. Despite all the reforms and efforts to reduce the financial and temporal transaction costs within humanitarian delivery, the current aid financing architecture continues to propitiate the long chains of pass-through funding, where the first-level recipients of the money will end up “subcontracting” considerable shares of the work to other organisations. This leads to much more than a transaction-cost dysfunctionality: it perverts the balance of power within the sector, disempowering frontline responders in favour of coordination roles. It also removes the organisations better positioned to identify needs and formulate principled response in highly politicised and contentious contexts from the decision-making and funding negotiations.

While much has been done to improve the timeliness and predictability of bilateral donor funding on an *ad hoc* basis, financing for humanitarian response in conflict zones and highly insecure contexts cannot only be activity driven. The extremely volatile nature of humanitarian operations in armed conflict requires a different approach to humanitarian planning, funding and response. Donors must consider moving towards results-based financing that will allow frontline delivery agencies to adapt their operational choices to ensure real coverage of needs and to better achieve the agreed outcomes. Emergency response capacity and the ability to gain access and deliver effective assistance in conflict zones are dependent upon heavy structural investments in independent security management, robust logistics and specialised technical expertise. At present, the organisational and operational costs of aid organisations

are primarily funded through administrative overheads charged on every grant. This is not only unsupportive of building and maintaining the necessary response capacity for effective emergency response in acute crises, but can also create perverse incentives to overstate needs and the ability to address them in order to secure higher income for such critical and hard-to-fund costs.

To support the necessary structural and operational investments, it is imperative that humanitarian financing also makes unearmarked funding readily available to emergency-oriented humanitarian organisations who commit to working in insecure environments. This will lead to a more logical funding setup within the existing architecture, which in turn will also eliminate the power imbalance and infighting within the humanitarian sector, including some deplorable practices such as flag-planting – claiming coverage of a particular sector or area to prevent other actors from participating in the response and taking a share of the resources, or overstating a presence in the field in order to preserve the institutional brand and positioning. Furthermore, as effective action in conflict is based on the ability to negotiate with all parties to the conflict, and to take increased security and fiduciary risks, donors' bilateral financing needs to increase tolerance towards operational failure and losses when using programmatic approaches in conflict zones.

Introduction

Unsurprisingly, funding was the dominant topic in the build-up to the first ever World Humanitarian Summit

Attempts to find technical fixes are seemingly oblivious to how money –and the political choices behind donors’ decision-making– has played a major role in shaping the humanitarian system

We began 2017 with a new record humanitarian appeal for the fifth consecutive year. It aspires to raise US\$22.5 billion, which is more than double the funding sought only five years ago and a staggering twelve-fold increase on 2000 when the Millennium Development Goals, the precursors of the new Sustainable Development Goals, were launched. However, in the last two years, consolidated appeals have not been able to reach even 60 per cent of their target. Based on funding trends from the past decade, even in the best conditions the latest appeal is unlikely to meet more than two-thirds of the identified needs, consequently contributing to widening the current funding gap estimated at US\$15 billion.¹

Unsurprisingly, funding was the dominant topic in humanitarian policy in the build-up to the first ever World Humanitarian Summit (WHS), which took place in May 2016, and for much of the follow-up to the Summit’s commitments. A High Level Panel on Humanitarian Financing was convened by the United Nations Secretary General (UNSG) a year ahead of the WHS to tackle the growing gap between needs and resources, which was labelled “one of most important challenges facing the humanitarian system today”.² Focus has been firmly set on increasing the volume of available resources while decreasing costs and reducing inefficiencies in existing mechanisms. The analysis has been rooted in examining possible technical fixes within the current humanitarian financing architecture, seemingly oblivious to how money –and the political choices behind donors’ decision-making– has played a major role in shaping the humanitarian system, its policy discussions, and even its understanding of the boundaries and dilemmas of humanitarian action.

Much of the challenges that humanitarians are facing today are external to the sector: the shockwaves of the 2008 financial crisis that brought a rise of populism and bred hostility towards foreign aid and migration; the mounting disregard for international legal frameworks; the growing fragmentation and radicalisation of violent non-state actors, and the growing weariness towards globalisation and multilateralism. At the same time, we are also witnessing the sector’s progressive inability to defend and operationalise its core humanitarian principles and to adequately respond to acute emergencies, particularly in conflict and highly

¹ High Level Panel on Humanitarian Financing, *Too important to fail – addressing the humanitarian financing gap*, December 2015.

² Secretary-General Appoints High-Level Panel on Humanitarian Financing, United Nations Press Release, 21 May 2015. <https://www.un.org/press/en/2015/sgsm16772.doc.htm>

Much of the challenges are external to the sector, but we are also witnessing the inability to defend and operationalise the humanitarian principles and to adequately respond to acute emergencies

The sector is not capitalising upon its diversity of actors and operational models, and is not providing the necessary incentives to sustain presence and capacity to deliver

politicised contexts. While much progress has been made in forwarding the international aid community's understanding and commitment to the composite of human needs and aspirations that unfold in crises, our thinking has become more removed than ever from the practical consideration of how humanitarian action differs from other forms of political engagement and economic and social transformation. Emergency response, and the technical and organisational expertise that make it possible, have become deprioritised in current thinking. Consequently, even at a time when the sector possesses more means and know-how than ever before in its history, it is struggling to remain on the ground and to deliver meaningful assistance in acute crises, and very particularly in conflict settings.

Over the past number of years, Médecins Sans Frontières (MSF) has been drawing attention to the sector's insufficient response capacity in difficult environments.³ Currently, the focus of this work, circumscribed within the Emergency Gap project, is on understanding the drivers of this lack of presence, capacity and expertise when a major conflict erupts or when there is an escalation of violence in a protracted crisis.⁴ The project has identified three internal elements within the current humanitarian system that have created a vicious circle that undermines responsiveness: conceptual, mindset and structural. Conceptually, the humanitarian imperative has become overstretched to the point of becoming meaningless or directly integrated within an ever-widening political agenda. And when the principle of humanity is no longer the driving force of action, this has a dramatic impact on the mindset of the humanitarian community: saving lives now becomes an operational choice and not a moral imperative, and can be swapped for more strategic gains. Structurally, the humanitarian sector is not capitalising upon its diversity of actors, approaches and operational models, and is not providing the necessary incentives and support to sustain an effective presence and capacity to deliver on the ground.

It has now become increasingly acknowledged that humanitarian organisations able to work effectively in active war zones and to reach those most in need and in the hardest-to-access areas in a conflict, are all too few, and that coverage of humanitarian needs is unacceptably limited.

³ See Healy, S. and Tiller, S., *Where Is Everyone? Responding to Emergencies in the Most Difficult Places*, Médecins Sans Frontières, July 2014.

⁴ De Castellarnau, M., and Stoianova, V., *Emergency Gap: Humanitarian action critically wounded*, Emergency Gap Series, Médecins Sans Frontières OCBA, April 2016.

In order to bridge not only the funding but also the emergency gap, there has to be a critical approach towards the ever-expanding scope of humanitarian action, a rethinking of its architecture and a bold approach to resourcing the humanitarian enterprise

The resulting emergency gap is leaving people destitute of aid at the most difficult of times. While there has not been a shortage of initiatives to improve the effectiveness of humanitarian delivery and to rationalise aid financing, these are largely limited to tweaking the existing systems, and as such will invariably fall short of meeting the pressing need for improving the sector's presence in difficult areas. In order to bridge not only the funding but also the emergency gap, there has to be a critical approach towards the ever-expanding scope of humanitarian action, a rethinking of its architecture and a bold approach to resourcing the humanitarian enterprise.

