

Operational Consequences of Reform Project

Working Paper

Humanitarian Financing Reform

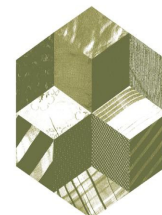
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Executive summary

This paper forms part of an ongoing study that seeks to identify and measure the early impacts of humanitarian reform initiatives on the financing of humanitarian action. An updated paper will be produced in early 2008 measuring the extent of changes a year on. The humanitarian reforms in question include new financing mechanisms, in particular the expanded Central Emergency Response Fund (CERF) and Common Humanitarian Funds (CHF) in recipient countries, the various country-specific Emergency Response Funds (ERFs), as well as the roll-out of the Cluster Approach, strengthened Humanitarian Coordinator leadership and the guiding principles articulated in the Good Humanitarian Donorship (GHD) initiative.

GHD established the policy goals of providing more timely, predictable and needs-based financing to humanitarian crises. However, some of the key mechanisms designed to deliver against these goals, the CERF and the country-level CHFs, have been operational only since 2006. Given this, the following preliminary findings are to be approached with caution: it is too early to say whether any of the observable changes in funding flows outlined below are indicative of new trends in humanitarian financing, or the direct results of the reform instruments themselves.

An examination of 2000–2006 financial data yields the following preliminary findings:

- Global humanitarian funding to date does not appear to be growing more predictable or needs-based.¹ On the contrary, donor governments' funding trends run counter to the stated requirements of the international humanitarian system.
- In addition, the past 2–3 years have seen a slowing of growth in the volumes of financing compared to the previous 4–5 years.
- Nonetheless, recipient countries specifically targeted by humanitarian reforms do show some slight positive signs regarding funding levels and strategic allocations.
- Those donor governments most engaged in the humanitarian reform process are allocating additional funds (new money) in the countries where reforms are rolling out.
- UN agencies have increased their share of direct contributions from donors, ostensibly taking advantage of increased multilateral funding, including common funding mechanisms such as the CERF and CHF. NGOs, while not declining in their overall funding, now receive a smaller share of direct bilateral contributions from donor governments.
- At the global level there is no evidence that a greater percentage of funding is being strategically directed to priorities identified in the common humanitarian action plans and appeals. However, at the country level, in those contexts where the Humanitarian Coordinator is leading a more comprehensive and strategic planning process, there has been a marked increase in the share of funds channelled within the strategic plans.

¹ 'Needs' as defined by the international humanitarian system in appeals and action plans.

- It is not clear that donors have improved the timeliness of their contributions to ongoing crises.

One tentative conclusion to be drawn from these preliminary findings is that, while the period since reform began has seen mixed or negative funding trends at the global level, reforms may have had a real but very narrow and focused impact in those countries that have been the concern of donors most engaged in the reform processes. When viewed in the broad scope of overall humanitarian assistance, the impacts are barely visible, yet at the country level there may be more meaningful effects. This may be an important signal of the future potential of financing reforms – if and when these can be expanded to include more donors, providers and crisis contexts.

Methodology of the study

The purpose of this study is to establish a baseline for a financial analysis of the potential impacts of humanitarian reforms on funding flows, and to identify any immediate discernible impacts in the last few years. Except where otherwise specified, data was compiled from OCHA's Financial Tracking Service (FTS), and figures are current as of May 2007.² The timeframe of analysis is 2000 to 2006. The researchers also consulted Development Initiative's *Global Humanitarian Assistance* reports for comparative purposes. In addition to the quantitative data, the analysis draws on interviews conducted in 2006 and 2007 with representatives of donor governments and humanitarian agencies.

A further caveat must be added in relation to the reliability of OCHA FTS data. FTS relies on donors and agencies to report contributions and, particularly in the early years (1999, when it was created, to 2001), reporting was probably not as complete as in recent years. The analysis seeks to adjust for this by using averages for the time period, to avoid putting too much weight on the early figures. Both of the two main data sources for comparing global figures on humanitarian assistance – the Development Assistance Committee (DAC) of the OECD and the FTS – have advantages and limitations, and neither provides a fully accurate picture. While DAC aid figures are more reliable and comparable over time, this study opted to use FTS data given that it is produced on a real-time basis, encompasses more donors (including non-DAC and private contributions), and allows for a more detailed disaggregation.

² OCHA FTS figures are given in nominal dollars (not adjusted for inflation), but the researchers calculated the real dollar amounts of global flows and it was concluded that the overall effect of inflation was too small to have any meaningful impact on the study's conclusions. Thus for the sake of simplicity and comparison, original dollar amounts are used throughout this report.

Section 1

Background on the drivers for humanitarian financing reform

In the late 1990s and early 2000s, there was a recognition that political and strategic interests were driving donor governments' allocations to humanitarian crises, resulting in an inequitable global response.³ Over the same period the humanitarian system began to recognise the importance of establishing needs-based allocations, as well as more predictable, flexible financing. This led to a commitment on the part of donors to a set of principles and good practice for supporting humanitarian action, known as the Good Humanitarian Donorship initiative.⁴ This commitment came at a time of growing overall allocations for official development assistance (ODA), and within ODA an increasing share for official humanitarian assistance (OHA), and greater domestic and international pressures to assist populations in need.⁵ A number of donor governments supported multilateral mechanisms as a means to efficiently spend their growing aid budgets, and to direct allocations more effectively towards priority needs. A range of new financing instruments was established, principally administered by the UN, including the expanded CERF and the country-specific CHF and ERFs.

In conjunction with donor-led efforts, humanitarian agencies have attempted to improve the basis on which they prioritise needs through mechanisms such as the Needs Assessment Framework and Matrix (NAFM), strengthening the Humanitarian Coordinators and establishing the Cluster Approach to organise the response capacity of the humanitarian system. In addition, strengthened coordination between donors and agencies at the country level has also been seen as a means to achieve needs-based financing.

