

How Do Humanitarian Donors Make Decisions, and What Is the Scope for Change?

Rose Worden and Patrick Saez

Abstract

In this policy paper we review donor responses to a survey and interviews to probe the effects of the broader political and economic context in which donors operate, and identify internal constraints on humanitarian funding, planning, and making allocative decisions. We identify and highlight perceived and real constraints with which donors contend when making decisions on how to allocate limited resources. The way humanitarian donors fund is key to system-wide efficiency, effectiveness, and reforms in the humanitarian system. Donors face competing priorities when engaging in humanitarian response. They care about retaining control, must rely on limited information sources to inform decisions, and balance their approaches with other foreign policy objectives. Institutional legacies, trust, and visibility for their efforts also matter to donors. These factors have shaped how donors have approach their current commitments to Grand Bargain reforms as donors prepare to engage with the newest iteration of reform—the Grand Bargain 2.0.

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The Center for Global Development is grateful for contributions from the UK Foreign, Commonwealth & Development Office and Australia's Department of Foreign Affairs and Trade in support of this work.

Rose Worden and Patrick Saez. "How Do Humanitarian Donors Make Decisions, and What Is the Scope for Change?" CGD Policy Paper 238. Washington, DC: Center for Global Development. <https://www.cgdev.org/publication/how-do-humanitarian-donors-make-decisions-and-what-scope-change>

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Introduction

At the World Humanitarian Summit held in 2016, large humanitarian donors, multilateral agencies, and INGOs signed on to a series of voluntary commitments known as the Grand Bargain, with an aim to improve the efficiency and effectiveness of humanitarian financing. Five years after it was agreed, the report card is mixed: while there has been significant progress in a few areas—notably the shift to cash transfers—other priorities have seen limited improvement.¹

The ‘Grand Bargain 2.0’—a new iteration of the process—will focus for the next two years on two core priorities at the heart of the quid pro quo between donors and humanitarian agencies: more quality funding (unearmarked, flexible, multi-year), and increased support for locally-led humanitarian action and participation of affected communities.² The focused approach is partly to simplify the multiple workstreams and related bureaucracy blamed for slow progress. While the streamlined approach of the Grand Bargain 2.0 is welcome, it nevertheless continues to fall short of changing the business model and incentive structures that underpin many of the inefficiencies in the humanitarian system.³

One of the main justifying arguments for the slow pace of systemic change is that the scope for donor policies and practices to evolve is constrained. To unpack this assumption, we studied the how the main humanitarian donor agencies make decisions, and interrogated enablers of and obstacles to change. A handful of donors are responsible for a large majority of official international humanitarian finance: in 2020 the United States accounted for one third of the total, and the four top donors together accounted for two thirds. Modifying incentives within the system would require those who control most of the resources to demonstrate a political will to collectively alter their funding practices.

Methodology

To inform this paper, fourteen donors completed an online survey, who together accounted for 80 percent of total humanitarian funding in 2020.⁴ Representatives from nine donor institutions also participated in follow-up interviews of roughly two hours, accounting for 62 percent of humanitarian funding in 2020. Questions were designed to probe the effects of the broader political and economic context in which donors operate, and identify internal constraints on humanitarian funding, planning and decision-making. Since the study focused

¹ Metcalfe-Hough et al., “The Grand Bargain at Five Years: An Independent Review.”

² IASC. “The Grand Bargain (Official Website).” Accessed August 25, 2021. <https://interagencystandingcommittee.org/grand-bargain>.

³ Saez, Patrick, Jeremy Konyndyk, and Rose Worden. “Financing the Humanitarian Public Good: Towards a More Effective Humanitarian Financing Model.” Washington, DC: Center for Global Development, Policy Paper 215, <https://www.cgdev.org/publication/financing-humanitarian-public-good-towards-more-effective-humanitarian-financing-model>.

⁴ Twelve donors responded to all survey questions. Total responses are noted in the data visualizations.

on a subset of donors, the paper does not provide a comprehensive picture of donor practices but attempts to point to commonalities and differences between the practices of those consulted. As information was collected on a confidential basis, data and analysis is not presented for each donor separately. Quotes have been anonymized and have an illustrative purpose only.