This paper examines the structural elements that drive the emergency gap. It begins by making an argument for the need to narrow the scope of activities financed with humanitarian funding, particularly in conflict-affected countries, while promoting a variety of approaches and financing mechanisms that go beyond emergency response to address the various causes of human suffering in countries affected by humanitarian crises. Subsequently, the paper examines the current design of the aid financing architecture in terms of its ability to deliver effective and timely response to the critical needs of people in conflict zones and insecure areas. Finally, it proposes a number of steps for improving humanitarian financing to support an effective humanitarian presence and response capacity.

Setting the right target for humanitarian financing

Humanitarian crisis are protracted or recurrent, and needs coexist with poverty, vulnerability, and social and political marginalisation

In a sector where multi-mandate organisations prevail, the stretching of humanitarian action, driven by humanitarian policies and practice on the ground, has appeared as a natural reaction

From the perspective of humanitarian donorship, humanitarian assistance is designed to ‘save lives, alleviate suffering and maintain and protect human dignity’ before, during and after man-made crises and natural disasters.⁵ This is potentially a very broad remit – saving lives, alleviating suffering and maintaining and protecting dignity requires complex, multi-dimensional approaches and ‘before, during and after’ entails immediate as well as pre-emptive and long-term engagement. In most contexts, humanitarian needs coexist with poverty, vulnerability, and social and political marginalisation; a staggering 93 per cent of people living in extreme poverty live in countries that receive humanitarian aid due to environmental vulnerability, political fragility or both.⁶ These underlying challenges mean that humanitarian crises are often protracted or recurrent, and as a result humanitarian assistance, which should coexist with development and other forms of engagement but often replaces them instead, is required for extended timeframes. Consequently, over two-thirds of all humanitarian funding is currently being spent in countries that are long-term recipients of aid – that is, countries that have been receiving above average shares of assistance in the form of humanitarian funding for eight or more consecutive years.

As a result, the humanitarian sector is pulled into an ever-widening agenda where chronic poverty, vulnerability, insecurity, recurrent shocks, political and environmental factors intersect. Humanitarians have faced this widening scope of demands with a determination to rise to the challenge. In a sector where multi-mandate organisations prevail, the stretching of the notion of humanitarian action, driven both by humanitarian policies and by the practice on the ground, has appeared as a natural reaction. When the first-ever World Humanitarian Summit (WHS) was held in May 2016, the calls to leave no one behind and to end (human) needs became the new mantra. While no one can fight the idea of ushering in a better and brighter future, MSF considered that this represented a poor strategic outcome for the humanitarian sector at a time when it continues to grapple with the avoidable loss of life in crises around the world. Beyond the conceptual discussions regarding the policy wisdom and operational pertinence of intertwining –when not directly integrating– apolitical humanitarian action with other, political forms of aid in order to tackle the root causes

⁵ Principles and Good Practice of Humanitarian Donorship, 2003; and the OECD DAC reporting guidelines, April 2007.

⁶ Development Initiatives, *Global Humanitarian Assistance Report 2015*, Chapter 1.

There is now a growing consensus that humanitarians have overstretched their mandate in protracted crises

Underneath the protracted nature of humanitarian response in conflict affected countries lies, at least in part, an abdication of responsibilities by political and development actors

of human suffering,⁷ the summit's lack of focus on enhancing emergency response capacity revealed a shocking lack of ambition to improve outcomes for victims of violence today. It also hinders the chances for constructing a more efficient and effective humanitarian sector.

There is now a growing consensus that humanitarians have overstretched their mandate in protracted crises and that humanitarian action has overreached itself in terms of scope.⁸ Yet in the build-up to the WHS, there was very little critical examination of why humanitarians ended up having to bear disaster risk reduction efforts, address chronic needs and build resilient national structures in the first place, or whether these necessary endeavours would not be better served through other, better equipped forms of action. It can be argued that underneath the protracted nature of humanitarian response lies, at least in part, an abdication of responsibilities by political and development actors, both in terms of presence in, and funding for, conflict-affected and unstable contexts. Since the launch of the Aid Effectiveness agenda in 2002, the target for development aid has shifted from its traditional focus on supporting civil societies to constructing effective states and stronger institutions, with the aim of building local ownership of policies and activities, and of aligning donor and recipient strategies.⁹ These objectives are hard to pursue in protracted crises where intermittent escalations of violence are recurrent and high insecurity may affect areas of the country for decades. In such contexts, the standards and good practice set by the Aid Effectiveness agenda and the New Deal for Engagement in Fragile States are often unattainable in reality. Consequently, donors are only too willing to shift to other, more nimble and less institutionally demanding forms of engagement, such as humanitarian financing, that allow them to maintain some of the developmental gains though not to advance further.¹⁰

⁷ For further analysis on the challenges of the quest for coherence in the humanitarian sector and the overstressing of the humanitarian mandate from the emergency gap perspective, see Dubois, M., *The Cost of Coherence*, Emergency Gap Series, Médecins Sans Frontières OCBA, December 2016. (<https://arhp.msf.es/emergency-gap-papers-aid-environment/emergency-gap-cost-coherence>).

⁶ See De Castellarnau, M., and Stoianova, V., *Emergency Gap: Humanitarian action critically wounded*, Emergency Gap Series, Médecins Sans Frontières OCBA, April 2016; Scott, R., *Financing in Crisis? Making humanitarian finance fit for the future*, OECD Development Co-operation Working Paper 22, June 2015; and High Level Panel on Humanitarian Financing, *Too important to fail – addressing the humanitarian financing gap*, December 2015.

⁹ For information on the specific commitments and targets agreed at the four High Level Forums on Aid Effectiveness, see the OECD-DAC webpage on effective development co-operation at: <http://www.oecd.org/dac/effectiveness/thehighlevelforaonaideffectivenessahistory.htm>

¹⁰ See Scott, R., *Financing in Crisis? Making humanitarian finance fit for the future*, OECD Development Co-operation Working Paper 22, June 2015.

Most humanitarian funding is spent in countries where more development and political focus is required but instead they receive the bulk of humanitarian resources

An effective shift would require a return to a division of labour amongst aid approaches where each form of action would be used according to its strengths, know-how and added value

Most humanitarian funding from traditional donors is spent in countries where development, crisis management, and civil society and state-building actions are required but instead they receive the bulk of humanitarian resources. Most of the top recipients of humanitarian assistance in the last decade were countries with protracted crises,¹¹ including the Democratic Republic of the Congo, Sudan, Iraq, Afghanistan, the occupied Palestinian territories, Ethiopia and Somalia – contexts where development is possible in many parts of the country, in conjunction with humanitarian response to the acute needs and suffering of victims of violence. Instead, humanitarian financing has become stretched into spheres of activity on the edges of humanitarian action that include preparedness, disaster-risk reduction and resilience-building activities on one side of the spectrum, and early recovery, infrastructure rehabilitation and the indefinite provision of basic services, on the other. Given the finite pool of money, which for all its growth continues to hover just above the 10 per cent mark of all Official Development Assistance, and represents less than 5 per cent of all international monetary flows including development aid, remittances, foreign direct investments and peacekeeping, this stretching of financing has inevitably left core areas of humanitarian action starved of resources, thus contributing to the emergency gap.