Some donors, however, remain focused on bilateral allocations or their own regionally based mechanisms, such as the EU donors' contributions to the European Commission Humanitarian Office (ECHO). ECHO and the US government have developed their own common analytical frameworks for assessing need (ECHO's Global Humanitarian Needs Assessment (GNA) and USAID's Standardised Monitoring and Assessment of Relief and Transitions (SMART)), and prefer to use these instruments, alongside advice from their partners on the ground, to determine their allocations.

As a result of these developments, a significant range of multilateral financing instruments is available, but there is no consensus as to their utility in channelling

³ See for example Joanna Macrae et al., *Uncertain Power: The Changing Role of Official Donors in Humanitarian Action*, HPG Report 12 (London: HPG, 2002); and Ian Smillie and Larry Minear, *The Quality of Money: Donor Behaviour in Humanitarian Financing* (Boston: MA: Tufts University, 2003).

⁴ 'Principles and Good Practice of Humanitarian Donorship', endorsed in Stockholm, 17 June 2003, by Australia, Belgium, Canada, the European Commission, Denmark, Finland, France, Germany, Ireland, Japan, Luxembourg, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom and the United States, <http://www.goodhumanitariandonorship.org>.

⁵ *Global Humanitarian Assistance 2003* (London: Development Initiatives, 2003).

humanitarian financing. Donor governments, agencies and Country Teams are in the process of assessing which are most effective.⁶

Table 1: Summary of humanitarian reforms

Initiative/reform	Year	Area of effect	Objectives
Good Humanitarian Donorship, an initiative led by OECD DAC donor governments	2004 (signed 2003)	Global	<ul style="list-style-type: none"> • Allocate humanitarian funding in proportion to need and on the basis of needs assessment • Strive to ensure that funding of humanitarian crises does not adversely affect the meeting of needs in ongoing crises • Strive to ensure predictability and flexibility in the financing of UN agencies, funds and programmes and to other key humanitarian organisations
Central Emergency Response Fund, administered by OCHA	2006	Global	<ul style="list-style-type: none"> • Provide faster and more flexible humanitarian funding for emergencies • Meet a larger share of needs in under-funded crises
Common Humanitarian Funds, administered by UNDP	2006	DRC, Sudan	<ul style="list-style-type: none"> • Provide more predictable and timely resources, allocated more strategically
Common funding – ‘allocation model’, administered by participating donor governments	2005	Sudan	<ul style="list-style-type: none"> • Provide more predictable and timely resources, allocated more strategically
Needs Assessment Framework Pilot, led by UN and NGOs	2005	DRC, Burundi	<ul style="list-style-type: none"> • Support the CHAP and the CAP by strengthening the analysis and presentation of humanitarian needs
Emergency Response Funds, administered by OCHA	1998-2004 2000 2006 2002 2004– 2005 2004	Angola DRC Ethiopia Indonesia Liberia Somalia	<ul style="list-style-type: none"> • Provide rapid and flexible funding to in-country actors to address urgent and unforeseen humanitarian needs

⁶ For example, OCHA is currently reviewing the various finance mechanisms in order to provide guidance on when and how each mechanism should be used. A number of NGOs have undertaken independent studies on the implications of the CERF and Common Funds. See for example Save the Children UK, ‘Save the Children’s Experience with CERF in 2007’, June 2007; and Oxfam, ‘The UN Central Emergency Response Fund One Year On’, March 2007.

Section 2 Global aid flows

Trends in the total volume of humanitarian aid post-reforms indicate nothing in isolation, as resource flows will naturally fluctuate along with the number and scale of emergencies and the level of donor interest. What needs to be determined is whether humanitarian aid flows post-reforms show measurable changes in volume relative to need (or independent of ‘high-profile’ emergencies), sectoral and geographic distribution and speed. In other words, are we seeing more humanitarian aid (relative to need), that is also faster, better targeted and more rationally distributed across emergencies?

2.1 Impacts of financing reforms on overall volumes of humanitarian aid

To begin at the broadest level of analysis, the researchers looked at global humanitarian funding flows from 2000 to 2006.

Table 2: Overall volume of humanitarian aid, 2000–2006

	2000	2001	2002	2003	2004	2005	2006
Govt only	1,669,571,669	3,646,863,049	4,865,892,125	7,268,495,269	4,544,786,358	8,575,844,389	7,079,603,787
Private	102,548,346	151,855,316	250,820,779	262,971,386	187,594,842	4,566,246,681	149,887,738
Total	1,772,120,015	3,798,718,365	5,116,712,904	7,531,466,655	4,732,381,200	13,142,091,070	7,229,491,525

Total humanitarian aid in the system has fluctuated between 2000 and 2006, while keeping to an overall upward trend. As shown in Table 2, two significant spikes in humanitarian aid occurred in 2003 and 2005; these can be attributed to Iraq operations and the unprecedented Indian Ocean tsunami response.

Figure 1 and Table 3 show government contributions only, revealing the upward trend from 2000 to 2006.