Findings

Determining and sharing funding priorities

Humanitarian aid is defined by OECD DAC as assistance designed to save lives, alleviate suffering, and maintain and protect human dignity during and in the aftermath of emergencies. Donors in the study generally oriented their humanitarian strategies around these objectives, and most cooperated to advance principles and good practice around humanitarian funding through the Good Humanitarian Donorship Initiative. Unified in their commitment to target the most acute needs, donors varied in capacity for consistent assessment, monitoring and prioritization in crisis response.

The largest four donors in the study represented around two thirds of annual humanitarian funding. The remaining ten donors, all but one of which appeared among the top 20 by funding volume in 2020, together accounted for just 16 percent of overall humanitarian finance, or were roughly ten times smaller on average than the dominant four. We found that larger donors usually have considerably more capacity to assess needs, define priorities, and use funding as leverage to achieve desired reforms.

Humanitarian staff of donor institutions ranged in size from eight dedicated, centrally located staff to “over 700 at HQ and in country operations” where members could integrate into the local humanitarian community and directly monitor situations on the ground. Smaller donors with less capacity often drew on assessments from larger donors. Donors relied on many of the same sources of information as a first step in determining their priorities and approaches to fund humanitarian responses. Most donors in the group (93 percent) consulted UN Humanitarian Response Plans (HRPs) as a first step to build an overall picture of humanitarian need. Donors noted inconsistencies in the quality of HRPs and other documents like Refugee Response Plans (RRPs) and Humanitarian Needs Overviews (HNOs), which limited their utility for deeper planning or comparison of the urgency and severity of need across crises.

“The lack of comparability across these things, I find that one of the biggest burdens for making good decisions. There is no independent mechanism to look into that, which I find problematic for the system as a whole.”

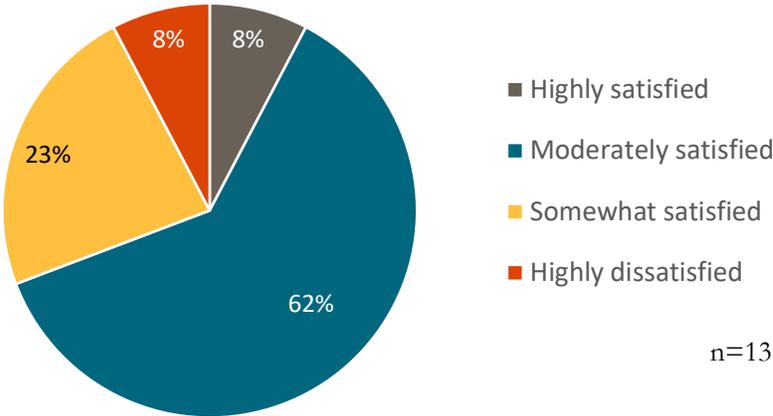
One donor referred to HRPs as a negotiated outcome between host governments, the UN system, and NGOs, involving too many agencies to constitute a plan, but considered them “the best we have,” noting progress had been made on their coordination.

Donors were motivated, because of the shortcomings of existing information products, to increasingly rely on tools created outside the UN-led system, such as ACAPS' severity index, described by one donor as part of its "objective algorithm" for determining needs-based funding priorities. One donor reported shifting 90 percent of their humanitarian budget toward crises that had a high ACAPS severity index score.

"ACAPS was a system disruptor when they first came in, right? Because—my understanding is their analysis wasn't really welcomed by traditional agencies."

Despite their shortcomings, a majority of donors surveyed were moderately satisfied overall with the range of information sources they consulted.

How satisfied are you that these information resources enable you to make a well-informed global assessment of relative resource needs across different crises?