With ever-growing pressure placed on humanitarian assistance and an ever-widening funding gap between the needs to be addressed and the resources available, it should be obvious that humanitarian action cannot be solely responsible for responding to chronic poverty, vulnerability to shocks and natural hazards, or protracted displacement. An effective shift would require a return to a division of labour amongst aid approaches where each form of action would be used according to its strengths, know-how and added value. This would allow humanitarians to return to their core mandate of addressing critical needs and human suffering, and saving lives, while development aid deals with chronic needs and the underlying causes of poverty, vulnerability and risks, and security and political action is used to bring about the end of armed conflicts. A reduced mandate for humanitarian action would also likely lead to a reduction in what is currently being labelled as humanitarian needs under emergency appeals and the Global Humanitarian Overview and consequently it would help to close the funding gap.¹²

¹¹ Based on data from Development Initiatives, Global Humanitarian Assistance programme.

¹² See Scott, R., *Financing in Crisis? Making humanitarian finance fit for the future*, OECD Development Co-operation Working Paper 22, June 2015.

This does not mean a substitution of humanitarian action for development aid: rather, humanitarian and development approaches will have to cohabit

With the current rise in conflict and insecurity, development aid cannot remain bunkered down and dependent upon having functional and legitimate government counterparts

This does not mean a substitution of humanitarian action for development aid: rather, humanitarian and development approaches will have to cohabit in many protracted crises where stabilised areas coexist with pockets of insecurity and violence, while development aid can take over those contexts where problems are not humanitarian, either in nature or in response. For this to be effective, the prevalent concept of development aid that exclusively focuses on governmental and institutional counterparts must be replaced by a wider partnership focus that includes, once again, the local civil society. With the current turbulent environment and rise in conflict and insecurity, development aid cannot remain bunkered down and dependent upon having functional and legitimate government counterparts. Furthermore, an alignment between humanitarian and development budgets must be put in place¹³ so that the narrowing of the scope of humanitarian action –while remaining conceptually sound and pragmatically urgent– does not lead to the abandonment of people who are chronically vulnerable and have long-term needs.

There is a clear financial cost to the all-encompassing interpretation of the humanitarian imperative, which cannot be met by humanitarian budgets alone. There is also a more important intangible cost in terms of the dilution of the humanitarian imperative itself, particularly in conflict settings. Conflict and fragile contexts were the birthplace of institutionalised humanitarian aid and continue to be the core areas of operations for humanitarian action today, absorbing some 80 per cent of all resources.¹⁴

After a decade of decrease that started in the early 1990s, conflict is on the rise again.¹⁵ Humanitarian action in conflict settings has come under fire both from within the sector, by the instrumentalisation of humanitarian action for politically motivated agendas, and from the outside, by warring parties' blatant disregard for International Humanitarian Law. When humanitarian organisations find themselves part of a process whose ultimate aim and objective is an ideological or political endeavour and endpoint, pure humanitarian objectives cannot possibly take centre stage.¹⁶

¹³ Ibid.

¹⁴ 86 per cent based on the UNSG report for the WHS; based on FTS data, the figure is closer to 70 per cent.

¹⁵ There were 50 armed conflicts in 2015, according to the Uppsala Conflict Data Program: the highest number since 1992. More worryingly, the number of people killed as the result of conflict in 2014 and 2015 was higher than any other time in the post-Cold War period, according to the Peace Research Institute Oslo (PRIO). See "Trends in Armed Conflict, 1946–2015", August 2016.

¹⁶ Pedersen, J., "The nexus of peace building, development and humanitarianism in conflict affected contexts: A respect for boundaries", Life & Peace Institute, May 2016.

It is essential for humanitarian financing and its accompanying aid architecture to recognise the fundamentally different nature of humanitarian action in conflict

Setting the right target for the scope of humanitarian action and for humanitarian financing is particularly pressing in conflict settings, where the blurring of the lines between addressing needs and addressing the underlying causes of human suffering is undermining the humanitarian imperative. It is essential for humanitarian financing and its accompanying aid architecture to recognise the fundamentally different nature of humanitarian action in conflict. The current strategic thinking and policy recipes blur all differences between working in protracted and acute crises, and between natural disasters, armed conflicts, complex emergencies and health epidemics. There are obvious and important differentiations to be made in terms of which type of funding better supports emergency response in conflict, what type of response capacities are needed, how crucial the speed of the response is, and who are the best placed actors to deliver meaningful assistance.

The humanitarian architecture: a design fit for purpose?

The political economy of humanitarian financing shapes the nature of the sector

When observed from the perspective of the humanitarian financing architecture, the sector appears much more monolithic than fragmented

The political economy of humanitarian financing shapes the nature of the humanitarian sector. In a supply-driven sector, that political economy is based mostly on the needs and demands of donor governments (those with the resources) and to a decreasing extent on the professional assessments and capacities of frontline delivery agents.¹⁷ Unsurprisingly, the current centralised humanitarian architecture rooted in the United Nation (UN) system is the result of donors' need for a simplified approach towards a complex and multifaceted humanitarian community, rather than of the organisational choices of humanitarian actors. There has been a long-standing debate over the nature of the humanitarian sector and whether it responds to the concept of a system or whether, as recent thinking galvanised by the WHS sustains, it is in fact a highly fragmented arena.¹⁸ While from MSF's operational perspective the sector is better conceived as an ecosystem of independent but interrelated visions, mandates, operational approaches and scopes of action, when observed from the perspective of the humanitarian financing architecture, the sector appears much more monolithic than fragmented.

The sector began to emerge from the very beginning of institutionalised humanitarian action at the start of the 20th century but did not fully take shape until the post-war period when the UN aid agencies and many of the most established international non-governmental organisations (NGOs) were created. In the 1990s, the sector was in full bloom with sprawling humanitarian operations and an influx of new actors. As aid swelled, the humanitarian sector grew with a surge in the number of aid actors who began developing, and in some cases expanding, their agenda in light of the new rights-based approach to aid and the financially benevolent environment. The international debacle in Rwanda and the war in Kosovo are thought to have represented a turning point for donors' behaviour at the start of the millennium. There was a sense amongst humanitarian practitioners, policymakers and some donors that the behaviour of the donor community at that time was unprincipled, uncoordinated, dysfunctional, irrational and sometimes arrogant.¹⁹ There was also a sense that even if most donor behaviour was "rational from a donor point of view", the sum total of all donor behaviours didn't

¹⁷ Collinson, S., *Constructive deconstruction: making sense of the international humanitarian system*, Overseas Development Institute, July 2016, citing Smillie, I. and L. Minear, *The Charity of Nations: Humanitarian Action in a Calculating World*, Sterling, VA: Kumarian Press, 2004.

¹⁸ Ban, Ki-moon, *One Humanity; Shared Responsibility. Report of the Secretary-General for the World Humanitarian Summit*, United Nations, 2016.

¹⁹ Johan Schaar on the Birth of the Good Humanitarian Donorship Initiative in DARA, *Humanitarian Response Index* 2007.

There was a sense amongst humanitarian experts that the behaviour of donors at the start of the millennium was unprincipled, uncoordinated, dysfunctional, irrational and sometimes arrogant

produce “a rational whole”.²⁰ It was only one step further to consider whether well-established practices amongst development donors could be adapted to the humanitarian field, where shared norms and principles already existed amongst implementing organisations and could also be used to provide guidance to humanitarian donors.

In the early 2000s, humanitarian funding relied in even greater proportion than today on a small pool of predominantly Western donors. In 2003, seventeen governments adopted the 23 Principles and Good Practice of Humanitarian Donorship, in what was called the Good Humanitarian Donorship (GHD). In 2004, all major government donors –those from the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD-DAC)– agreed to endorse the principles, and these have since been adopted by other non-OECD-DAC donors, either through formal adherence to the GHD principles or through a supranational legal framework such as the 2007 European Consensus on Humanitarian Aid. Amongst other things, the GHD principles translated the key humanitarian principles of humanity, impartiality, neutrality and independence into the language of governmental donorship, and for the very first time provided a common definition and scope of activities for humanitarian donorship.

