

# Funding 'Flaws'

Flawed funding flows hinder efficient humanitarian response

Faced with the pandemic, many countries have taken drastic isolation measures to avoid or delay the increase of cases. In countries facing pre-existing humanitarian needs, these measures are causing severe secondary impacts on people's livelihood and employment, as well as hindering access to humanitarian assistance. For instance, in Ethiopia, humanitarian needs have increased from seven to more than 16 million people in need of humanitarian assistance from January to June, due to the primary and secondary effects of Covid-19<sup>1</sup>.

The complexity of the crisis has presented the humanitarian sector with tremendous demands and challenges. The fear of large-scale outbreaks in areas with dense populations with limited access to water, sanitation, and health services has prompted many organisations to redirect funds and resources from their regular programmes to efforts to make communities less vulnerable to Covid-19. The need to maintain social distancing has resulted in changes in how organisations do their programmes, from education to distributions. In addition, public health measures, including movement restrictions, have in many places delayed programming, leading to a need for extensions.

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[https://reliefweb.int/sites/reliefweb.int/files/resources/hrp\\_update\\_june\\_2020\\_ethiopia.pdf](https://reliefweb.int/sites/reliefweb.int/files/resources/hrp_update_june_2020_ethiopia.pdf)

While many donors have shown increased flexibility to allow organisations to adapt and respond to the crisis, it is paramount that we recognize that the Covid-19 pandemic has only exacerbated existing humanitarian needs, and therefore its response can only marginally be addressed through reprogramming.



It requires, instead, new resources to be made available, and a new risk sharing approach long sought through humanitarian reform, not least within the Grand Bargain platform.

However, three months in, only 17 percent of the Global Humanitarian Response Appeal (GHRP) to tackle the effects of the Covid-19 has been funded. While some of the poorest countries have seen relatively few cases, numbers are rising quickly in many countries as the fear of underreporting emerges.<sup>2</sup>

The window for taking preparatory and preventive measures is closing fast and donors and UN agencies should increase their efforts to get more funding more quickly to those who need it. So far, only 5% percent of the limited

<sup>2</sup> Yemen example: Official numbers vs. MSF numbers.

funding provided has gone to frontline responders directly.<sup>3</sup>



### What needs to happen

The complexity of the crisis calls for a broad approach that includes all of the financial instruments we have at our disposal, and builds on the best practices the humanitarian community has identified over the past years.

#### 1. New funding

We call on donors to make new funding available to tackle the Covid-19 crisis rather than expecting aid organisations to redirect existing funding. As pre-existing humanitarian emergencies are bound to worsen due to the impact of the pandemic, funding should not be syphoned from ongoing responses.

- Donors should consider channelling savings, unspent or unearmarked funds into the response, potentially in conjunction with development funding to address direct, indirect, and long-term socio-economic effects of the pandemic, while sustaining ongoing emergency response.

#### 2. Better funding (*timeliness and admin burden and permanent measures*)

The unprecedented scale and complexity of the Covid-19 crisis have prompted the roll-out of important flexibility measures by major donors and UN agencies, some of which had been in the making for years. A better and more equal

<sup>3</sup> Financial [Tracking Service data as of 9 June 2020](#).

sharing of risks is a stepping stone for a more efficient humanitarian financing system, one that is based on the reduction of the administrative burden while conserving the necessary checks and balances of due diligence and other risk management measures. Flexibility aside, the quality of funding is a function of its timeliness and predictability, and it is therefore recommended that donors and aid organisations work in synergy to:

- Track the timeliness of funding by improving the transparency of existing funding flows that rarely allow for such analysis.
- Continue reducing the administrative burden through the introduction of flexibility measures, striving for greater harmonisation among donors and for the introduction of such measures on a permanent basis.
  - Recognise the centrality of ongoing work within the Grand Bargain and adopt existing recommendations<sup>4</sup> such as those made under the workstream on enhanced quality funding through reduced earmarking and multi-year planning and funding. Researches conducted in this framework indicate all constituencies (donors, UN agencies and NGOs) need to work together to accelerate what works and enhance the predictability and flexibility across all types of funding agreements and scale-up identified quality funding good practices<sup>5</sup>. The Programme Based Approach (PBA) implemented by NRC and other partners with SIDA and NMFA is listed amongst those best

<sup>4</sup> NRC, FOA, 2020, Quality funding policy brief: How to reach critical mass

<sup>5</sup> NRC, DI, FAO, 2020 Catalogue of quality funding practices.

practices and proved to be instrumental in the response to Covid-19.

### 3. Front-line focus of funding flows (and better tracking)

Every step of the humanitarian implementation chain increases the earmarking of funding and slows down the response. NRC supports the Inter-Agency Standing Committee (IASC) Humanitarian Financing Results Group, tasked by the Principals to identify key proposals to unlock funding flows to NGOs. Informed by the work within the IASC as well as other fora – not least the NRC co-chaired OCHA-NGO Country-based Pooled Fund Dialogue Platform, we identified four clear recommendations to increase funding flows to frontline responders:

- **Direct bilateral funding** from institutional donors is often overlooked because many donors have a limited capacity to manage the risks involved and therefore prefer to give large grants to intermediaries, mainly UN agencies. In line with the more balanced risk sharing called for under point one, we believe that direct bilateral funding should be used more frequently due to the relative speed and lower costs associated with this method.
- **Timely and tracked funding through UN Agencies.** UN Agencies are a key player both as donors and as implementing agencies. However, the inadequate existing tracking system do not allow – in most cases – to analyse how much funding is passing through to NGOs, and whether that happens in a timely fashion.
- A noteworthy exception to the above are the **OCHA-managed Country-based Pooled Funds (CBPFs)**, which is a funding instrument designed to provide real-time transparency. Despite some

limitations and the need for further modifications to this funding instrument, CBPFs have historically channelled approximately 75 percent of funding to NGOs, and therefore are an excellent instrument to provide timely funding to frontline responders. Moreover, we strongly support innovation within this area through the roll-out of the OCHA-proposed:

- Regional CBPF, to regionally manage funds for countries not covered by an existing CBPF.
- Central Emergency Response Fund (CERF) ‘block grant’: a specific allocation for NGOs channelled through IOM.

We believe further research on the two innovations above should include NGO representatives and ideally be channelled through the OCHA-NGO Country-based Pooled Fund Dialogue Platform in coordination with NGO networks.

- **Expanded use of existing NGO consortia and NGO-managed pooled funds** such as the START Fund could be instrumental in expediting the direct disbursement of funding to NGOs and improve national and local NGOs access to funding.

The Grand Bargain, the Inter-Agency Standing Committee, and the OCHA-NGO CBPF Dialogue Platform are but a few of the fora where such discussions are happening. However, a direct link with donor-specific fora such as the Good Humanitarian Donorship is missing, and more deliberate efforts must be made to connect the dots and ensure we move forward as a community to succeed in creating a more conducive and adequate humanitarian financing system.