Figure 1: Total official humanitarian contributions

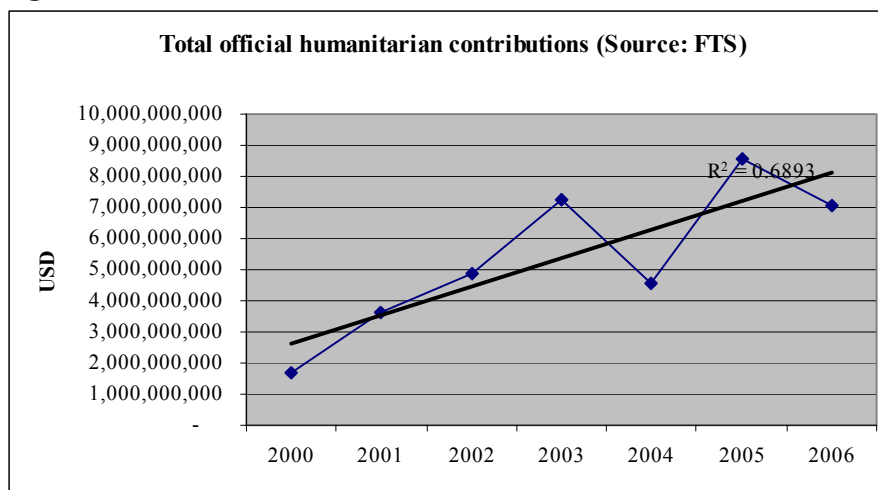


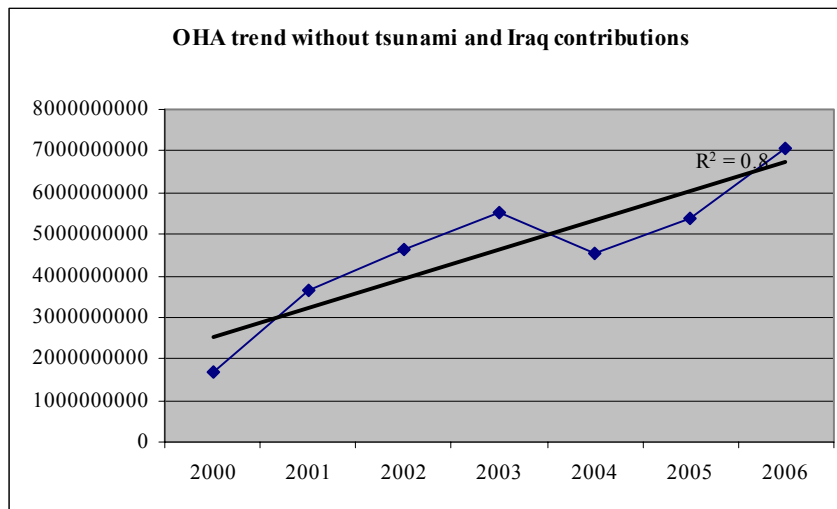
Table 3: Total official humanitarian contributions

	<u>OHA</u>	<u>% change</u>
2000	1,669,571,669	
2001	3,646,863,049	118%
2002	4,651,783,770	28%
2003	7,268,495,269	56%
2004	4,544,786,358	-37%
2005	8,501,861,115	87%
2006	7,079,603,787	-17%

As Table 3 shows, if one were to compare overall funding levels for 2004–2006 to the years 2000–2003 to seek evidence of financial change correlating with the inception of humanitarian reforms, the result would be a distorted picture. This is because the high levels of Iraq aid in 2003 and the tsunami response in 2005 skew findings, showing sharp drops in 2004 and 2006 – years in which key financial reforms were instituted.

Controlling for Iraq and the tsunami, the drop from 2005 to 2006 disappears and official aid flows show a more steady upward trend – in fact, aid is seen to have risen by 32% from 2005 to 2006 (see Figure 2).

Figure 2: OHA trend without tsunami and Iraq contributions



However, as Table 4 demonstrates, even this rise is smaller than the average annual percent increase of the preceding four years (37%). Therefore, in 2006, the first year since the major reform mechanisms were implemented, global OHA continued to increase, but at a lower rate than pre-reform years (even when controlling for the effect of the tsunami). The percent increase from 2005 to 2006 is lower than the average percent increase for the previous four years, showing that, if anything, the growth of global humanitarian aid is slowing. If one marks the beginning of humanitarian reforms at 2004 (the first year after the signing of the GHD initiative), the discrepancy is even more

striking: humanitarian assistance levels grew at a much higher average annual rate during 2000–2003 (55%) than they did in 2004–2006 (11%).

Table 4: OHA levels and annual percent change without tsunami and Iraq contributions

	OHA minus	
	tsunami/Iraq	% change
2000	1,669,571,669	
2001	3,646,863,049	118%
2002	4,651,783,770	28%
2003	5,533,882,396	19%
2004	4,544,786,358	-18%
2005	5,373,158,262	18%
2006	7,079,603,787	32%

Comparing pre- and post-expanded CERF and Common Funds implementation:

Avg annual % change

2000–		
2004	4,009,377,448	37%
2005–		
2006	6,226,381,025	25%

Comparing periods before and after inception of wider package of humanitarian reforms:

Avg annual % change

2000–		
2003	3,875,525,221	55%
2004–		
2006	5,665,849,469	11%

Although Iraq and tsunami contributions were the highest for humanitarian emergencies from 2000 to 2006, controlling for them alone raises the question of other large emergencies. Does taking out tsunami and Iraq funding in the second half of the time period, without removing similar outliers in the first half of the period, skew the results in the other direction? To address this question, the data was examined in a third way: for each year 2000–2006, the researchers determined which if any of the emergency cases had funding flows significantly greater than average – that is, totalling amounts greater than two standard deviations from the mean of that year’s contributions. By identifying and controlling for those cases, we see even more wildly fluctuating OHA year to year, but with roughly the same bottom-line results: humanitarian contributions have grown overall throughout the period, but growth has actually slowed – not accelerated – since the inception of reforms.