Objectives and definition of humanitarian action

Principle 2

Humanitarian action should be guided by the humanitarian principles of humanity, meaning the centrality of saving human lives and alleviating suffering wherever it is found; impartiality, meaning the implementation of actions solely on the basis of need, without discrimination between or within affected populations; neutrality, meaning that humanitarian action must not favour any side in an armed conflict or other dispute where such action is carried out; and independence, meaning the autonomy of humanitarian objectives from the political, economic, military or other objectives that any actor may hold with regard to areas where humanitarian action is being implemented.

Source: 23 Principles and Good Practice of Humanitarian Donorship, The Good Humanitarian Donorship Initiative, 2003.

²⁰ The phrase belongs to the UN Deputy Emergency Relief Coordinator Carolyn McAskie interviewed for *The Quality of Money: Donor behaviour in Humanitarian Financing* by Ian Smillie and Larry Minear.

A collective approach to good donorship required clarity of objectives and principles to guide action but there was also pressure to ensure quick and measurable outputs

The GHD focused on promoting existing coordination and common response mechanisms that had already begun to form under the framework of the UN

A collective approach to good donorship required clarity of objectives and principles to guide action, in addition to a definition of what constituted good practice. Back in 2003, however, the pressure was on ensuring that the GHD process would not end with yet another document,²¹ but would generate quick and measurable outputs. The focus was not on how best to deliver assistance, but on how best to channel funding through what was already a sprawling community of humanitarian actors, and on how best to govern this amalgam of actors. Thus, the GHD Initiative focused on promoting existing coordination and common response practices that had already begun to be set up under the framework of the UN.²²

The priority fell on enhancing coordination and funding through joint planning and an inclusive and field-driven decision-making processes. Common Humanitarian Action Plans (CHAPs) and the Consolidated Appeal Process (CAP) had been created over a decade earlier, but did not take a preeminent role in the planning and coordination of humanitarian response until the impulse provided by the Humanitarian Reform process in 2005. In theory, donor governments relied on the CAP for a one-stop overview of humanitarian needs and response capacities, and to ensure that their bilateral funds were spent strategically and efficiently. However, in practice, funding priorities did not immediately shift in any dramatic manner with donors continuing to fund as per their own individual priorities until the CHAPs and the CAP gained traction.

At the same time, humanitarian funding has to be timely, flexible and predictable, as well as supportive of the mandates of the different organisations, as recognised by the GHD principles. While the high concentration of funding in a small number of UN agencies and otherwise channelling of resources through the UN-led planning and implementation processes present a number of benefits on the side of coordination, coherence and strategic targeting, they also pose a number of challenges for the swiftness of action. The reasons are two-fold: on the one hand, most UN agencies have a limited role as frontline deliverers in humanitarian response (with the notable exception of the World Food Programme), which means that funding needs to trickle

²¹ Schaar, J., "The Birth of the Good Humanitarian Donorship Initiative", *The Humanitarian Response Index 2007*, DARA, 2007.

²² See the UN General Assembly Resolution 46/182 from December 1991 on the strengthening of the coordination of humanitarian emergency assistance, which included the creation of the role of Emergency Relief Coordinator, the Inter-agency Standing Committee, the Consolidated Appeals Process (CAP) and the Central Emergency Revolving Fund (which became the Central Emergency Response Fund as part of the 2005 Humanitarian Reform process).

High concentration of funding in the hands of UN agencies and through UN-led processes has benefits in terms of coordination and strategic targeting but also poses a number of challenges for the swiftness of action

further down the implementation chain until it reaches actual implementing organisations; and on the other hand, despite great efforts in early planning, the mobilisation of resources within the UN-led processes continues to be slow due to lengthy processes and slow donor response to the appeals.

As part of the need to ensure that funding for emergency response was also timely, flexible and predictable, the 2005 Humanitarian Reform (re)launched pooled funding with the aim of making loosely earmarked funds available for responding to priority humanitarian needs identified in the CHAP and the CAP. The main strengths of pooled funding lay in its ability to be inclusive (reaching a variety of humanitarian actors from UN agencies, international and local NGOs and the Red Cross/Red Crescent organisation), country-driven (with planning and decision-making taking place at the field level), adaptable to the humanitarian needs of their country contexts (through the key role of the clusters and sector groups in defining needs), and flexible (by providing targeted allocations throughout the response cycle). Beyond country-based pooled funds, the multi-donor UN Central Emergency Response Fund (CERF) represents the largest global pot of flexible and timely funding: since its inception in 2006, CERF's rapid response window has allocated some US\$2.8 billion (or two-thirds of all CERF funding). Being the most prominent unearmarked humanitarian funding mechanism, the WHS specifically recommended increasing donor support for CERF as a way of enhancing emergency response capacity in the sector. However, the CERF only funds UN agencies, which leads to a substantial level of sub-granting of funds,²³ with the subsequent inefficiencies that go beyond the speed of disbursement, and include a range of issues such as multiple overhead charges, a low and often insufficient administrative cost ceiling accessible by the actual implementers of the grant, and promoting a perverse culture of subcontracting where the deliverers of aid are not those identifying the needs and formulating the response plans.

As the UN-led common planning and response processes become heavier within expanding transparency and accountability frameworks, there is also a trade-off between comprehensiveness and rapidity associated with flexibility: a compromise often referred to as quality of process vis-à-vis

²³ The pass-through of humanitarian funding (also referred to as sub-granting) by UN agencies to frontline implementers, typically NGOs, is not systematically monitored and recorded. A review of the 2014 CERF allocations indicates that UNICEF and UNHCR sub-grant as much as 40 per cent of their CERF grants to NGOs. See http://www.local2global.info/wp-content/uploads/in_kind_vs_funding_28_11_2016.pdf.

Loss of timeliness and flexibility is a critical issue for humanitarian response

timeliness.²⁴ This loss of timeliness and flexibility is a critical issue for humanitarian funding that should support rapid and adaptable response to rapidly evolving contexts. In reality, traditional decision-making and allocation mechanisms often fall short when it comes to timeliness: allocations to the activities under common response plans and pooled funds continue to take anything from two to five months to materialise;²⁵ standard bilateral funding mechanisms, even when harnessed outside of the common UN-led processes, are not able to effectively support frontline deliverers of aid in the immediate launch of an emergency response. Consequently, a number of global and country-specific fast-track mechanisms have been put in place in recent years. These include the START fund, the United Kingdom's Internal Risk Facility in Somalia, the NGO-managed RAPID fund in Pakistan, and an increasing number of individual donors' rapid response instruments such as Sweden's Rapid Response Mechanism. In addition, some 19 OECD-DAC donors report having some sort of rapid response capacity, including rosters and deployable personnel, pre-approval of funds for key partners, rapid response funds and coordination centres; and 11 donors indicate the availability of contingency funds to facilitate a rapid response to crises.²⁶ Such initiatives have a positive impact for increasing timeliness for a particular set of actors or contexts, but their scale and impact are too limited to offset the overall lack of speed in emergency response.

