Practical approaches to needs-based allocation of humanitarian aid

A review for Irish Aid on donor approaches

Concise report for policymakers

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Executive Summary
Funding according to need is one of the central principles of being a good humanitarian donor. In committing themselves to the principles and practice of good humanitarian donorship (GHD), donors agree to fund on the basis of, and in proportion to need. However donors, recipient agencies and beneficiaries agree that not all funding is allocated to where it is most needed, and analysis of available data confirms this.

The complex mixture of donor bureaucracies, competing foreign policy priorities, information deficits, institutional incentives and weaknesses in the humanitarian system all play a part. The review discusses the role of political processes, internal management approaches and ways in which the wider humanitarian system could be strengthened to support better needs-based allocation.

Summary of recommendations
Steps that donors could take in the short term would include:

Policy and politics:
– Increase transparency of policy, guidelines and relationships with partners, including how effectiveness and comparative advantage is factored in to allocation decisions
– Engage with and brief politicians and other ministries
– Make the case for a specific share of ODA/increased levels of humanitarian assistance

Funding modalities:
– Increase levels of funding to pooled mechanisms such as the CERF, common funds and also reducing earmarking, while ensuring that agencies strengthen their capacity to use these funds effectively, and subject to greater evidence on their success in the field
– Develop internal mechanisms to monitor trends in resource allocation
– Commission a study to look at estimating the totality of humanitarian need
– Commission a study on how agencies use unearmarked funding
– Look at longer term funding approaches and treating chronic crises with more developmental timeframes and modalities

Needs assessment and data quality:
– Strengthen needs assessment processes by supporting development of better processes of joint assessment by agencies
– Develop and pilot an independent needs assessment approach, possibly using cluster approach
– Support improvements in systems to track data such as the Humanitarian tracking service, and approaches to standardise response such as the FSAU phase classification.

Donor coordination:
– Strengthen donor coordination and learn from development approaches including SWAPs, consultative groups and PRSPs: convene a specific meeting under GHD auspices to strengthen coordination mechanisms over allocation
– Use a severity index to support decision making and advocacy

CAPS and clusters
– Discuss with OCHA what support they could give donors in prioritising between CAPs
– Encourage active participation from partner NGOs in CAP and CHAP
– Encourage clarity over role of cluster approach and explore ways in which funding could be allocated via clusters

In the medium to long term, they should:
– Formalise their humanitarian policy, including on how to operationalise impartiality; and back it up with legislation
– Develop contingency reserves to provide flexibility in responding to humanitarian crises
– Consider assessed contributions and global funds as a way to provide more reliable funding the humanitarian system
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1 Introduction

1.1 Rationale for the review
Funding according to need is one of the central principles of being a good humanitarian donor. In committing themselves to the principles and practice of good humanitarian donorship (GHD), donors agree to fund on the basis of, and in proportion to need. However donors, recipient agencies and beneficiaries agree that not all funding is allocated to where it is most needed. Every year, many needs are unmet, and there are shortfalls in funding for many crises, particularly those with a low media profile.

So why is there this gap between the aspirations of donors and the reality experienced in many humanitarian crises? There is no simple answer, but the complex mixture of donor bureaucracies, competing foreign policy priorities, information deficits, institutional incentives and weaknesses in the humanitarian system all play a part. This review aims to outline how large the gap is perceived to be, why it exists, what donors are doing to close it and what more could be done.

GHD has made a start in framing the discussion on impartiality, but funding according to need will require a continued shift in donor behaviour, both individually and collectively. There are some ‘quick wins’ which could have an impact in the short term, while others will take longer and require more fundamental changes to the humanitarian system.

This review was commissioned by Irish Aid on behalf of the donor group committed to Good Humanitarian Donorship. It is based on a desk review of academic, agency and donor literature, and around 20 interviews with donors, agencies and observers carried out between March and May 2006. This concise report of the review’s findings is aimed specifically at policymakers, and draws on a more in-depth discussion document developed initially for Irish Aid. The views expressed here are those of the author alone and do not necessarily reflect Irish Aid policy. I am grateful to all those who agreed to be interviewed, provided documents, and made comments on earlier drafts.
1.2 Context

1.2.1 Why allocate funds on the basis of need?
Allocating funds on the basis of need is so much a core part of being a good humanitarian donor that analysing why this is important, and what it actually means, is sometimes taken for granted. There are three conceptual rationales to allocating on the basis of need.

1.2.1.1 Humanitarian assistance as a human right
Human rights can be the basis and the framework for an assessment of needs according to the right to life, safety, food, health and education, and the right to claim international assistance. Some see a rights-based approach as superseding a needs-based approach.

1.2.1.2 Red Cross Principles
Impartiality as a concept is most associated with the Red Cross movement.\(^1\) The Red Cross Code of Conduct for NGOs commits them to the principle that ‘aid priorities are calculated on the basis of need alone’. The logic of the principle of impartiality is about proportionality and non-discrimination, as well as about doing no harm – wrongly targeting aid can undermine the ability of agencies to reach those who need it in politically charged situations.

Impartiality is linked closely with neutrality – access to vulnerable populations, particularly in conflicts, depends on perceptions of both communities and warring parties that humanitarian actors are acting both neutrally – without favouring one side, and impartially – providing assistance and protection according to need. For natural disasters such as earthquakes, the principle of impartiality still applies.\(^2\)

1.2.1.3 Prioritisation of scarce resources
There is finally a common sense argument that says assistance and protection should only go to those that need it – because otherwise a finite level of resources

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\(^1\) ‘Impartiality means that, for the Movement, the only priority that can be set in dealing with those who require help must be based on need, and the order in which available aid is shared out must correspond to the urgency of the distress it is intended to relieve.’ ‘The fundamental principle of impartiality’, from \http://www.ifrc.org/what/values/principles/impartiality.asp\n
\(^2\) The UK Disasters Emergency Committee evaluation of the response to the Gujarat earthquake in 2001 found that there were concerns about discrimination in aid distribution along lines of caste and to a lesser extent religion. Those further from the epicentre of the earthquake, where damage was less, nonetheless received disproportionately less assistance than they needed.
will be exhausted and some will miss out. Prioritisation is a factor in the provision of services such as national health systems, where considerable research has been carried out on the criteria by which finite health resources are ‘rationed’ according to clinical priority. This also raises questions over the adequacy of total funding – to which we will return later – but it is important to distinguish between the separate issues of the overall level of funding, and how equitably that funding is allocated.