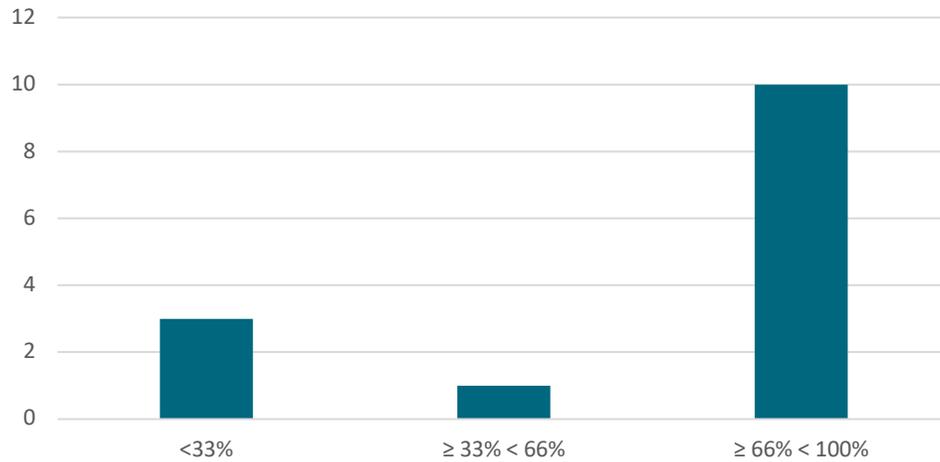


Aid agencies have argued that donors' inability to share information on their funding intentions in a timely manner affects their ability to plan in turn. Most donor participants (86 percent) planned at least two thirds of their humanitarian budget allocations at the beginning of the fiscal planning cycle but did not uniformly pass along information about their plans to their partners. Donors were sometimes restricted due to not having a clear picture of budgets ahead of time. While donors were not always able to share planning figures with partners ahead of the fiscal year, more than two thirds of those consulted shared planned allocations toward crises, projects, or partners in advance.

"In terms of our NGOs and [multilateral partners] we maintain direct communication with them from January to April, but we can't really share any of our funding allocations prior to approval because they could change."

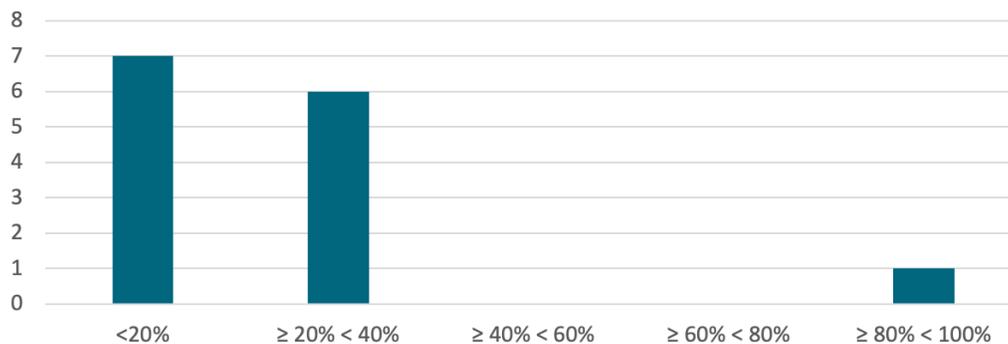
Seventy-one percent of donors responded that it would be feasible to share information in advance but described potential limitations on the practice, such as being able to share only on a case-by-case basis, sometimes subject to parliamentary oversight, and other intra-governmental processes. In the strictest cases, internal sensitivities around humanitarian budgets sometimes restricted even intra-governmental sharing of funding determinations.

Proportion of humanitarian budget planned at the beginning of a fiscal year by 14 donors



All donors held a portion of their annual funding for contingencies throughout the year. Roughly 40 percent of donors held between 20 and 40 percent of their funding in reserve. For the most part, donors treated early planning figures as rough estimates and retained flexibility to adapt to changing needs.

Proportion of humanitarian budget held in reserve by 14 donors



In some cases, funding decisions being made by other donors also factored into allocative decisions. Some donors worked more closely with a handful of peers, and smaller donors relied on larger donors to feed into needs assessments and share their methodologies for determining certain funding priorities. One donor emphasized that political relationships with other donors and between UN agencies and individual grant-making entities could affect allocations decisions. Some indicated that the actions of peers had little effect on their decision-making and suggested that efforts could be made to improve communication among donors in this area.

Selection of funding recipients

Participants considered a range of factors in their allocations process. One described determining funding allocations as an “organic process” facilitated by technical inputs. Donors also valued dialogue with their funding partners and tended to trust agency partnerships with long histories.

“I think there is a lot of tradition going in here, a lot of history going in here, a lot of habits ... but there’s no secret in that, there’s a lot of history to this, in particular when it comes to contributions. However, some of those are changeable, but it tends to move upwards rather than downwards.”