Rapid response mechanisms aim to scale up existing response capabilities but cannot have a dramatic effect on closing the emergency gap

A rapid response mechanism aims to scale up or support existing response capabilities, and as such is not a basis for building emergency response capacity either at the operational or organisational levels. Thus, it cannot have a dramatic effect on closing the existing emergency gap. In that sense, when it comes to the sector's ability to deliver on the humanitarian imperative –that is, for the implementers to respond and for donors to fund on the basis of the most pressing needs wherever they may be– the humanitarian financing architecture presents major challenges that go beyond the timing of the response. For frontline organisations (mainly NGOs and the Red Cross and Red Crescent Movement) the lack of predictable and flexible funding means that responding on the basis of needs is

²⁴ See for instance OCHA, *Evaluation of the Common Humanitarian Fund: Global Synthesis Report*, May 2015 and Stoianova, V, *Review of NGOs' Experience with the Syria-Related Pooled Funds*, ICVA, December 2014.

²⁵ Ibid. For commitment times to the HRP, see Development Initiatives, *Global Humanitarian Assistance Report 2014*, Chapter 7.

²⁶ See *Coordinating decision-making: Meeting needs*, Inception report, Global Humanitarian Assistance, June 2015, at <http://www.globalhumanitarianassistance.org/wp-content/uploads/2015/06/GHA-Inception-Report-Mapping-donor-funding-preferences.pdf> and OECD Rapid response tools and mechanisms, at <http://www.oecd.org/dac/conflict-fragility-resilience/rapidresponsetoolsandmechanisms.htm>

sometimes simply unfeasible. Access to unrestricted funding is considered crucial for building adequate operational capacity and providing meaningful response in acute crises. Investments in organisational capacity (including in human resources, technical know-how and scaling-up capability), in establishing a robust and independent logistical backbone and in developing in-house risk management capacity are key for ensuring access in hard-to-reach places, particularly in conflict settings, and are paramount for the quality of emergency response.²⁷

The recently published findings of the three-year-long Secure Access in Volatile Environments (SAVE) research project have shed additional light on the negative impact that the lack of adequate funding and investments in organisational and operational capacity have on the reach and quality of humanitarian response in conflict zones.²⁸

Save findings on the operational cost of insufficiently fast and flexible funding

Cultivating operational independence is an effective way to enable access	Across the four countries (Afghanistan, South Central Somalia, South Sudan and Syria), the organisations achieving good access in hard-to-reach areas tend to have a strong internal ‘triage’ culture (at global and/or country level) that is driven by the goal of reaching people who are most in need – rather than simply executing programmes in reachable areas. This organisational ethos is particularly effective when combined with a rich understanding of the given political environment, including possible pressures from political actors on the ground or in donor capitals, and flexible funding. Independent funding and/or logistics help different types of organisations, both small and large, to undertake higher-risk programming, where they have the motivation to do so.
The vast majority of humanitarian agencies still fail to engage strategically with armed non-state actors in order to negotiate access	In interviews and a survey, many field staff said they are uncertain about whether such contact is even allowed. While examples of good practice exist in each country, especially among a handful of INGOs accustomed to working in conflict environments, they tend not to reflect a consistent organisational approach. MSF and the ICRC, by contrast, benefit from organisational investments in engaging in regular dialogues with parties to the conflict. Their flexible funding facilitates this by allowing more time and scope for building relationships and contextual understanding.
Affected people are unsatisfied with the degree of their involvement in aid programmes, citing little real dialogue or consultation	While many people expressed appreciation for the aid received, many also felt that they were not helped during times of greatest need. In all four countries, response time to newly arising needs is slow, with the challenges partly attributable to insecurity (notably the use of low-profile, static approaches) and partly to insufficiently fast and flexible funding.

Source: Haver, K. and Carter, W., *What It Takes: Principled pragmatism to enable access and quality humanitarian aid in insecure environments*, Humanitarian Outcomes, November 2016.

²⁷ See for instance Castellarnau, M., and Stoianova, V., *Emergency Gap: Humanitarian action critically wounded*, Emergency Gap Series, Médecins Sans Frontières OCBA, April 2016, and also Haver, K. and Carter, W., *What It Takes: Principled pragmatism to enable access and quality humanitarian aid in insecure environments*, Humanitarian Outcomes, November 2016.

²⁸ For more information on the SAVE programme, visit <http://www.saveresearch.net>

Access to unrestricted funding is considered crucial for building adequate operational capacity and providing meaningful response in acute crises

Putting the decision-making in the hands of qualified frontline humanitarian organisations greatly contributes to the effectiveness of emergency response

Unearmarked funding is crucial for flexible, timely and effective humanitarian response, as recognised by the GHD principles. Publications in the run-up to the WHS went so far as to describe flexible funding as the lifeblood of humanitarian operations. Moreover, it is seen as critical for the provision of independent and impartial assistance as it removes the donor motivations from the decision of how to use the money, leaving it exclusively to the expert criteria of the humanitarian organisation that delivers the response. Of course, some donors possess unparalleled technical and contextual knowledge and expertise, and many humanitarian organisations have lost much of the necessary technical skills for assessing needs and formulating response plans in acute crises. However, it is predominantly true that putting the decision-making in the hands of qualified frontline humanitarian organisations greatly contributes to the effectiveness of emergency response.

When it comes to core funding, the source from which that funding emanates and the technical form under which it is given can vary significantly. For MSF, being solely reliant on private funding for the provision of assistance in conflict settings is key for organisational independence, for its ability to uphold the principle of humanity and independence, and for its ability to deliver impartial and timely assistance on the ground. Privately generated funds bring particular benefits of reliability, durability and flexibility and so they are extremely valuable to agencies delivering life-saving work in crisis situations. It allows organisations like MSF to invest in accessing hard-to-reach areas, maintain strong response capacity, build higher institutional risk tolerance, and invest in forgotten crises and low profile emergencies.

Private funds can also be used to bridge funding gaps between grants and to fund sectors that agencies do not have alternative funding for, as well as contribute towards setup costs, which can be difficult to gain institutional funding for.²⁹ Private funds are also more reliable in terms of their durability, often offering a multi-year guaranteed source of funding as individual donors usually give money regularly for up to five years, while corporate partnerships between aid agencies and private sector companies can last for three to five years, compared with the usually annual funding cycles of government donors. Unsurprisingly, humanitarian

²⁹ For research on the role of private humanitarian donorship, see Stoianova, V., *Private funding: An emerging trend in humanitarian donorship*, GHA Briefing Paper, April 2012; Stoianova, V., *Private funding for humanitarian assistance: Filling the gap?*, GHA Briefing Paper, August 2013; and Stirk, C., *Humanitarian assistance from non-state donors: What is it worth?*, GHA Briefing Paper, April 2014.

Access to core unearmarked funding allows organisations to invest in their organisational and operational capacity, which allows them to immediately set up life-saving activities

organisations have invested heavily in private fundraising, often doubling their private income (and sometimes even increasing it by as much as a factor of six) since the start of the financial crisis.³⁰ Flexibility is another key benefit of private funds as they have less tightly restricted frameworks than government grants in terms of timeframes, location or activities, as well as carrying a considerably lesser monitoring and reporting burden, thus reducing the considerable reporting costs that most implementing organisations incur.

Save findings on the role of private funding in ensuring humanitarian access and quality response

In practice, independence is greatly facilitated by unrestricted or less restricted funding, which gives agencies more flexibility when it comes to programming choices and risk management. It means that agencies' humanitarian responses are less likely to be bound or influenced by donor special interests on particular areas or groups in the country. Independent capacity in logistics and transport can also be critical, for it allows an organisation flexibility of movement, based on its own risk tolerance. Besides the ICRC and MSF, many other kinds of organisations benefit from independent funding or logistics, where they have it. In all four countries, organisations cited examples where private or less restricted funding allows them to undertake higher-risk programming. Such funding allows them to take on more fiduciary risk, due to less stringent monitoring or reporting requirements. Across the four countries, private or less restricted funding also allowed different types of organisations to take on greater security risk. For example, they could invest in extra vehicles or equipment, organise trainings, work on safety protocols, conduct in-depth context analyses and take longer to implement projects, including hiring the right types of staff (or firing the wrong ones).