1.2.2 Impartiality for donors

In many situations impartiality applies to operational agencies involved in the field providing assistance. What does being impartial mean specifically for donors? According to the original GHD commitment, donors commit to following the principle of impartiality, but donors have not articulated how this should operate in practice, and how the different humanitarian principles relate to it.

Impartial allocation by donors should lead to an equitable distribution of resources. This implies that at a global level implies that donors fund according to the relative needs of different crises, dividing up their funding across crises. At the level of each specific crisis, impartiality implies ensuring funding allocations correspond to the greatest needs in that crisis, and supporting the impartiality of agencies that they fund.

International humanitarian law (IHL) – to which donors are committed under the Geneva conventions – also provides direction. IHL governs the responsibilities of parties to the conflict to civilians and also provides for the role of the ICRC. The International Court of Justice ruled in 1986 that a humanitarian action must be impartial in order to be distinguished from a breach of State sovereignty: “…if the provision of ‘humanitarian assistance’ is to escape condemnation as an intervention in the internal affairs of another State, it must be limited to the purposes hallowed in the practice of the Red Cross, and above all be given without discrimination.”

Recommendation: Donors should articulate how they intend to operationalise the humanitarian principles.

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1.2.3 Different contexts impose different challenges
It is important to recognise the many different contexts in which donors respond to humanitarian crises. Allocating on the basis of need is a very different challenge in rapid onset crises, where timing is key but information is scarce, compared to chronic crises, where there is usually more time for reflection, and more information available but potentially a more complex and political set of factors to bear in mind.
2 Current situation

2.1 Introduction
While many in the UN and NGOs firmly believe that donors fund mainly for political reasons, most donors interviewed feel that their funding is mainly allocated on the basis of need. This difference of opinion is due to the lack of comprehensive information on global needs, the general underfunding of most appeals, and longstanding mistrust between donors and agencies.

Evidence for how well donors are doing ought to come from a global picture of humanitarian need, measured against the levels of support provided. In the absence of such a global picture, we have to rely on partial and proxy sources of data, particularly Inter-Agency Consolidated and Flash Appeals, other agency appeals and independent research studies.

2.2 Consolidated Appeals
The level of funding for Inter-Agency Consolidated Appeals is a proxy for the level of needs met. It is not a totally reliable indicator, because funding requested does not necessarily relate directly to the level of need – for example if there is limited capacity to respond, there will be fewer requests; and there is little incentive for those agencies that do appeal not to inflate their requests. In addition, not all funding allocations are made in response to the Appeal or reflected in it – by some estimates, as much as 60% of humanitarian flows are not captured by the CAP. And not all crises have a CAP – for example due to objections from the national government. However it is probably the least worst measure, comparing the majority of funding for the majority of major crises, and it is generally agreed to be improving.

<table>
<thead>
<tr>
<th>What's not in the CAP?</th>
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<tbody>
<tr>
<td>Red Cross funding – the Movement produces its own Appeal</td>
</tr>
<tr>
<td>NGO funding – many NGOs do not see the value in the CAP and apply directly to donors without participating in the CAP</td>
</tr>
<tr>
<td>Funding to local/national authorities</td>
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<tr>
<td>Funding from private donors</td>
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<tr>
<td>In addition, a degree of double-counting can occur as both UN agencies and their implementing NGO partners may appeal for funds for the same project through the CAP.</td>
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Through the OCHA Financial Tracking System (FTS), the headline figure is that the shortfall in requested funds for 2005 amounted to 34% of the overall $6bn Appeal. This suggests that one-third of all needs are not being met. The range of shortfall is from 70% (Guyana) to 14% (Indian Ocean tsunami). Sectorally, food has a 27% shortfall, compared with 77% for mine action. The graph shows how the top 5 and bottom 5 crises compare in this ranking.

![Percentage funding of 2005 CAPs - top and bottom 5](image)

On the other hand, FTS records total humanitarian contributions for 2005 as almost $13bn, including $4.5 bn in private contributions. This compares to $4.6bn in total in 2004 – reflecting both the effect of the tsunami on 2005 figures as well as improvements in tracking contributions by FTS.

### 2.2.1 Needs at country level

At a country level, there are also significant variations in how needs-based allocations are. For example, looking again at FTS data for sample countries in 2005, there are wide variations in the levels of funding shortfall by sector. Again, we need to treat these figures cautiously, but there is a well observed tendency for the food sector to be well subscribed in comparison to protection activities, for example. So at a country level, allocations are not being made solely on the basis of need.
This highlights the challenge of changing needs from year to year – it is much harder to come up with a price tag for meeting all humanitarian need in the way that there has been for achieving the MDGs. One year the total may be $3bn, the next 5 or 10. GHD donors themselves have agreed on a voluntary basis to track their progress on GHD through a number of indicators, including for impartiality. This is essentially a measure of funding through the CAP, and the analysis of 2004 data will be published shortly by Development Initiatives.

2.3 Per capita aid levels
Another way to analyse the data is to look at how equitable aid distribution is per capita. GHA 2003 looked at 2001 data and found that from FTS data, funds received per beneficiary varied from $20 to $177. This suggests that even bearing in mind different costs of delivery and costs of living, some beneficiaries are receiving significantly more than others.

2.4 Irish Aid internal scoping work
To support this review, Irish Aid undertook some initial scoping work comparing per capita humanitarian funding with key humanitarian indicators. This demonstrated the widely varying relationship between per capita funding and a variety of humanitarian indicators. This highlighted the challenges of working with incomplete data on both need and funding levels, but was a useful initial stage in what could usefully be expanded into a more robust analysis.