Figure 3: OHA trend controlling for all significant outliers

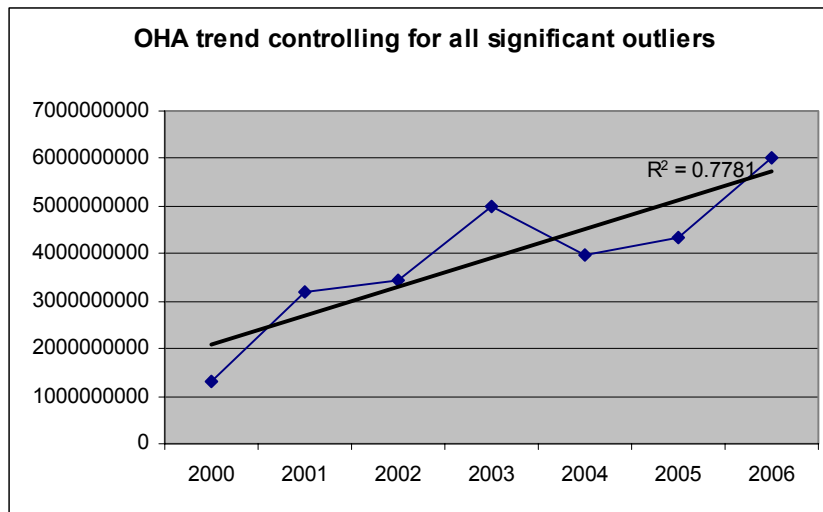


Table 5: OHA levels and annual percent change without significant outliers

	OHA outliers	% change	Cases removed:
2000	1318066624		SE Europe (Kosovo)
2001	3178387115	141%	DPRK, SE Europe
2002	3455089814	9%	Afghanistan
2003	4,976,213,249	44%	Iraq
2004	3991082036	-20%	Sudan
2005	4352042891	9%	Tsunami-affected countries, Sudan
2006	6027489291	38%	Sudan

Comparing pre- and post-expanded CERF and Common Funds implementation:

Avg annual % change

2000–		
2003	3,231,939,201	65%
2004–		
2006	4,790,204,739	9%

Comparing periods before and after inception of wider package of humanitarian reforms:

Avg annual % change

2000–		
2004	3,383,767,768	44%
2005–		
2006	5,189,766,091	24%

In sum, the overall volume of humanitarian funding has continued to grow, but this growth has slowed in the past three years, irrespective of reforms. This is a signal, perhaps, that the ‘traditional’ group of contributing governments may be reaching saturation point in terms of their humanitarian aid allocations, leading to a levelling off of humanitarian funding barring other, catastrophic emergencies, increased contributions from donors outside the OECD DAC or continued increases in private sector funding. If this is the case, it is logical that these donors may pursue financing reforms, not with the aim of increasing funding, but to channel existing funds more effectively and efficiently.

2.2 Funding according to need?

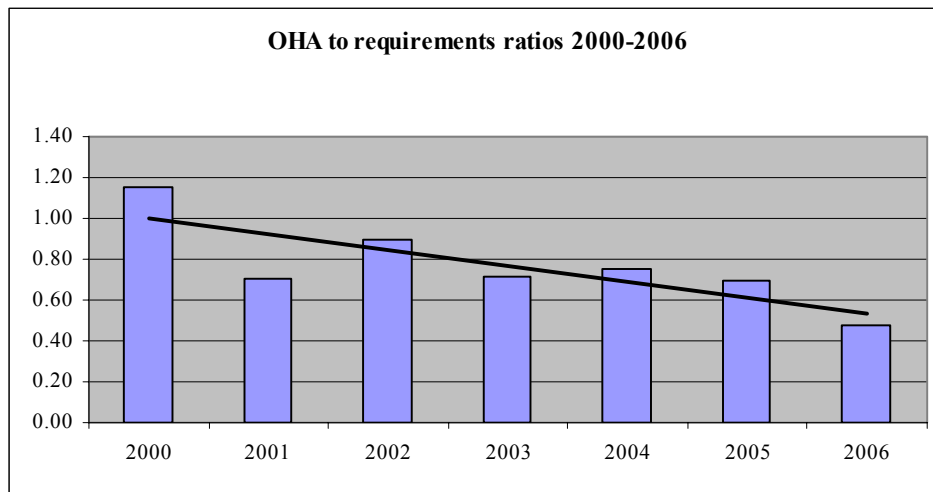
The study also sought to examine humanitarian contributions as measured against needs, using the funding requirements estimated in the CAPs and Flash Appeals as the best available proxy.

Table 6: OHA measured against to funding requirements and emergency caseload

	Total OHA	ratio of total OHA to total requirements	% to change in funding	% change in no. of appeals	Funding change compared to change in no. of appeals
2000	1,669,571,669	1.15			
2001	3,646,863,049	0.70	118%	29%	90%
2002	4,651,783,770	0.90	28%	33%	-6%
2003	7,26,8495,269	0.72	56%	13%	44%
2004	4,544,786,358	0.75	-37%	15%	-52%
2005	8,575,844,389	0.70	89%	-19%	108%
2006	6,553,032,070	0.48	-24%	-12%	-12%

As seen in Table 6, when the volume of humanitarian aid is examined in relation to the funding requirements and the emergency caseload as identified by CAPs and Flash Appeals, the funding is shown to have decreased from 2005 to 2006. Funding also dropped by a greater percentage than the decline in the overall emergency caseload (number of CAPS and Flash Appeals issued).

Figure 4: OHA as a percentage of requirement ratios, 2000-2006



While it is too early to draw any definitive conclusions as to whether humanitarian reforms have contributed to positive changes in overall aid volume in relation to need, it is clear that the global numbers to date do not support such a conclusion. If anything, it appears that total volumes in relation to required needs seem to be declining.