Source: Haver, K. and Carter, W., *What It Takes: Principled pragmatism to enable access and quality humanitarian aid in insecure environments*, Humanitarian Outcomes, November 2016.

³⁰ Variation calculated using 2008 figures as a baseline and data from ICRC and UNHCR annual reports.

Box: MSF's experience with institutional funding

Historically, MSF has always relied on private funding as an important source of income and today it receives the support of more than six million private donors. Initially this organisational choice provided a higher level of operational autonomy to the organisation and allowed it to respond quickly to emergencies. It also allowed MSF to operate in forgotten crises that had little or no donor money available.

Progressively, the percentage of institutional funding has shrunk, not because of the quantity or quality of funding but rather as a strategy to ensure that MSF is perceived as independent from powerful donor governments.

Institutional funding has hovered around 10% of the total of MSF's income in the last decade and it dropped to 4% in 2016.

The principled angle

The acceptance of public funding is guided by a policy that aims to mitigate concerns over the potential impact of institutional funding on MSF's independence or its perception and acceptance in the countries where it intervenes. Being perceived as supporting or spreading any given government's policies and agendas can have important consequences for access and for the security of our staff and our patients.

Acceptance of institutional funding is guided by the following principles:

1. No funding will be accepted which will undermine the reality or perception of:
 - MSF's independence of action
 - MSF's neutrality in any conflict
 - MSF's ability and intention to provide assistance impartially
2. No funding will be accepted from an institutional donor when it creates a strong conflict of interest with MSF policy or objectives.
3. MSF will likewise exclude donors which undermine its reputation as a medical humanitarian agency in countries where we provide assistance and in societies where we raise funds and volunteers.
4. No funding will be accepted when it undermines our ability to make operational choices (especially in emergencies) or has a negative impact on the acceptance of MSF and the security of our staff.

As a direct consequence of these principles, MSF will not accept funding from states that are directly involved in a conflict either with their own troops or through military coalitions. In contexts where there are UN-mandated forces on the ground who are authorised to use 'all necessary means' under Chapter VII of the Charter, donor funding may be accepted but only after rigorous, case-by-case analysis of its potential impact.

Additionally, there are contexts where, because of the high level of international politisation, MSF will apply a zero institutional funding policy. This applies to many conflicts and the list is regularly discussed and revised among the directors of operations.

Regarding the exclusion of institutional donors, MSF currently does not take money from the US government, the European Institutions or from the EU member states.

The pragmatic angle

Limiting institutional funding also responds to the organisations' need for agility and timeliness in emergency response. MSF's operational independence is clearly enabled by its financial independence. In practice, this means that MSF can take higher financial risk and respond immediately to the needs, without waiting for donors' money, not to mention the ability to invest over time in building the structural capacity that enables it to move fast. The "MSF machine" that propels emergency response is a combination of independent logistics, dedicated emergency coordinators and a commitment to building and retaining core competencies (notably security management and negotiated access). Most of this has been built with private funding.

MSF's track record in delivering quickly in humanitarian crises is appealing to donors and obtaining grants has been greatly facilitated by that. Over the years, the types of agreements with donors have gradually evolved from small project based grants to multi-year agreements with prepositioned, un-earmarked or lightly earmarked funds for emergency response with several donors. These agreements usually come with very flexible conditions and a lighter reporting burden. This has been of benefit to both parties in terms of impact and reach, as well as ease of processes.

MSF's strong institutional and operational performance and reliability have played a pivotal role in building trust and facilitating more advantageous funding agreements with innovative donor governments. The MSF experience shows that it is possible for donors and emergency minded NGOs to reach these types of partnerships which better support the implementing organisation's operational and organisational needs and simultaneously amplify the impact of donor's financing by ensuring that it reaches those in critical need in an adequate and timely manner. However, this also unveils a paradoxical situation where those organisations who are less donor dependent, and consequently in lesser need of such flexible support, are the ones who are most likely (better positioned) to obtain it.

The recurrent debate

The discussion of whether MSF should take institutional funding at all is one that resurfaces periodically. There are those that argue that the organisation should aim to be exclusively funded through private donations and this to fully disassociate itself from political actors. Others argue that to maintain a small percentage of institutional funds is necessary and desirable, as it facilitates a constant dialogue with donor governments and ensures diversification of sources of income to buffer field operations in the event of a radical change in private or public donor behaviour.

Regardless of the funding source, flexibility in the access to and use of funds remains essential in order to meet needs effectively, particularly in conflict where costs and risks are higher

While private funds play a key role in enabling humanitarian organisations to be more agile and adaptive in their programming, the ICRC experience shows that this can also be achieved while relying overwhelmingly on government grants, owing to its special status founded in international law, and specifically in the Geneva Conventions. Access to core unearmarked funding³¹ allows the ICRC to invest in conflict and fragile contexts in order to immediately set up life-saving activities in situations where no or few other organisations could operate; to cover funding gaps that would otherwise require the organisation to change its operational approach or to close chronically underfunded operations; and to front-load cash, boosted by the ICRC's reserves, in emergency interventions, which guarantees the organisation's immediate response capacity by bridging the gap between the onset of the emergency operation and the start of renewed fundraising efforts for the operation.³² The ICRC's field experience shows that operational flexibility decreases in direct proportion to the degree of earmarking demanded by donors, to the detriment of the quality and reach of humanitarian assistance.

Two such different approaches to funding such as those of MSF and the ICRC show that, regardless of the funding source, flexibility in the access to and use of funds remains essential in order to meet needs effectively. This is particularly so when working in conflict settings where costs are higher and the risk of loss and/or diversion of assets cannot be neutralised even through the best of planning and management of implementation, and the drive for cost-efficiency often enters in direct contradiction with the need to address critical needs in hard-to-reach places. Despite the clear impact of flexible and unrestricted funding on the reach and quality of emergency response, earmarking has risen since the 23 Principles and Good Practice of Humanitarian Donorship were adopted in 2003. Moreover, while the GHD Initiative specifically states the need to support and promote the central and unique role of the UN in providing leadership and co-ordination of international humanitarian action, the special role of the ICRC, and the vital role of the UN, the International Red Cross and Red Crescent Movement and NGOs in implementing humanitarian action, core funding has never really been extended beyond the group of UN agencies –and to a lesser degree the ICRC– to the main deliverers of humanitarian programming in the field.

³¹ However, the share of loosely earmarked and core funding has dropped from 81% in 2003 to 41% in 2011, and just 34% in 2015, based on data from the ICRC's annual reports 2003 and 2015.

³² Adapted from the ICRC Annual Report 2015.