2.5 Conclusions
This section has shown that there are some indications of levels of impartiality – overall allocations are not being made solely on the basis of need – but the absence of a comprehensive way of assessing global need in a dynamic way is a hindrance to monitoring how impartially donors are allocating their assistance.

**Recommendation:** Donors should commission a study to compile new datasets on levels of humanitarian need in terms of people affected, and compare these with levels of funding drawn from the FTS, GHA, DAC data and other sources. This would provide an overall figure for levels of humanitarian need, and provide an indication of what the annual expenditure on humanitarian action ought to look like, as well as assessing where needs are unmet.
3 Introduction to constraints and practical approaches
The following sections will elaborate the constraints and challenges that donors experience which explain why not all funding is allocated according to need, and how donors are currently approaching needs-based allocation, what the different solutions offer, and examine other possible ways to allocate on the basis of need. The constraints are a mixture of factors which donors can control and those which they cannot – even if donors wanted to allocate on the basis of needs alone, this might not be possible. The balance of each depends on perspective: donors tend to suggest that the lack of information from agencies constrains their ability to allocate on the basis of need, while agencies suggest it is political preference on the part of donors. There is truth in both views; by unpicking the different elements we can identify practical ways forward.

The following sections discuss these three categories:

1. Management issues – the internal constraints and mechanisms by which donors make their allocations;

2. Political issues – relating to the processes whereby political leaders and the media play a direct or indirect part in influencing allocations;

3. System-wide issues – donor decisions depend on broader issues of the humanitarian system and allocation decisions will be supported by the humanitarian system more widely being strengthened.

Each section will look at the reasons why this set of issues militate against resources being allocated on the basis of need, practical ways in which donors are overcoming these constraints, and other reflections and suggestions on ways to make progress. In all cases we will consider allocation at both the global level – allocations between crises – and at the level of individual crises.
4 Management issues

4.1 Introduction
This section will look at the internal technical processes by which funds are allocated within donor administrations. It is at this level that organisational culture, precedent and incentives play a part, and potentially where the greatest changes could be made most directly by donors.

At root, the key question driving the difference between donor approaches is over who is in the best position to identify need and decide on allocations. There is a spectrum from those who believe that the UN and NGOs are best placed to identify need, and funding should be increasingly unearmarked and left to those agencies or Humanitarian Coordinators to allocate, to those who are less prepared to put decisions into the hands of the UN, and who have the capacity to mount field operations to cross-check needs assessments and inform allocations more directly.

The process of allocation is partly driven by a number of pressures unrelated to needs, which we will discuss below. The key is to avoid these pressures becoming overwhelming to the extent that needs are playing only a minor role in allocations.

4.2 Aid effectiveness and comparative advantage
The agenda of aid effectiveness is prevalent in discussions of development aid in terms of the best ways to tackle poverty. The 2005 Paris Declaration on Aid Effectiveness focuses on the core concepts of harmonisation between donors, alignment around country priorities, and managing for results.\(^4\) This is reflected in support for instruments such as Poverty Reduction Strategy Papers (PRSPs), which are much more focused on directing donor allocations around a common strategy led by the affected country.

4.2.1 Aid effectiveness
In the humanitarian realm, discussions of effectiveness are more muted and tend to be overwhelmed by the humanitarian imperative and the need for a principled approach. However donors still factor in effectiveness questions in making allocations, and rightly so. Although the cost of saving a human life should not be a

\(^4\) http://www1.worldbank.org/harmonization/Paris/FINALPARISDECLARATION.pdf
barrier to providing assistance, it is a reasonable question to ask what the impact of a particular intervention will be, and what the balance is between cost and impact. Where resources are so frequently limited, making dollars stretch further should be a priority. The issue here is over transparency – these considerations tend not to be discussed openly out of concern that donors are being stingy or cautious.

4.2.2 Comparative advantage
A related issue is each donor’s ‘comparative advantage’. Donors do differ in terms of where they have connections, where they are knowledgeable, and where they can bring specific resources to bear. Discussions of needs-based allocation tend to make donors sheepish about declaring such comparative advantage, even if it is a factor. Australia is open about its Asia-Pacific focus, and the argument it makes is that this is an area it is more familiar with, where other donors tend to fund less, and where domestic opinion is looking for inputs. One could interpret this policy as being about currying political favour with neighbours, and this will clearly be a benefit, but this is not what motivates the policy. The difficulty comes when discussions are not open, so that donor preferences are common knowledge but not totally consistent.

4.2.3 In-house capacity
A number of smaller donors also face the issue of limited in-house capacity. Focusing on a smaller number of crises is often about ensuring the quality of those where the donor intervenes, rather than disbursing small amounts to every crisis. The assumption made by such donors is that their unearmarked funds, and contributions of larger donors, will cover the crises which are further down the priority list – the problem is that evidence suggests these donor orphans remain.

A similar issue occurs at the level of allocating funds within a crisis. Donors attempt to fund against priority sectors, or those where there are apparent gaps, or where they have particular advantages in terms of in-kind contributions or relationships with agencies (for secondments, for example). However the process of coordination is usually limited, particularly where there is minimal field presence.

The conclusion that inescapably emerges from these issues is the need for more effective donor coordination and for greater reliance on mechanisms of common funding.
**Recommendation:** Be transparent about comparative advantage and aid effectiveness considerations in policy and allocation decisions.

4.3 **The challenge of collective action: need for better donor coordination**

Previous studies have observed that although individual donors may be making rational allocations which they can argue are on the basis of need, the lack of overall equity suggests that when the sum of donor allocations are added up, the overall response falls short.\(^5\) This suggests that better donor coordination is needed.

In development aid, the harmonisation and effectiveness agendas have brought donors together over nationally owned country strategies which reduce duplication and transaction costs, increase strategic coherence, and give a clarity of purpose. There could be lessons for humanitarian aid here.