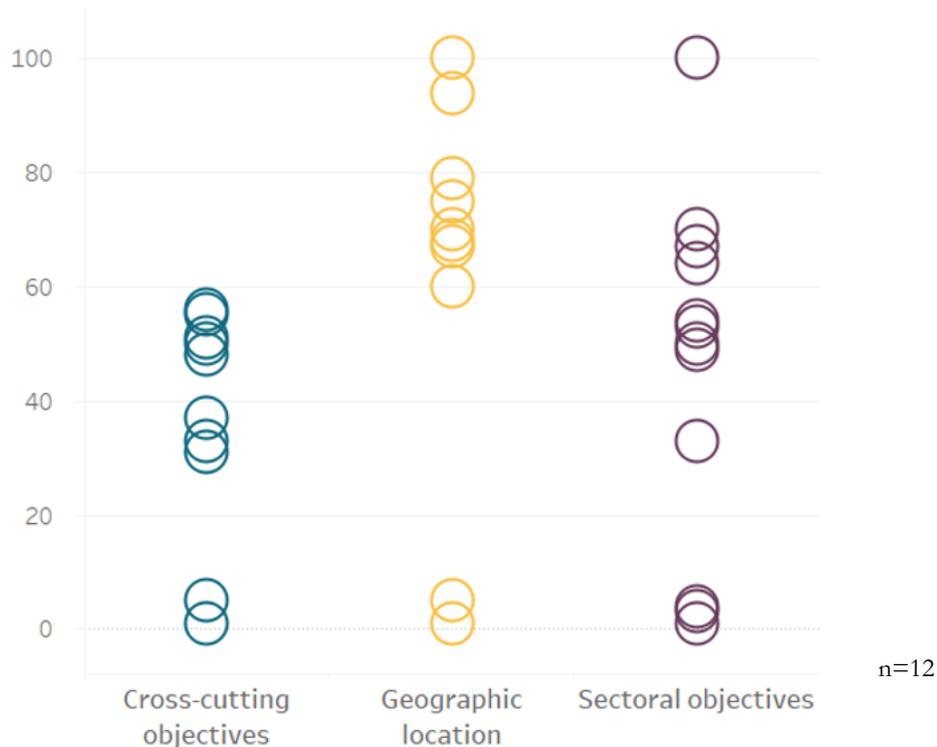
Survey respondents indicated their prioritization of certain objectives when allocating funds on a scale from 0 (lowest priority) to 100 (highest priority). Donors prioritized geographic location where programs were being implemented, followed by sectoral focus—for instance WASH, Nutrition, or Shelter –, and cross-cutting objectives such as gender. Interviews bore out donors’ regional objectives, especially regarding crises in Syria and elsewhere in the Middle East. Donors that otherwise earmarked very little did so at the regional level or country-level to prioritize funding certain crises.

“[If we believe an organization should play a certain regional role due to mandate and something is underfunded, that might be a signal for us to provide more funding.”

Multilateral agency representatives advocated directly with parliamentarians in some cases, which participants viewed either as a practice to be encouraged, or a constraint on their ability to shift funding to new channels.

“If a large UN agency calls the minister and says I need funding, there is a fair chance it will impact. If another organization threatens a pipeline break if we do not provide funding, it may also cause an impact. [However] this will not distort how we make our overall allocation decisions.”

How Donors Ranked their Prioritization of Cross-cutting, Geographic, and Sectoral Objectives when Making humanitarian Allocations Decisions
From very low 0 to very high 100