Section 3

Country- and donor-specific funding flows

3.1 Funding trends to reform-target countries

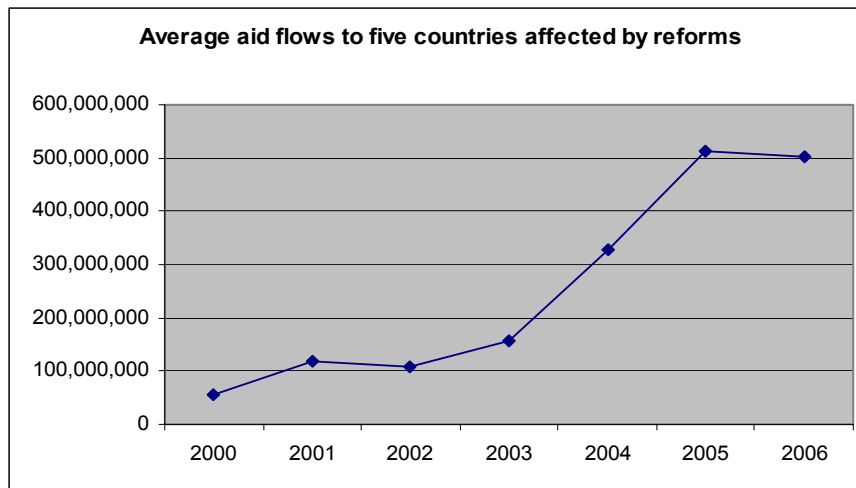
Humanitarian reforms have been relatively limited in scope. For example, the total amount contributed to the CERF (\$298.7 million from 53 donors) represented just 4.1% of overall humanitarian flows in 2006, and while many donors participated, the CERF received the vast majority of its support from a handful of ‘mid-level’ contributing donors. The Cluster Approach has been rolled out in only six of 25 possible ‘ongoing emergencies’ (where a Humanitarian Coordinator is present), as well as six ‘major new emergencies’.⁷ Finally, the CHFs have been piloted in only two countries, one of which – the DRC – overlaps with cluster roll-out countries (the other is Sudan). This being the case, it is reasonable to expect that the effects of reforms on funding, if extant and identifiable, would be more apparent at a micro-level: that is, in contributions to countries targeted by the reforms, and in the contributions of donors participating in the reform mechanisms in question.

It would not make sense to look at yearly changes in funding levels for each individual country, however, since needs and response levels fluctuate depending on events and political conditions. Rather, to spot funding trends for this type of country it is more accurate to look at averages for the group. The analysis examined average aid flows to a group of recipient countries directly affected by reforms, including the Cluster Approach roll-out countries (the DRC, Liberia, Uganda and Somalia) and the pilot countries for Common Humanitarian Funds (the DRC and Sudan).

Table 7: Average humanitarian funding to countries affected by reforms			Avg change 2000–2003	% change 2004–2006	the	five
	Total contributions	% change				
2000	54,329,985		52%	55%		
2001	119,450,083	120%				
2002	108,410,450	-9%				
2003	156,555,682	44%				
2004	329,395,320	110%				
2005	513,815,998	56%				
2006	504,013,914	-2%				

⁷ The ongoing emergency countries now using the Cluster Approach are Colombia, DRC, Ethiopia, Liberia, Somalia and Uganda. The ‘major new emergencies’ include Indonesia (Yogyakarta), Lebanon, Madagascar, Mozambique, Pakistan and the Philippines. In Côte d’Ivoire the approach was adopted only in the area of protection.

Figure 5: Average aid flows to five countries affected by reforms



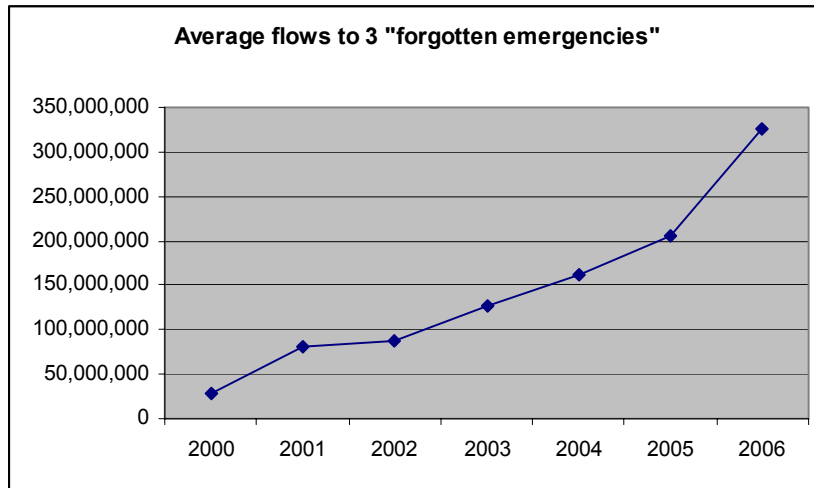
As Figure 5 illustrates, while the long-term trend continues to be upwards, the change between 2005 and 2006, at -2%, is overall stable-to-negative. But looking back to the point when the broader reforms were initiated – late 2003/early 2004 – there is a very slight upswing in the growth rate for humanitarian funding: an average percent increase of 55% in the 2004-2006 period, compared to 52% in 2000-2003.

Even though the yearly flows are averaged, there is a possible skewing effect caused by the response to Sudan, where the onset of the Darfur emergency drove a sharp increase in funding in both 2004 (an increase of 184% in all funding to Sudan) and 2005 (240%). Therefore it might be useful to consider a sample group of ‘forgotten emergencies’: Uganda, the DRC and Somalia – three conflict-related, non-high-profile crises to which the label was applied during the time period.