The closest analogy to a country strategy is the CHAP, but the challenge is that countries subject to a CHAP often have weak or contested governance, so there is often no government around which the CHAP can be planned or through which it can be delivered. The status of the CHAP as an inter-agency plan carries less weight and is a much looser plan. In terms of funding, the closest equivalent to budgetary support to government around a poverty reduction strategy would be support to a common fund – but the diversity of actors in a humanitarian response, from the Red Cross to the UN, to NGOs and local authorities, without the binding authority of a sovereign government, make this a much weaker instrument at the moment. Further support to such funds would strengthen their ability to corral the different actors under a common plan.

**4.3.1 Opportunities for better coordination**

The opportunities for better coordination occur where donors are present in the field, for chronic crises, and through improved mechanisms for headquarters consultation. This is currently on the GHD agenda in terms of strengthening GHD at country level.

In the field, more operational-level decisions can be made by donor representatives who are closer to agency information on the ground, and more informal processes of

discussion can occur to agree common priorities, and minimise gaps in funding. However many donors do not have field presence and do not intend to, preferring to put their trust more in operational agencies. There is still a need for greater coordination between headquarters, particularly for rapid onset disasters. Some donors are concerned that this is challenging given staff numbers, but greater use of teleconferences through a standardised mechanism under some sort of rotating chairmanship would provide a greater opportunity to avoid duplication and gaps. There could also be better coordination specifically between the small number of donors which together provide the bulk of humanitarian funding, and within sub-groupings such as the EU.

Many donors felt that there is insufficient transparency about funding intentions among donors, which might militate against such a mechanism. This requires a culture shift that can only be effected through greater transparency about comparative advantage, realism about information deficits and improvements in information gathering and sharing.

For chronic crises, donor coordination ought to be much more akin to processes of development aid (as it should be for funding cycles). Donor consultative groups should meet in a more structured and strategic way and develop more rigorous common plans.

A challenge to all these recommendations for improving donor coordination will be how to make incentives for donors to coordinate. This is the root of many of the current weaknesses in the donor system – donors make their decisions quite independently of each other and making them collectively is seen to be inefficient and often counter to the aim of timely response. Mechanisms need to be lean and rapid without cumbersome structures.

**Recommendation:** DAC peer review processes could assess the extent to which donors coordinate, and the heads of donor humanitarian departments could convene a specific meeting under GHD auspices to develop coordination modalities.
4.4 Responding rapidly
The pressure to respond rapidly – another GHD practice – can work against allocating on the basis of need. In the absence of hard information, particularly in the early stages of a rapid onset disaster, allocations are generally made on the basis of very rough estimates from preliminary observations. This is generally acknowledged. The challenge seems to be in refining those initial allocations when further information is gleaned, from more in-depth needs assessments and agency surveys.

A common scenario for donors in response to an earthquake is to make an initial allocation of funds based on early reports. This can give key partners a rapid injection of funds (or the confidence that these funds are coming), in order to mount operations immediately, and also to demonstrate that the donor is reacting rapidly. Once the actual scale of the disaster emerges – often within a few more days – donors may then face difficult decisions about how much to increase their allocations, and whether to reallocate any of the initial indicative allocations. For example, if displacement was initially expected due to fears of aftershocks, funding might be allocated to fund IDP camps so that planning could begin. However if this scenario did not happen, the funding should reasonably be reallocated. There are challenges here in terms of perceptions that donors are reneging on agreed funding, but also in terms of donors being able to respond dynamically to changing situations.

4.5 Responding to chronic crises
Funding mechanisms for chronic, predictable crises – many CAP countries, for example – are inappropriately tied to humanitarian funding timescales of 6-12 months. This skews the type of projects that are funded, and means that there is little space for more strategic discussions between donors. There should really be greater similarities between development approaches and chronic crisis programming in terms of timescales.

An interesting approach used by DFID, particularly in its Africa Division but also in other regions, is for funds to be flexibly allocated at DFID country office level between humanitarian needs and more developmental responses. By managing the funds geographically, they can be allocated in a dynamic way responding to the situation on the ground.
**Recommendation:** Develop innovative funding mechanisms to deal with chronic crises over longer timescales.

### 4.6 Managing and increasing the budget
Most donors find a delicate balancing act in ensuring that the entire budget is spent well, but not too soon such that a crisis hitting at the end of the financial year cannot be responded to. There is some evening-out effect as different donors have different financial years, so that donors with a fuller fund can make up for those coming to the end of their year.

The process often splits into a component of contribution to CAPs to coincide with the launch of the Appeals, and then a proportion set aside at least nominally for rapid onset emergencies and deterioration in ongoing crises. Some donors have a complex system of dividing up allocations to CAPs, through internal workshops where desk officers make the case justifying ‘bids’ for funding levels. Others use some sort of severity index as a ‘calibration’ to professional judgement – we will discuss this in more detail below.

The need to manage what is fundamentally an unpredictable programme against standard systems of budgeting and accounting is a challenge which can lead to perverse incentives that can skew allocations. For example, the need to ‘use it or lose it’ before the end of a financial year can lead to more generous contributions to a crisis that happens to fall at the end of a year where there is still some money left in the pot. Donors need to look imaginatively and critically at these incentive systems and find ways to overcome the constraints they place on needs-based allocation – for example through unearmarked contributions.

#### 4.6.1 Increasing humanitarian budgets
The level of budget itself is also an issue. Many donors suggest that there is a limit to the relevance of needs-based allocation if contributions are just a drop in the ocean – in other words, any contribution will meet some needs, since they are so great in comparison to the overall level of global need. This is a common but slightly dangerous argument that can excuse sloppy donorship. There is a weakness in that there are no reliable estimates of the totality of humanitarian need – something which
donors could usefully address through a commissioned study – but donor funds clearly do need to be allocated as impartially as possible, even if they are not meeting all needs. In addition, humanitarian aid departments need to be making the argument for increased humanitarian aid both in terms of share of the overall aid budget, and in absolute terms. Finally, they should develop internal systems to enable better monitoring of trends in resource allocation.

**Recommendations:** Develop arguments for increased levels of humanitarian funding through commissioning estimates of totality of humanitarian need, and set up contingency reserves to cope with changing levels of need. Develop internal mechanisms for monitoring trends in resource allocation.