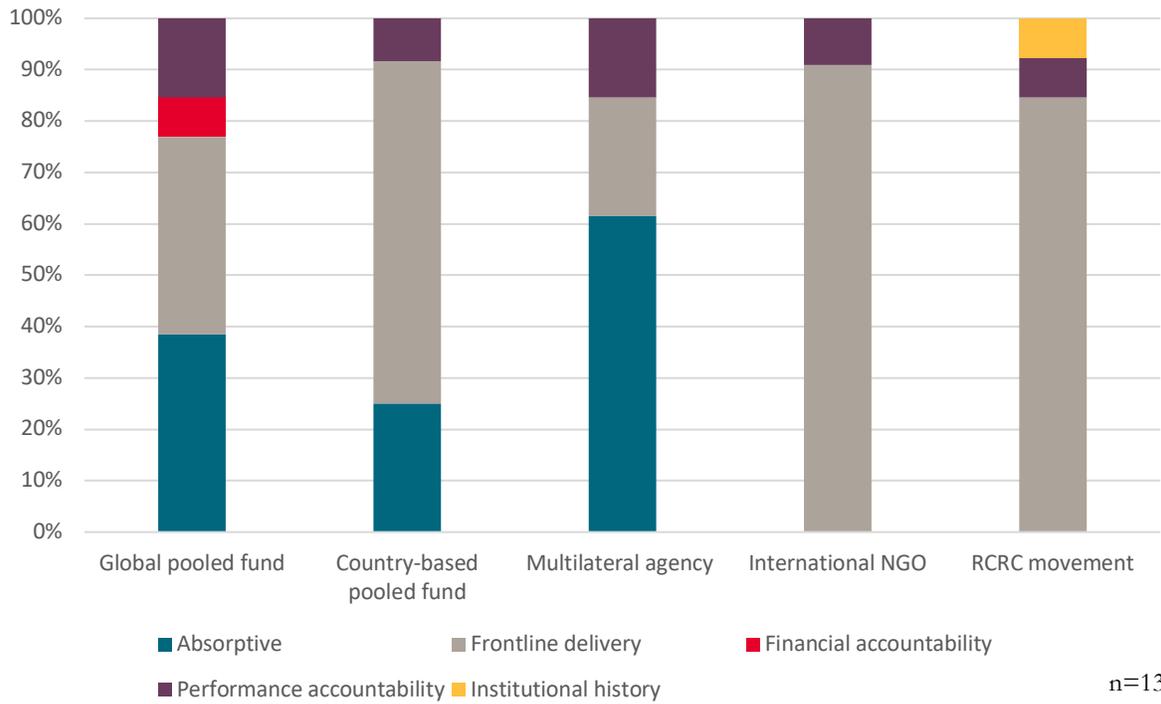


Beyond geographic and thematic prioritization, donors surveyed also considered how well organizations were placed to meet strategic objectives—for instance, strengthening multilateral cooperation, or drawing public attention to certain population groups. They broadly agreed on the specific capacities of different types of organizations. Despite differing capacity within the donor group to respond bilaterally, they all shared a heavy reliance on several major UN agencies as financing intermediaries and valued multilateral agencies most for their ability to absorb large amounts of funding and manage risk. Donors valued INGOs, the Red Cross / Red Crescent (RCRC) movement, and UN-managed Country-based Pooled Funds (CBPFs) mostly for their capacity to deliver on the front lines of a crisis.

“...the bigger organizations, the UN agencies, I suppose are much more set up and have those kinds of policies in place in addition to a kind of track record for how they’ve been able to manage some of those risks. Not always successfully, but I guess there’s an enduring relationship [...] in most contexts, and certainly at central level.”

“What we focus on, our capacity assessment, is all about determining whether the partner has sufficient mechanisms in place for internal accountability and learning in place.... That’s also one of the focal areas in terms of our participation in governing boards of pooled funds, [advisory] working groups ... basically..., since we don’t have those accountability systems in place, we make sure our partners do.”