Table 8: Average aid flows to three ‘forgotten emergencies’

Year	Average Aid Flow (USD)	% change
2000	29,075,972	
2001	82,029,780	182%
2002	86,921,843	6%
2003	127,397,868	47%
2004	162,046,743	27%
2005	206,488,725	27%
2006	325,391,431	58%

Figure 6: Average flows to three ‘forgotten emergencies’



Here there is not only a continuation of the upward trend, but also a noticeable increase in funding after the inception of reforms. While the largest percentage increases took place at the beginning of the period (2000–2001), funding flows to these crises at that time were much smaller, making modest increases seem large in percentage terms.

This leads to the conclusion that the evidence at this early stage is mixed at best, and does not make a strong case for reform-driven change in funding flows at the level of targeted countries. Arguably, however, it does provide some intriguing hints of the aid-boosting effect of an increase in focus on these countries by particular reform-minded donors. This observation formed the next line of inquiry in the financial analysis.

3.2 Are additional funds evident among those donors most engaged in humanitarian reforms?

The largest contributors to the CERF (in descending order the UK, the Netherlands, Sweden, Norway, Canada and Ireland) are also participants in the CHF's in the DRC and Sudan (the DRC also has the participation of Belgium). If reforms are having an effect on funding levels, one might expect to see this reflected in the overall flows from these donor governments in 2006.

Table 9 shows total funding from these donors relative to total global flows in 2000–2006. The figures illustrate that these specific donors have indeed upped their ante, increasing their contributions by 23% in 2006 – the year of the CERF and the CHF.

Table 9: Trends in global funding from reform-participating donors

	Funding from top 5 CERF contributors as percentage of overall flows	Percent change in their total contributions from previous year
2000	23%	
2001	13%	-44%
2002	17%	33%
2003	13%	-26%
2004	22%	76%
2005	20%	-8%
2006	25%	23%

In terms of these donors' funding for Sudan and the DRC in particular, Table 9 shows that, when their proportional contributions to the CERF are included, their contributions to Sudan show a slight downturn after 2005, but a fairly sharp increase for the DRC. For the purposes of comparison, Table 10 shows funding from the US and ECHO for the same years in the DRC, demonstrating the comparative decline of their share of the total relative to the reform-participating donors.

Table 10: Trends in country-level funding from reform-participating donors

	Funding from CHF participants relative to flows in Sudan	% change	Funding from CHF participants relative to flows in DRC	% change	Funding from US and ECHO relative to flows in DRC	% change
2000	22%		67%		9%	
2001	16%	-29%	20%	-70%	62%	621%
2002	13%	-19%	20%	0%	57%	-8%
2003	18%	38%	24%	20%	57%	1%
2004	24%	33%	27%	13%	53%	-8%
2005	18%	-25%	33%	22%	44%	-17%
2006 w CERF	17%	-6%	43%	30%	35%	-20%

From all of the above it may be possible to conclude that, in contexts where these reform-oriented donors feature significantly – as a percentage of the CERF, at the global level, and in the DRC, at the country level – additionality is evident. However, in contexts like Sudan and in aid flows generally, where they are overshadowed by larger donors such as ECHO and US, they have much less impact on overall flows.

3.3 Sectoral and recipient agency breakdown

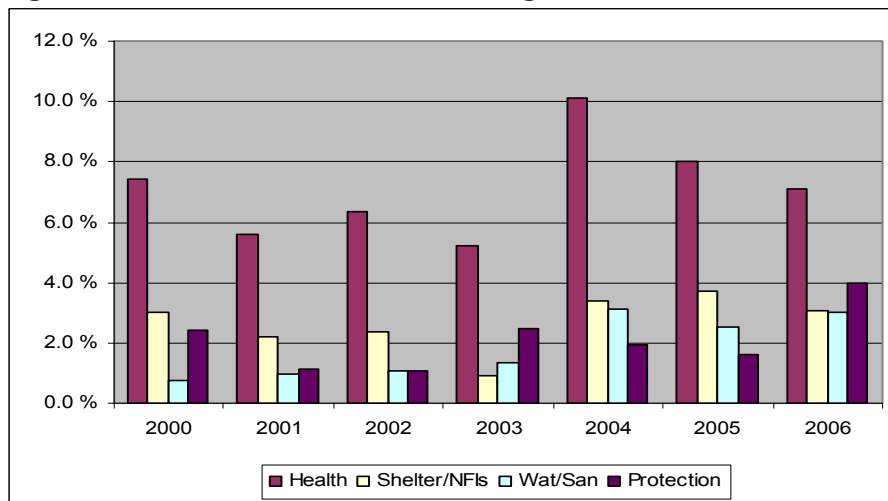
In terms of sectoral distribution as percentages of overall flows, the fastest-growing shares went to the ‘protection/human rights/rule of law’ sector, and ‘coordination and support services’. Water and sanitation, noted in particular as a deficient sector in the Humanitarian Response Review of 2005, also shows an increase in funding post-reforms.

Table 11: Sectoral distribution (not including global cluster appeals)

	Food	Health	Shelter/ NFIs	Watsan	Protection/ RoL	Coordination	Security
2000	49.1 %	7.4 %	3.0 %	0.8 %	2.4 %	2.9 %	0.2 %
2001	36.3 %	5.6 %	2.2 %	1.0 %	1.2 %	2.5 %	0.2 %
2002	43.0 %	6.3 %	2.4 %	1.1 %	1.1 %	4.0 %	0.1 %
2003	43.1 %	5.2 %	0.9 %	1.4 %	2.5 %	3.9 %	0.1 %
2004	26.8 %	10.1 %	3.4 %	3.1 %	1.9 %	6.8 %	0.4 %
2005	19.8 %	8.0 %	3.7 %	2.5 %	1.6 %	6.2 %	0.1 %
2006	38.4 %	7.1 %	3.1 %	3.0 %	4.0 %	6.4 %	0.1 %

The food sector retains the lion’s share of overall humanitarian aid contributions. It had been dropping as a percentage of overall contributions on average throughout the time period, but then spiked again in 2006. Figure 7 shows the funding shares of four other sectors not including food (which dwarfs them all), in order to illustrate the relative growth of watsan and protection. Clearly, the heightened concern regarding capacity in these two areas of activity, particularly since the beginning of the Darfur crisis, has come to be reflected in funding.