4.7 **New funding approaches**

4.7.1 **Pooled and unearmarked funding**
There have been a number of moves towards mechanisms of pooled donor funding and unearmarked funding – including the revised CERF, common funds at country level in Sudan and DRC, core funding and regional funding. These all put more allocating power into the hands of agencies, with the assumption that they will allocate more on the basis of need than donors.

Although the logic of new funding mechanisms makes sense on paper, and is consistent with approaches within development aid to harmonise donor approaches and minimise transaction costs in delivering assistance, the evidence is unclear for the effectiveness of pooled funding and unearmarking to improve impartiality – and a study should be made of the various initiatives to analyse how agencies allocate such funds, and if impartiality has indeed increased. Donors should also scrutinise the capacity of agencies to make these funding allocations (see below on ‘Trust’). The current evaluation of pooled funding in Sudan and DRC will provide important evidence.

4.7.2 **Assessed contributions and global funds**
There has been little debate recently on the prospects for funding humanitarian assistance on the basis of assessed contributions to the UN and/or some form of global fund. Assessed contributions are the funding modality for the UN’s regular budget, and an adapted mechanism of apportionment is used to fund the UN’s
peacekeeping operations, providing predictability and certainty. There are clearly significant political and technical obstacles to incorporating UN humanitarian activities into a more regularised budget, but it seems worth exploring in the current spirit of UN reform, and with the review being undertaken by the High Level Panel on System-Wide Coherence, since this might have implications for many of the challenges currently faced, including the impartiality of allocations. At the same time, consistent funding channels for other parts of the humanitarian system, i.e. the Red Cross movement and NGOs, need to be put on a similarly reliable footing; some form of global fund equally accessible to all, rather than just UN agencies (as with the CERF), should be explored.

**Recommendations:** Commission study on agency behaviour in use pooled funding and unearmarking, and impact on impartiality; explore possibility of assessed contributions and global funds for humanitarian action.

### 4.8 Severity indices

There has been continued interest in the use of a humanitarian severity index to inform the allocation of funds between countries. The theory here is that a list of the ‘worst’ humanitarian crises would enable donors to direct their funding appropriately and improve needs-based allocation. It is an appealing idea but is fundamentally limited.

The main example of this in practice is the ECHO Global needs assessment process which classifies countries into three categories of need according to eight indicators (see box for more details).

ECHO acknowledges the limitations of such a process in that indicators tend to be at the national level – when most crises are sub-national, data are often out of date, and in emergency situations, there is too much of a delay in gathering data for it to be used dynamically to guide allocations in a mathematical way.

**ECHO’s Global needs assessment**

ECHO’s 2006 global needs assessment process looked at eight indicators of equal weight:
Overall Situation: Human Development, Human Poverty
Exposure to Major Disasters: Natural Disasters, Conflicts
Humanitarian effects of population movements: Refugees, IDP
Health of children under five: Malnutrition, Mortality

Each of these is scored high, medium or low according to various criteria, and the total score determines which ranking a country receives. The top 10 GNA countries in 2006 were Afghanistan, Burundi, DRC, Somalia, Chad, Cote d'Ivoire, Ethiopia, Angola, Central African Republic and Eritrea.

ECHO also undertakes a Forgotten Crises Assessment to identify specific funding shortfalls for neglected crises.

From http://ec.europa.eu/echo/information/strategy/index_en.htm

The main issue is that even if data was improved, the index does not provide guidance on what allocations should follow, because there are so many other factors to take into account such as local capacity, agency capacity, and other crisis-specific factors.

In practice, ECHO uses the GNA as a strategic tool for supporting wider decisions on allocation – in effect a backstopping or calibration tool, and for analysing historically whether previous allocations matched relative severities. It is really about cross-checking whether crises are being neglected and alerting managers to explore what the reasoning might be. Sweden is also using GNA to cross-check its allocations and Canada is developing its own tools to provide guidance on allocation, but ultimately decisions are made based on professional judgement and discussion rather than by slavishly following a matrix.

The other purpose of developing an index is for advocacy purposes – to highlight the crises for which funding is needed, or where political action is required. The UNDP Human Development Index is a good example of where this is a major function of the index.

Recommendation: Develop severity indexes or use existing ones to support decision making and advocacy – but use with caution.
5 Political issues

‘A major challenge to ICRC operations today is the tendency of some state actors to integrate humanitarian activities into the conduct of their politico-military campaigns. Illustrations of this integrated approach include recent statements by some governments describing their military presence in Iraq and Afghanistan as "mainly humanitarian". Actions presented as humanitarian are becoming suspect, perceived – rightly or wrongly - as part of a wider strategy to defeat an opponent or enemy.’ ICRC.org

5.1 Introduction

This statement implies that certain governments also allocate their humanitarian resources specifically to support these politico-military campaigns rather than on humanitarian grounds. There are clearly some humanitarian needs in such situations, but the argument is that the resources dedicated to such needs are out of proportion to (and take away from) those required elsewhere in the world. For other donors, trade issues can play a part in influencing which countries or regions receive humanitarian aid.

The clearest historical examples come from the Cold War, when states claimed that their aid was humanitarian in assisting one side or the other of a particular conflict. But in such situations, not only did states take sides in the conflict, thereby compromising their neutrality, but they also delivered assistance to an area which benefited only one party to the conflict, thereby not being impartial. An interesting quantitative analysis looking at US responses to natural disasters from 1964-1995 suggests that for that period, political preference for allies and democracies affected which countries received aid but the actual level of funding for countries that received aid was more needs-based.\textsuperscript{6}

One donor interviewed suggested that an honest appraisal was that perhaps 10-15% of their funding was always going to be politically driven and outside the realm of principled allocation: this will tend to be to the major political priorities e.g. Iraq, Afghanistan. The aim should be to minimise the impact of this on the majority of funding and be as principled as possible where feasible.