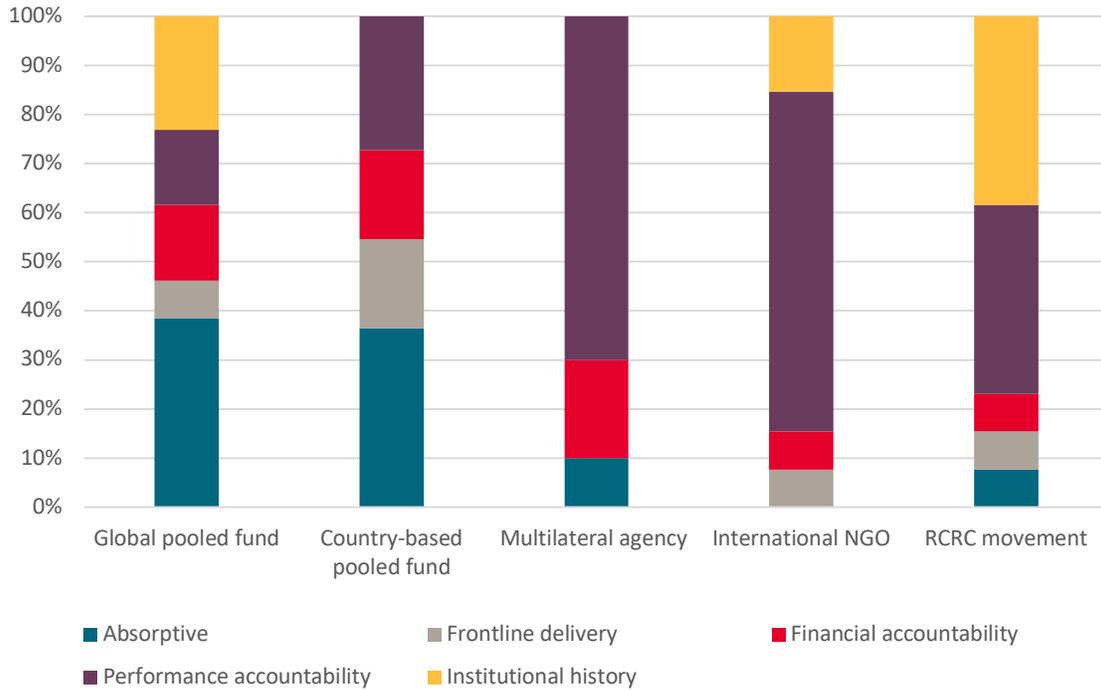
Primary advantage of different types of channels



Donors were asked to order the primary and secondary comparative advantage capacities of five different funding channels. Overall, donors valued multilateral agencies, INGOs, and the RCRC movement secondarily for their performance accountability, defined as the capacity for robust results management and oversight.

“We have a bit of a hands-off approach—as I believe many donors do—to multilateral partners, leaving it to those quality assurance initiatives—endorsed in various kinds of governing structures... I’m not sure that is entirely sound policy, but that is how we do it.”

Secondary advantage of different types of channels



The group expressed confidence overall in the main humanitarian institutions to deliver humanitarian outcomes. Ninety-three percent of donors surveyed had at least moderate confidence in the performance of multilateral agencies and 70 percent reported high confidence. All survey participants ranked the ability of the Red Cross/Red Crescent movement highest among organization types. In interviews, donors cited ICRC’s ability to access populations in complex crises as influential. Most participants (65 percent) also had high confidence in UN-managed CBPFs.

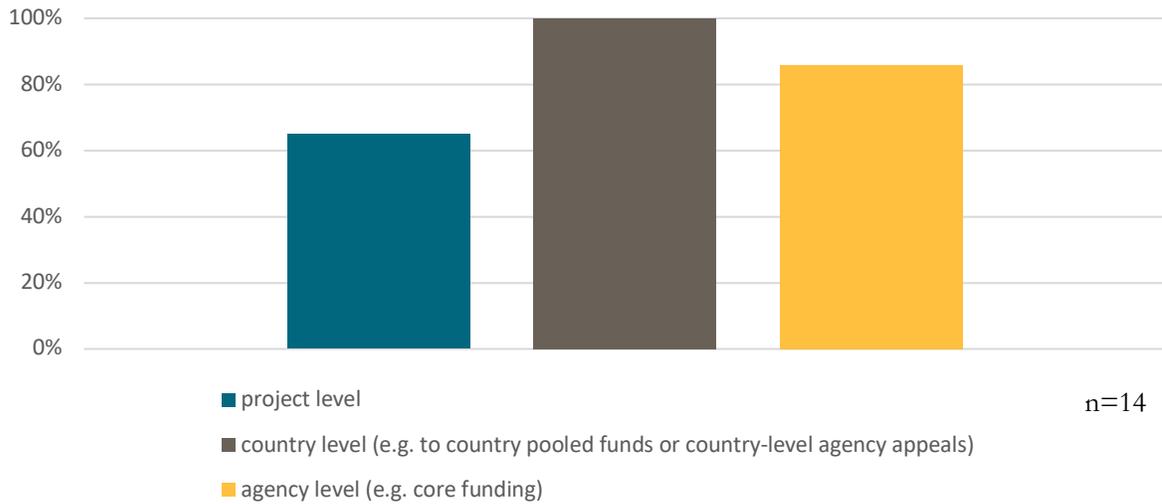
Level of confidence in funding modalities to deliver humanitarian outcomes