Figure 7: Percent shares of total funding for four sectors



The two most important financial mechanisms of humanitarian reform – the CERF and the CHF – are housed within the United Nations system, and were designed to function primarily by providing direct funding to UN agencies. Non-UN humanitarian actors such

as the Red Cross and NGOs may technically receive funding from these instruments only as sub-grantees of UN agencies (in the case of the CHF in the DRC and Sudan, UNDP performs the sub-granting role for all non-UN actors). The wisdom of this arrangement is currently a subject of some debate. Many UN agency representatives argue that, as designated cluster leads, it makes sense in terms of operations for their agencies to act as umbrella funders. Some NGOs have claimed that these two mechanisms have harmed their programming by disrupting their relations with certain donors (those who are choosing to channel greater amounts through the joint mechanisms rather than in direct grants to NGOs), and that the grants they typically receive through UN-driven mechanisms tend to be too small to support their wider programmes.⁸ In addition, NGOs point to the duplicative overheads that are taken out of the funds when they pass through different bodies.

It is beyond the scope of this study to engage with this debate, but we can point to numerical evidence. The data shows that the funding share for UN versus non-UN humanitarian agencies, which had been slightly declining over the past five years, experienced a steep increase during 2006, the year these new financing mechanisms were introduced. NGOs and Red Cross entities, on the other hand, had been expanding their share of direct funding since 2000. Thus, after an annual average decline in share of 8% since 2000, the UN proportion of funding rose suddenly from 38% in 2005 to 63% in 2006. Conversely, the proportion of NGO/Red Cross funding, which had been rising since 2000 at an annual average of 24%, suddenly fell from 49% to 29%.

Table 12: Recipient agency distribution (direct funding only)

Year	Total	UN	%	NGO/IFRC/ICRC	%	Govt/other	%
2000	2,005,706,588	1,363,110,449	68%	438,957,853	22%	203,638,286	10%
2001	3,821,387,094	1,830,781,297	48%	973,543,827	25%	1,017,061,970	27%
2002	5,158,004,401	3,218,821,977	62%	1,444,193,670	28%	494,988,754	10%
2003	7,758,750,666	4,837,465,317	62%	1,436,419,284	19%	1,484,866,065	19%
2004	4,737,945,760	2,726,463,208	58%	1,655,876,974	35%	355,605,578	8%
2005	13,140,084,301	4,977,732,774	38%	6,393,679,138	49%	1,768,672,389	13%
2006	7,222,750,860	4,565,033,058	63%	2,069,385,055	29%	588,332,747	8%
Totals	43,844,629,670	23,519,408,080	54%	10,381,195,551	24%	4,030,860,250	9%

⁸ See Abby Stoddard et al., *Evaluation of the Common Funds for Humanitarian Action in the Democratic Republic of the Congo and Sudan*, CIC, NYU and HPG, November 2006, which reflects the frustrations of a variety of NGOs with the UN's role in the financial management of the CHF. Similar concerns have been raised by Save the Children UK and Oxfam.

Avg % change 00–05	-8%	24%	43%
% change 05–06	67%	-41%	-39%
Avg % change 00–04	-2%	20%	34%
% change 04–06	10%	-18%	-31%

Again, because the unusual funding patterns of the tsunami response may make these changes seem exaggerated, the researchers did the same calculation leaving out the year 2005. The pattern, while not as dramatic, still holds. The UN went from an annual percent decline to an annual percent increase of 10%, and the non-UN humanitarian providers went from an annual percent increase to a decline of 18%.

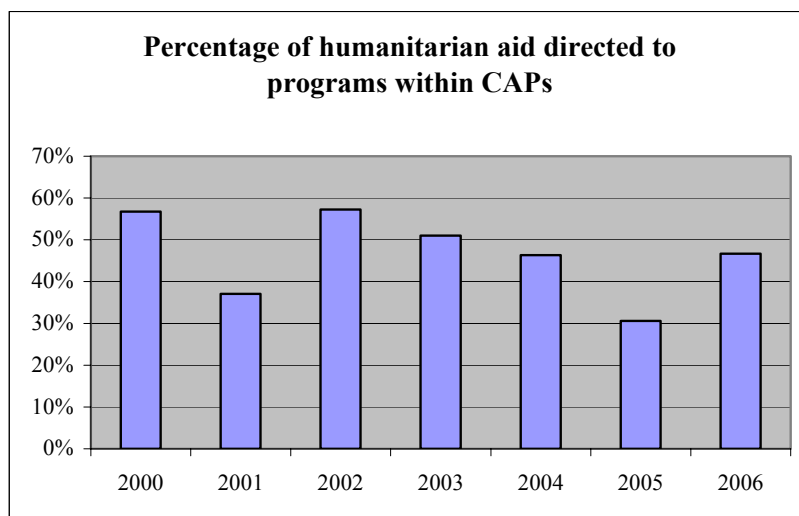
In sum, while NGOs and other non-UN humanitarian bodies are receiving more funding in absolute terms, their share of direct funding from official donors has fallen relative to the UN in the past couple of years.