Core funding has never really been extended beyond the group of UN agencies –and to a lesser degree the ICRC– to the main deliverers of humanitarian programming in the field

Organisations that cannot build up or invest in their organisational capacity will unlikely become early interveners in acute crises that require a robust initial operational infrastructure

It is surprising how such inconsistency between humanitarian policy and practice has gone unaddressed by numerous aid effectiveness agendas and reform processes in the humanitarian sector. Even recent developments, such as the Grand Bargain which calls for a target of 30 per cent of unearmarked or softly earmarked humanitarian contributions by 2020, implicitly focus on the ‘big six’:³³ the six UN agencies that concentrate half of all humanitarian funding and that are, generally speaking, far from being at the sharp end of humanitarian delivery in emergencies. While most humanitarian delivery is done by NGOs, in 2014, unearmarked funding represented 8 per cent of the overall funding they received that year – a slight increase from the 7 per cent of unearmarked funding they received in 2010.³⁴

The costs of supporting the humanitarian operations of frontline humanitarian agencies are often fully or partially funded through an overhead charge on every grant, even despite these costs being well known, predictable and easily accounted for, and therefore much better funded through core institutional funding. This dysfunctionality creates challenges for predictability of income and disincentives for proper investments in organisational capacity. For humanitarian organisations that favour emergency response operations –particularly in fragile and conflict settings– over the wider scope of longer-term humanitarian activities, restricted access to sufficient levels of flexible and core funding may have a direct impact on the reach and quality of their operations. In addition to the very restricted volumes of unearmarked funding, the narrow overhead cost allowed by government funding and sub-granting from UN agencies for the administrative and operational expenses of NGOs (whether international or local) means that investment in organisational capacity has become extremely challenging for frontline actors. And organisations that cannot build up or invest in their organisational capacity will unlikely become early interveners in acute crises that require a robust initial operational infrastructure. It is, therefore, likely that organisations that are heavily dependent on earmarked institutional funding will exclude the possibility of launching emergency response in a new crisis, and particularly in contexts of acute conflict where operational costs are much higher, thus contributing to the emergency gap.

³³ In Chapter 4 ‘Improve delivery: a Grand Bargain on efficiency’ of *Too important to fail – addressing the humanitarian financing gap*, the High-Level Forum on Humanitarian Financing states: “Five countries fund nearly two-thirds of global humanitarian finance provided by governments. Six UN agencies receive and manage half of it. Giving, receiving and channelling funds is concentrated in the hands of a few ‘giants’. We would like to see the major donors and aid organisations set an example for others to follow by working even closer together to drive down costs.”

³⁴ Development Initiatives, *Global Humanitarian Assistance Report 2016*.

The humanitarian financing architecture is not fit for purpose; reforms that aim for even greater system-wide alignment tip the balance towards efficiency and away from responsiveness

Humanitarian financing and its accompanying funding architecture face persistent challenges when it comes to delivering predictable, flexible and unrestricted funding for emergency response. These issues are particularly acute in conflict settings where organisations are faced with additional challenges beyond the need for speed and flexibility of funding. The higher costs associated with logistics and security management investments; the need for a costly standby capacity that can scale up the response with high-quality human staff and technical resources; the higher risk of loss and diversion of assets and investments, and the need to navigate counter-terrorism legislation, while negotiating access and ensuring neutral and impartial delivery of assistance, all make current financing practices fundamentally unsupportive to adequate emergency response in conflict zones.

The current humanitarian financing architecture is hardly fit for the purpose, and approaches towards improving the effectiveness of humanitarian response continue to pass through a quest for even more system-wide alignment and coherence, thus continuing to tip the balance towards efficiency and away from responsive interventions. As needs assessments, planning and decision-making, operational structures and resource mobilisation have become more centralised at the core of the sector, its rules have become extrapolated to the rest of the implementing agencies, reinforcing the loss of operational diversity and agility in the sector.

When the *status quo* is not an option

Effective humanitarian action must rely on rational targets and expectations of the humanitarian enterprise and on an effective financing architecture

Donor policies and funding procedures must support the humanitarian mindset of implementing partners both with sufficient and sufficiently flexible resources

Given that the notion of humanitarian action has expanded beyond the sphere of life-saving assistance in acute emergencies, and that different types of action rely on different sets of skills and approaches, it becomes paramount that the sector acknowledges and further explores its diversity of actors, mandates and operating models. In this context, centralised one-size-fits-all approaches to humanitarian action and financing are bound to fail. Recent attempts to impose a single logic, such as calling for one leadership in the aid sector with a uniform target set by the Sustainable Development Goals, or promoting that all needs assessments and response planning be undertaken jointly by all actors in a country, thus disregarding the need for preserving principled humanitarian action in conflict and highly politicised contexts, are steps in the wrong direction. On the other hand, harnessing the organisational and operational diversity of the sector will allow for a more critical analysis of the existing humanitarian architecture and its ability to maximise the use of resources and to cover the full scope of humanitarian activities, including the delivery of effective emergency response on the ground.

Effective humanitarian action must rely on rational targets and expectations of the humanitarian enterprise and on an effective financing architecture. Ensuring enough quantity and quality money for humanitarian crises “is not just about writing a bigger cheque. The money also needs to arrive in the right place, in the right way, and at the right time”.³⁵ To begin with, the sector must acknowledge that emergency response, particularly in armed conflict, will remain highly relevant, as made painfully evident by the high number of volatile humanitarian contexts in recent years. The insufficient presence and reach of humanitarian actors in insecure environments cannot be acceptable in a sector that has more actors, resources, information and knowledge at its fingertips than ever before in its history. Evidence has shown that working in conflict settings requires a leeway of action that is unsupported by current donor funding policies.

Operational and financial risk aversion by implementing agencies is often driven by donors stringent monitoring and reporting policies, and unwillingness to accept uncertainty, fund failure, loss or diversion of assets, or to accept that meeting critical needs in hard-to-reach places scores unfavourably under cost-effectiveness criteria. Donor policies and funding procedures must support the humanitarian mindset of implementing partners both with sufficient and sufficiently flexible resources. Flexibility of funding

³⁵ Scott, R., *Financing in Crisis? Making humanitarian finance fit for the future*, OECD Development Co-operation Working Paper 22, June 2015.

Funding for results will increase effectiveness and will also reduce the reporting burden that often detracts resources from delivering assistance

A more logical funding setup within the existing architecture will also eliminate the power imbalance and infighting within the humanitarian sector

highly assists flexibility of action. As operational experience from emergency-oriented organisations like MSF and the ICRC shows, and recent studies have corroborated, such organisations' ability to take the necessary risks allows them to gain access and provide quality assistance where most actors cannot reach. In that regard, core funding supports these organisations' mandate and ultimately their ability to achieve results. Consequently, shifting donors' focus from funding programmes and activities to funding results will allow to support the mission and work of their key partners without subjecting them to the administrative, value-for-money and accountability pressures that are put on donor agencies by politicians, parliaments and taxpayers. In highly volatile and insecure environments, these results need not involve heavy performance indicators but rather target investments in the identified operational, organisational and technical structures, skills and know-how that facilitate their presence and ensure the quality of their emergency response. Funding for results will increase effectiveness and will also reduce the reporting burden that often detracts resources from delivering assistance.

Improving the predictability of funding must also be part of the solution. This should include more systematic multi-annual funding commitments from donors and also a rethinking of how administration and operational costs of humanitarian agencies are covered. Donors should move away from overhead charges on programme grants, which can create perverse incentives to formulate higher-cost interventions as well as overstating presence and coverage, in favour of extending core unearmarked funding to their existing key frontline partners, and particularly to emergency NGOs and Red Cross and Red Crescent organisations. Alternatively, it has been proposed to allocate grants specifically earmarked for operational investments and programme support costs. These options would provide a solid base for (re)building organisational capacity and investing in technical know-how, with a view to allowing more humanitarian actors, who are committed and willing to become early responders in conflict settings, to provide timely and quality assistance.

Crucially, this will lead to a more logical funding setup within the existing architecture, which will also eliminate the power imbalance and infighting within the humanitarian sector that has been so often decried by policymakers and analysts.³⁶ The present prevalence of long chains of pass-through funding leads to much more than a transaction-cost

³⁶ Humanitarian Policy Group, *Time to let go: A three-point proposal to change the humanitarian system*, Overseas Development Institute, April 2016.