The media also has a significant role to play in highlighting crises, but the ratchet effect of media focus on certain telegenic crises, and politicians responding to criticisms of stinginess, can be very detrimental to allocation on the basis of need. Different agencies also have different skills at involving the media in their response, which can mean that their sector can be over-represented in media coverage in comparison to the actual level of need.

5.1.1 Tied aid
For in-kind donations, the role of political pressures can operate in a different way. Here the effect of supply leading demand can occur when a donor has a particular commodity to donate – such as food aid linked to domestic agricultural surpluses, or pharmaceuticals with a limited use-by date. The motivation may be humanitarian in terms of making use of a commodity of limited shelf life, but there is a risk of skewing the response if it is assumed that other donors will fill in the gaps – particularly where systems of donor coordination are weak.

5.1.2 Peacebuilding
Another way in which allocations may not be need-based at country level would be where there is a political engagement with a peace process, and the donor wishes to provide a peace dividend including relief items to a particular group of actors. This is a difficult decision, since the donor may argue that a greater humanitarian purpose is served by bringing peace, even if in the short term this means that some groups lose out. The priority here ought to be to ensure basic needs are met for all, while linking non-humanitarian assistance such as reconstruction to a peace process. Clearly this is context-specific, and the blurred lines between humanitarian and reconstruction assistance make this easier in theory than in practice. The important principle is to ensure that humanitarian needs are not subordinated to political priorities, and that decisions are taken in a transparent way.

5.2 Recommendations

5.2.1 Harness the politics
Aid programmes exist by virtue of the support of politicians and those who elected them. While much of humanitarianism is about keeping politics at arms length, it is important to engage with what gives the humanitarian aid programme political legitimacy. If the public in a particular donor country lose faith in the purpose of the
aid that their taxes are supporting, this could have greater humanitarian consequences than if some of those funds were allocated other than on the basis of need.

The political context of donor countries varies very widely. In some, public support for the aid programme is more or less unequivocal, and ministers are very conversant with humanitarian issues – in some countries, foreign and development ministers have worked within the Red Cross movement. Here, the involvement of politicians is a positive factor in supporting principled humanitarian response and sustaining high per capita levels of contributions.

At the other extreme, there are donors with greater scepticism over the aid programme, and ministers are less engaged with humanitarian issues. In some cases donor officials expressed concern that allocations have been made according to political direction which did not take into account humanitarian principles. Donor aid structures and aid policies can play a part here.

5.2.2 Set out a policy and aid structures
Some donors have set out humanitarian policy statements which are a useful way to ensure that allocations are made on the basis of specific principles, including on the basis of need. These provide a defence against political interference with humanitarian allocations, although few governments have enshrined this in national legislation (Switzerland and the EU being notable examples).7

In terms of aid structures, separate development agencies or ministries are an effective way of reducing negative political involvement. In some countries, humanitarian units are separated from those responsible for development assistance.8 There is no one size fits all solution.

5.2.3 Ensure politicians are well briefed
An important approach is to ensure that the principles of humanitarian action are elaborated to new ministers, including the risks of allocation other than on the basis

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8 See DCI (2004) report on GHD & the EU
of need. GHD has been an important mechanism for doing this, and its endorsement by the DAC High Level meeting should reinforce that.

Similarly, GHD approaches such as unearmarked funding can be explained bearing in mind the political benefits of visibility – both for politicians and for public support for the aid programme. In addition to the potential programmatic benefits of reducing earmarking, one donor found the benefits of being able to refer to unearmarked contributions when no specific contribution – perhaps to smaller crises – was being made. Core contributions, particularly to agency contingency reserves, could also be presented as particularly effective use of funds as they were recycled several times through the year. Of course, it is important for the presentation not to overtake the substance – agencies are already concerned that contributions to pooled funding mechanisms such as the CERF will be used to justify not contributing to other crises.

The principle of additionality is important here – ensuring that if contributions are made to particularly high profile crises, the contributions are additional rather than taking away from other parts of the humanitarian or development programme. This requires some sort of contingency reserve within the national or departmental budget, or mechanism by which parliament can approve additional funds.

5.2.4 Focus on ‘whole-of-government’ humanitarian response
Going beyond just foreign and development ministries, the wider involvement of other government departments means that humanitarian principles need to be explained and safeguarded more widely – within defence and interior ministries, and depending on the particular governmental dynamics, within the office of the Prime Minister or equivalent.
6 Strengthening the humanitarian system

6.1 Introduction
GHD is primarily about donors getting their own house in order. However much of what they do depends on the wider humanitarian system, so there is an important role for donors in encouraging and supporting strengthening of elements of the system.

Specific weaknesses which reduce the ability of donors to make need-based allocations are:

1. Information – Needs assessment & data
2. Capacity – sectoral focus and gap identification
3. Coordination – CAP and CHAP
4. Trust – Management of earmarked funds

6.2 Improving the information upon which decisions are taken
The information deficit in both acute and chronic humanitarian crises presents planning challenges to all actors. The lack of data on key indicators, and the quality of needs assessments, underlie much of the challenge in needs-based allocation. Without appropriate evidence, allocation is based on estimates and professional judgement, and needs assessments in practice play a minor part in determining allocations. There is a danger of a vicious circle where needs assessments are given scant attention by donors, so agencies lack the incentives to invest in them, so that donors continue to disregard them.

There are limits to how far the information deficit can be bridged. Humanitarian situations are often in countries with weak state capacity for data collection, difficulty in accessing populations in need, an absence of baseline information, and for rapid-onset disasters, a lack of technical capacity and the initial chaos of the first few days of a response mean that systems should be built on the expectation of partial information. This requires experienced agency and donor staff who can use

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professional judgement to make sensible assumptions about need based on limited information.

However there are aspects of needs assessment and data collection that can clearly be improved, with donor encouragement and support:

6.2.1 Improving needs assessment

6.2.1.1 Better practice
Common problems with needs assessments are that they are limited in coverage (sectorally and/or geographically), uncoordinated and unshared, and apply different methodologies so are difficult to aggregate. They are mainly carried out by international NGOs which focus on specific geographical areas within their capacity, and often on specific sectors in which they specialise.