3.4 Strategic coordination and direction of funds

The Consolidated Appeals Process has provoked criticism in the past for representing a supply-driven ‘laundry list’ of projects seeking funding, rather than a joint strategic plan to ensure coverage of priority needs. Efforts to improve the CAP, along with the inception of new planning processes and documents such as the Common Humanitarian Action Plan (CHAP), have sought to make planning more strategic and appeals more reflective of actual needs on the ground. Some crisis countries have developed this further than others. These include in particular the DRC and Sudan, as part of a package of reforms being piloted in those countries under the enhanced leadership of two veteran Humanitarian Coordinators.

From a global perspective, there is no strong evidence that a significantly greater percentage of overall funding flows is being channelled through these common planning/appeal mechanisms. As Figure 8 shows, after a decline between 2002 and 2005, the common plans captured an increased percentage of total flows in 2006. At the same time, the overall percentage of humanitarian aid directed to programmes within CAPs decreased from an average of 51% in 2000–2003 to an average of 41% in 2004–2006.

Figure 8: Percentage of humanitarian aid directed to programmes within CAPs



However, at the country-level additional and more strategic funding from donor governments is more evident, as the 2006 evaluation of the CHF in Sudan and the DRC illustrates: ‘In regard to the strategic coordination of funding, since the inception of the mechanism, the portion of total aid flows directed to activities inside the countries’ strategic plan frameworks, as opposed to uncoordinated direct bilateral payments, rose by a considerable amount – to 79% in Sudan (from a prior years’ average of 56%) and 82% in the DRC (formerly 54% on average)’.⁹

3.5 Timeliness and predictability

The study examined the issue of timeliness and predictability by looking at funding to contexts where donors could reasonably be expected to provide funds early in the year. It examined changes in the percentage of funding committed to ‘ongoing crises’, defined here as CAP countries or regions that had also been the subject of a CAP the previous year, in the first quarter in the years 2000 to 2006.¹⁰ Looking at the period 2000–2003 compared with 2004–2006, the average percent of funds committed before 1 April each year actually decreased, from 39% to 27%. Excluding 2000, when funding provided in the first quarter was unusually high, the increase from the period 2001–2003 to the period 2004–2006 was minimal: 25% to 27%.¹¹ Thus it does not seem possible to say, at the

⁹ Stoddard et al., *Common Funds*, p. 2.

¹⁰ The timing of contributions is measured by the FTS-reported ‘decision date’, which is defined as the date on which ‘the donor is reported to have made the funding commitment for that item’. This analysis thus excludes rapid-onset natural disasters, which would be another important category in considering whether timeliness has improved.

¹¹ A similar finding (an increase from 2004 to 2005) was identified in *Global Humanitarian Assistance 2006*.

global level, that donors have either increased or decreased the percentage of their contributions committed early in the year to ongoing crises.¹²

Given, however, that these figures were collected for all donors across a wide range of crises, they may miss improvements in the timeliness of those donors strongly engaged in humanitarian reforms at the country level. The in-depth analysis of Sudan and the DRC in the year of the inception of the CERF and Common Funds, however, found no increase in allocation speed, despite the mechanisms' intent to provide advance, up-front funding. Ultimately, even these committed donor governments did not adjust their allocation and disbursement processes to meet the goals of the mechanisms. As the CHF evaluation stated, 'although participating donors took pains to establish the new financing mechanism, their internal, home office funding mechanics did not change accordingly to enable them to frontload the Funds in the early part of the year. The goal of predictability of funding, therefore, was advanced little'.¹³

3.6 Support for local capacity

Qualitative evidence from the recent evaluation of the CHF in Sudan and the DRC suggests that, while NGO participation has been frustrated overall, there are some positive signs that the new funding and coordination mechanisms may ultimately benefit local/national NGOs. In the DRC in particular, the CHF, and the Cluster Coordination system through which it was implemented, facilitated the participation of local entities in the planning and implementation of humanitarian response, at least in some areas. It also enhanced their visibility among their international counterparts, and facilitated new partnerships. For many, this was the first time they had had access to international funding on an equal footing with international NGOs.

Although OCHA's Financial Tracking System summary statistics do not differentiate between national and international NGO funding recipients, it would be worthwhile to investigate the distribution of grants among recipient agencies to see whether, as reforms continue, national NGOs increase their share.

¹² 'Donors' here included allocations of UN agency unearmarked funds. It is difficult to say whether the dates associated with these allocations are accurate, given agencies' incentives to delay reporting until later in the year, so as to retain flexibility in spending.

¹³ Stoddard et al, *Common Funds*.. In the DRC, a well-functioning Emergency Response Fund is able to respond rapidly and predictably to new urgent needs by allocating a portion of CHF contributions received early in the year. However, overall annual planning of humanitarian response is still hindered by the slow transfer of donor funds to the CHF.

Section 4

Conclusion

It will be another few years before more comprehensive trends from the humanitarian financing reforms and the implications of these trends can be ascertained. However, this analysis has attempted to set a baseline and a framework for measuring possible changes in the future, as well as drawing some tentative conclusions. Whilst there has been an overall negative trend in donor governments' contributions relative to stated requirements at the global level, at the country level, where specific multilateral financing instruments have been utilised, funding levels are on the rise, including additional funds from a select group of reform-minded donors. In addition, allocations at the country level have been made in line with strategic plans. If these cases can be expanded to include a greater number of donors, providers and crisis contexts, the reforms may have some significant positive impacts at the country level in future years. But there remain some important areas of contention that need to be further explored, including the implications for humanitarian financing if only a few donor governments, and not necessarily those with the most significant spending power, are committed to investing in these multilateral financing instruments. Another question concerns how INGOs, the primary implementers of international humanitarian assistance, respond to the financing reforms given that they are now receiving a smaller share of direct bilateral contributions from donor governments. Understanding these issues, and other challenges such as ensuring the timeliness and predictability in funding, will be vital in order to gauge the long-term implications of reforms for international humanitarian financing.