The centrality of the humanitarian principles as practical and operational aspects of humanitarian action is crucial for effective response in conflict

Humanitarian donors must recognise the intrinsic differences between humanitarian response in armed conflict and in other non-violent emergencies

dysfunctionality: it perverts the balance of power within the sector, disempowering frontline responders at the expense of coordination roles. It also removes the organisations better positioned to identify needs and formulate principled response in highly politicised and contentious contexts from the decision-making and funding negotiations. If taken too far, the status quo risks turning frontline humanitarian responders into subcontractors for the wider international system, with emergency response becoming little more than a technical operation and principled humanitarian organisations (and principled action) becoming indistinguishable from private service providers.

Finally, for an effective emergency response in conflict, the centrality of the humanitarian principles as practical and operational aspects of humanitarian action must be ascertained. In certain volatile contexts, humanitarian actors' neutrality, impartiality and independence have been threatened by funding strategies and regulatory frameworks – in particular, counter-terror legislation and zero-tolerance to financial loss and diversion – that have the effect of discouraging programming in opposition-held territories or hard-to-reach areas.³⁷ Also, with the increasingly protracted duration of crises and the expanding nature of humanitarian enterprise, comes the widening of the pool of actors who take part in the response. It is important to recognise that not all of these actors necessarily conceptualise and operate their actions under the core humanitarian principles. Local authorities, non-governmental organisations, communities, diaspora members, civil society or faith-based groups, religious institutions and businesses mobilise to respond to human suffering in their own countries and regions. The current re-launch of the localisation agenda and the setting of a global funding target for local actors must bear in mind that many actors operate in support of different agendas (be they political, social or economic), driven by diverse transformational goals aimed at addressing the root causes of poverty, inequality, vulnerability and conflict. Within this diversity, it remains critical to preserve the particular place of neutral, independent and impartial humanitarian organisations and their unique position to deliver meaningful and principled response in conflict and highly polarised settings.

³⁷ Haver & Carter *What It Takes: Principled pragmatism to enable access and quality humanitarian aid in insecure environments*, Humanitarian Outcomes, November 2016.

Under a narrower definition of humanitarian action, principled humanitarian funding should be reserved primarily for meeting critical needs

There is a clear need to reconfigure the existing humanitarian architecture to reflect its full diversity of actors and approaches. Establishing and communicating clear limits to the remit and competence of humanitarian action will facilitate a more efficient and effective division of labour. It is also paramount for humanitarian donors to recognise, and for their policies and financing to reflect, the intrinsic differences between humanitarian response in armed conflict and in other non-violent emergencies. Under a narrower definition of humanitarian action, principled humanitarian funding should be reserved primarily for meeting critical needs particularly in conflict-affected and contested settings. While effectively addressing critical needs in even the hardest-to-reach places must be reclaimed as the core mandate for the humanitarian sector, this need not come at the expense of working towards reducing vulnerability and exposure, and increasing the preparedness and coping capacity of affected populations. The different urgency and nature of needs should be serviced simultaneously but through separate approaches.

Conclusions

As aid is being threatened by external factors, its scope, architecture and priorities are also being reconfigured from the inside

National interests and economic conservatism have put financial accountability to taxpayers and return on investments at the heart of international aid

Humanitarian crises have become increasingly protracted in duration and expanded in scope. The political and economic landscapes where humanitarian action operates have also shifted dramatically with the rise of populism in the traditional donor countries, and a renewed focus on state sovereignty in traditionally aid-receiving countries. In many economically prosperous countries, the effects of the 2008 financial crisis led to a rise in unemployment and inequality, and the slashing of social services and foreign aid budgets. Taxpayers' revolts against aid spending and pressure on national institutions to reduce the multilateral space and fund tangible results that provide value, are leading to risk-averse behaviour by government donors in order to please risk-averse parliaments and constituencies.

The operational reality for humanitarian actors has also changed dramatically since the end of the Cold War. The prevalence of intra-state conflicts and the influx of non-state actors in wars and armed violence are changing the rules of war and threatening the legal frameworks that used to ensure a minimum of humanity amidst suffering. Civilians regularly account for the vast majority of victims of violence, and humanitarian workers and infrastructures are systematically and sometimes deliberately targeted. Insecurity and fragility are on the rise: one out of every two people in the world has been affected by or lives in proximity to political violence.³⁸ When conflicts are protracted and intractable, it often seems to be easier for the international community to invest in humanitarian response than in concerted efforts to prevent and resolve conflicts. But humanitarian assistance will never be the solution and deployments of peacekeepers will not be enough.³⁹

As aid is being threatened by external factors, its scope, architecture and priorities are also being reconfigured from the inside. Immediate life-saving assistance coexists with poverty, vulnerability, risk exposure, lack of basic services, political instability, human rights abuses and forced displacement. Humanitarian action has been pulled into an ever-widening agenda and has become overstretched leaving a gaping emergency gap.

National interests and economic conservatism have put financial accountability to taxpayers and return on investments at the heart of international aid, including humanitarian assistance. The principle of humanity is conditioned by the potential financial and fiduciary risk of operations to determine the viability of humanitarian response. The political economy of

³⁸ OECD, *States of Fragility 2016: Understanding Violence*.

³⁹ Ban, Ki-moon, *One Humanity; Shared Responsibility. Report of the Secretary-General for the World Humanitarian Summit*, United Nations, 2016.

The principle of humanity is conditioned by the financial and fiduciary risk of operations to determine the viability of humanitarian response

The mismatch between recipients of funding and deliverers of aid represents a major design flaw that hampers the effectiveness of humanitarian action

Emergency response cannot be swapped for preventive and resilience-building measures, nor can it be regarded as an exception

humanitarian financing influences everything from the balance of power between humanitarian actors to how they reach vulnerable populations and what type of assistance people in need ultimately receive. In a supply-driven sector, financing has always been used, whether openly or tacitly, as a driving force to shape humanitarian assistance and the aid sector. Consequently, the current configuration of the humanitarian system is the result of the combination of government donors' priorities, which over the last 25 years have firmly favoured a United Nations-led aid architecture, and the organisational choices of humanitarian actors that have shaped themselves according to the evolving aid financing landscape and the changing nature of aid policies.

Since 2005, the various humanitarian reform processes championed by governments have reinforced this trend and have converged in an international system where the bulk of resources is held by a handful of UN agencies and the majority of frontline work is done by NGOs (both international and local) and the Red Cross and Red Crescent Movement. This mismatch between recipients of funding and deliverers of assistance presents more than a technical challenge for the most rapid and cost-efficient transfer of money down the funding chain, and represents an important design flaw in the process of humanitarian action. The resulting humanitarian architecture and its accompanying aid financing systems thus remain fundamentally challenged in their ability to deliver timely, effective and quality response in acute emergencies and particularly in a context of armed conflict or highly politicised environments.

For humanitarian financing to be able to effectively support the necessary capacity, presence and delivery of aid in conflict settings, humanitarian action will need to limit its remit while at the same time other actors step up their involvement in targeting the causes and longer-term effects of crises. When it comes to effectively addressing complex needs in complex environments, one size does not fit all: humanitarian donorship and its aid architecture must recognise and nurture the full scope of humanitarian actors with their different mandates, approaches and operational strengths, and support frontline emergency responders with sufficient and sufficiently flexible funding. Emergency response cannot be swapped for preventive and resilience-building measures, nor can it be regarded as an exception as evidenced by the rise in the number and deadliness of conflicts around the globe. The humanitarian community must reclaim the space for principled humanitarian action as a distinct approach that remains critical for the effective provision of immediate life-saving assistance in conflict settings and situations of political violence.

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