This leads to situations where pockets of need are identified which support a specific project proposal, but the overall picture of relative need across a crisis is very patchy.

The IASC CAP Sub Working Group is developing the Needs Assessment Framework and Matrix (NAFM) which should be rolled out to further CAP countries in 2006-7 after initial pilots\(^\text{10}\). This is essentially a technical resource providing suggested indicators and a framework for pulling together existing assessments. Another approach that has been piloted is the Rapid Assessment Format, which aims to bring together basic agency assessments in a standardised format which importantly is linked to agreed geographical ‘place codes’ to allow mapping of gaps.

These are technical contributions that should lead to some incremental strengthening of the CAP – although there are concerns that they produce an additional layer of bureaucracy without actually improving the quality of strategic needs assessment. The key to strengthening coordinated needs assessment is more political in nature – in terms of NGOs being encouraged by their donors to participate in CAP and CHAP processes, share assessments, and importantly, perceive some value in these processes so they have an incentive to participate. This requires greater confidence in the quality of the CHAP and CAP.

6.2.1.2 Iterative process
As mentioned above, many allocation decisions have to be made in advance of
detailed needs assessments. Agencies require initial funding commitments in the first
days of a rapid-onset crisis, before they are able to carry out more than rough aerial
assessments, for example, in an earthquake response. There can be a lack of
realism on the part of donors over what can be expected. An additional weakness is
that follow-up assessments are either not carried out, or are not used to inform
changing allocations, so that at the point when further information on needs is
available, decisions have already been taken.

6.2.1.3 Conflicts of interest
Another much-cited weakness in needs assessment is the conflict of interest
between an agency carrying out a needs assessment being primarily motivated by
the requirement to formulate funding proposals from it. This means that needs
assessment can really be more about assessing response, and be focused on
identifying what it is that the assessing agency can deliver, rather than what might be
needed in a holistic way – water/sanitation agencies will understandably tend to
assess and find areas where they can help with water/sanitation. Agencies may also
be incentivised to find an area of need in which they can work, but not feed in to a
bigger coordinated picture of overall needs by sector and location, where gaps can
be identified.

Recommendations: ODI has previously recommended the use of independent
sectoral assessors to work with operational agencies to develop more objective
assessments. There could be scope for cluster leads to play a role here. A practical
way forward would be for an interested donor or group of donors to commission
further work from a partner agency or cluster lead on how this might work, and pilot
the approach in forthcoming crises to explore the practical challenges.
Donors' partner NGOs should be encouraged to participate in the CAP and CHAP
and share assessments.

6.2.2 Indicators
The quantitative evidence underpinning needs assessments is particularly weak, but
for humanitarian situations, key indicators of mortality, health and nutrition provide an
effective insight into overall vulnerability. However there is no consistent or strategic
approach to derive baselines for populations at risk, or to track them systematically at the level of the crisis – individual NGOs carry out assessments as mentioned above, but there is no overarching strategic framework to collate assessments.

The proposed ‘Humanitarian Tracking Service’ being explored by the IASC under WHO’s lead is an approach that could be supported to overcome this lack of information.\(^\text{11}\) It aims to develop technical guidance on tracking core indicators, and train and deploy experts internationally and in-country for specific crises.

Donors also need to encourage their NGO partners to take more strategic approaches to engage with other NGOs and develop standardised data sets which can be compared and mapped in space and time.

6.2.2.1 Thresholds
A recent example of an attempt to classify risks in the context of food security, but bringing in other indicators, is the Somalia Food Security Assessment Unit ‘Integrated Phase Classification’ (FSAU IPC) (see box). This is interesting in taking an interpretative approach to identify the degree of food insecurity, using ‘convergence of evidence’ from a number of indicators. It also explicitly identifies the appropriate response for each phase of food insecurity. Such an approach could be usefully adapted to a wider range of situations.

<table>
<thead>
<tr>
<th>The Somalia Integrated Food Security Phase Classification</th>
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<tr>
<td>The overarching strategy of the IPC is not based on thresholds and benchmarks as much as it is based on analysts’ interpretation of all available evidence with clear reference to the IPC Key Reference Outcomes. This ‘convergence of evidence’ approach is different from approaches that rely on clear cutoffs of limited indicators. While the ideal goal is to have rigorous and measurable thresholds to define Phase Classifications, from a practical and field perspective (including issues of crisis complexity, livelihoods complexity, information urgency, widely varying data availability, analysis capacity, and others) it is eminently more practical to classify overall food security and humanitarian situations with a convergence of evidence approach. An academic purist may insist on absolute thresholds, but this is not always feasible from a field perspective. The IPC bridges academic and internationally accepted thresholds with field practicality.</td>
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<td>From <a href="http://www.fsausomali.org">www.fsausomali.org</a></td>
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\(^{11}\) http://www.who.int/hac/events/benchmarkmeeting/en/index.html
**Recommendation**: Donors should support the humanitarian tracking service and encourage involvement of their partner NGOs in this, joint assessment processes and ways to replicate approaches such as the FSAU phase classification.

### 6.3 Capacity: Sector-based approaches

The Humanitarian Response Review confirmed that the humanitarian system is overstretched. This leads to problems of inexperienced staff taking on more responsibility than ideal, and gaps in response capacity. The emerging cluster approach may provide a means to identify and address these gaps, and provide a forum for moving discussion away from agency needs and requirements into analysing sectoral needs. However clarity is needed on what the cluster approach can and can not deliver in terms of agencies being the provider of last resort, taking a strategic role in increasing sector capacity and/or identifying gaps.

There are useful analogies with Sector Wide Approaches (SWAPS) in development assistance. This aid modality provides for a coordinated approach to assistance to a particular sector such as health. It aligns donors around government priorities and moves away from a fragmented, project-focused approach. In the humanitarian world, in the absence of a government-led plan, there could be potential for funding to be transferred via cluster groups for them to allocate according to sectoral priorities. The key requirement is for there to be broad agreement among stakeholders on the overall strategy.

At the same time, it is important that mechanisms exist for clusters or sectors to talk to each other and their priorities to be consolidated into an overall strategic framework.

**Recommendation**: Donors should encourage clarity over the cluster approach and discuss with the IASC ways in which funding could be allocated via clusters.

### 6.4 Coordination: Role of CHAP and CAP

The CAP is generally observed to have improved since its introduction, with better contextual analysis, prioritisation and referencing of quantitative data. However it is still a mechanism that donors find does not deliver what they need to inform funding allocations, and by its design tends to encourage earmarking. It ought to provide a
palette of projects for donors (or indeed the HC managing a pooled fund) to select – which together would allow the CHAP to be carried out in full – with priorities set out and dynamic updates on what has been funded and where funding gaps remain. This would also overcome some of the weaknesses of donor coordination.

The CAP and CHAP are perceived by donors as useful processes – some more than others – but there is a gap between the CHAP and the CAP as a resource mobilisation tool. The main issues are participation by a wide range of agencies – NGO involvement is relatively low in many CHAP and CAP exercises, so that the final document only provides a partial picture of needs and proposed responses. This is due to NGOs seeing little to gain from the process, but that they expend considerable resources participating. Some donors require agencies they fund to participate in the CAP as a means to encourage wider participation – this should be encouraged. In addition, wider measures to strengthen Humanitarian Coordinators, and improve the CAP through the inclusion of the CHAP and NAFM, should provide greater incentives for NGOs to participate.

At a global level, donors comment that there is no overall comparison of CAP countries in terms of prioritisation of relative severity. This provides no guidance to them on how to prioritise across crises.

**Recommendation:** Donors should discuss with OCHA how donors could be supported in making decisions on how to allocate between CAPs.

6.5 Trust
A theme that underpins much of donor relations with partner agencies is trust – or lack of it. As Smillie and Minear (2003) observe, the humanitarian enterprise is notable for the distrust that donors have for agencies and vice versa. The level of trust determines much about the relationship in terms of core funding, tendency to support for more crises, and in listening to advice from the agency. Trust is clearly gained from strong performance, as well as by reputation. This is one more way in which donors attempt to make sound allocation decisions. The challenge is that such judgements are sometimes quite arbitrary and not based on much evidence – more hearsay.
**Recommendation:** More specific criteria for the quality of relationships should be developed, and expectations set out transparently. Transparency in general, through publication of funding policy, proposal guidelines, and providing feedback on proposals, should foster more positive relations.

### 6.5.1 Agencies as donors
There are lessons here for agencies which have gained a greater level of trust from donors, and are provided with increasing levels of unearmarked funding. Some donors are now noting that despite their intention being to increase the needs-basis of funding by putting more decision making power into the hands of agencies, in practice agencies are only allocating a small amount of these unearmarked funds for underfunded crises – in other words they appear to be acting in a similar way to the donors they criticise. The evidence is still unclear, and further analysis should be carried out. However the lessons are that the role of non-official donors – such as Humanitarian Coordinators with common country funds, or OCHA with the CERF – are that they need to be supported to do this by the wider system, and there need to be transparent systems by which they allocate.

**Recommendation:** Commission a study on how earmarking affects impartiality, and agency use of unearmarked funds

**Conclusions**
This section has focused on the constraints that mean donors are not allocating on the basis of need. It has looked at practical approaches to overcoming these in the areas of political issues, management challenges, and system-wide factors. The main conclusions and recommendations of the review will be summarised in the final section.
7 Conclusions and summary of recommendations

Allocating on the basis of need is a central principle to being a good humanitarian donor. This review has explored the extent to which donors are allocating on the basis of need, finding a consensus that they can do more. The reasons behind this performance, and approaches that are being taken to improve the situation, fall into the categories of the political, internal management issues, and broader, system-wide issues. Donors can improve the needs-basis of their allocations with a number of measures, some of which can be achieved relatively easily, others which depend on leveraging change elsewhere, or as part of longer terms commitments to reform of the humanitarian system.

7.1 Summary of recommendations
The review makes a number of recommendations, which are summarised below:

Steps that donors could take in the short term would include:

Policy and politics:
- Increase transparency of policy, guidelines and relationships with partners, including how effectiveness and comparative advantage is factored in to allocation decisions
- Engage with and brief politicians and other ministries
- Make the case for a specific share of ODA/increased levels of humanitarian assistance

Funding modalities:
- Increase levels of funding to pooled mechanisms such as the CERF, common funds and also reducing earmarking, while ensuring that agencies strengthen their capacity to use these funds effectively, and subject to greater evidence on their success in the field
- Develop internal mechanisms to monitor trends in resource allocation
- Commission a study to look at estimating the totality of humanitarian need
- Commission a study on how agencies use unearmarked funding
– Look at longer term funding approaches and treating chronic crises with more developmental timeframes and modalities

Needs assessment and data quality:
– Strengthen needs assessment processes by supporting development of better processes of joint assessment by agencies
– Develop and pilot an independent needs assessment approach, possibly using cluster approach
– Support improvements in systems to track data such as the Humanitarian tracking service, and approaches to standardise response such as the FSAU phase classification.

Donor coordination:
– Strengthen donor coordination and learn from development approaches including SWAPs, consultative groups and PRSPs: convene a specific meeting under GHD auspices to strengthen coordination mechanisms over allocation
– Use a severity index to support decision making and advocacy

CAPS and clusters
– Discuss with OCHA what support they could give donors in prioritising between CAPs
– Encourage active participation from partner NGOs in CAP and CHAP
– Encourage clarity over role of cluster approach and explore ways in which funding could be allocated via clusters

In the medium to long term, they should:
– Formalise their humanitarian policy, including on how to operationalise impartiality; and back it up with legislation
– Develop contingency reserves to provide flexibility in responding to humanitarian crises
– Consider assessed contributions and global funds as a way to provide more reliable funding the humanitarian system
8 References and bibliography


Negotiating humanitarian access in Angola: 1990 - 2000