Earmarking

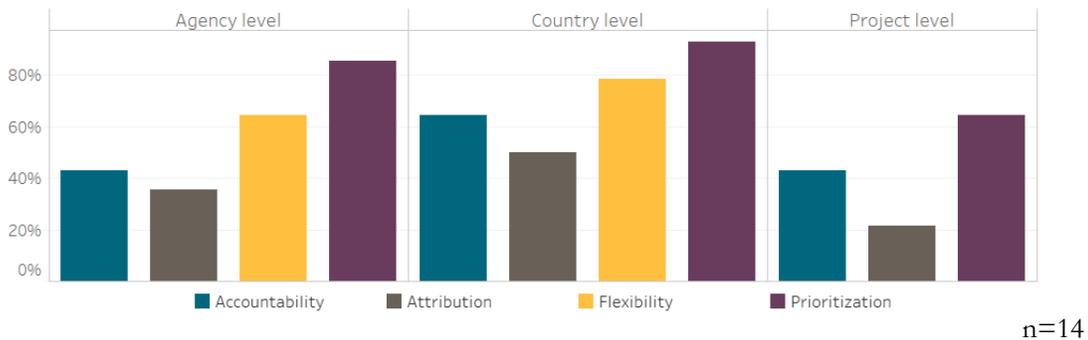
According to donors consulted, earmarking funds for specific agencies, crises or projects provided them with control over how funds were spent. Donors selected prioritization as the most important reason for earmarking at each level. All donors earmarked at least some funding at the country or crisis level. Most of the group did so to grant flexibility to country-level partners to prioritize based on their knowledge of the context. Sixty-five percent of the group earmarked at least some funding even further, at the project level. In interviews, some donors explained that earmarking was the only way to guarantee that their funding was channeled towards their thematic priorities, such as maternal health, sexual and gender-based violence, or psychosocial support. As one participant justified: “it’s taxpayer money—we must make up our own ideas and think for ourselves ... we will never believe the UN will allocate perfectly effectively.”

Donor institutions earmark humanitarian funding at the following levels



Donors were asked why they earmark at the agency-, country-, and project-levels. Donors selected from among the options of accountability—tracing specific funding toward a specific agency mandate, country, or activity; attribution—ability to publicize support for a specific country/crisis, or project; flexibility—enabling actors at each level to allocate funds flexibly toward priorities; and prioritization—ensuring support for a specific priority crises, agency mandates, or activities, as specific reasons for earmarking at each level. Accountability was selected the least often at each level. Some explained that earmarking little allowed them to capitalize on the broad reach of multilateral institutions. By providing unearmarked funding to the CERF, UN agencies, and the Red Cross they could provide resources indirectly across crises where they would not otherwise have the bandwidth to contribute.

Why donors earmark at different levels



The Grand Bargain committed donors to reduce earmarking practices. Although some donors have continued to earmark strictly, others have challenged the notion that earmarking is necessary and expressed satisfaction with the oversight and reporting practices of certain multilateral agencies.

...we would hope that core funding allows our partners to anticipate and respond to crises better...I'm slightly concerned about all this discussion around earmarking for this and for that.... I just think we need good quality, flexible funding. Earmarking for lots of different things can lead to complications.

...What we've found so far from the available literature and our consultations is that core funding is probably very effective in terms of the capacity of recipients to respond and to plug gaps in funding.

Still, key donors have remained dissatisfied with what they considered to be a lack of transparency among agencies on how funds are used. As a result, unearmarked funds have reduced as a proportion of total humanitarian funding, despite some donors' commitments to reform.⁵ Seventy-nine percent of donors surveyed reported trying to reduce earmarking over the past 3 years, which indicates the outsized impact of the remaining small group. Some donors have struggled to overcome internal pressures to continue earmarking. As one donor put it, even donors who use unearmarked funding ask for visibility and find it lacking.

"I think we have the best of intentions on unearmarked funding, but the constraint for us is we're still answerable to the ... public, and the issue is there is still inconsistency with the way UN agencies tell us exactly what they do with the money, and that's increasingly problematic when we're under pressure."

Some donors considered core, unearmarked funding essential for partners to have maximum flexibility to respond most effectively and found that providing at least some unearmarked funding on a multiyear basis (typically 3–5 years) improved predictability for their partners. Other donors, while they earmarked their contributions, did not do so below the regional level.

"So, for instance if we were to decide to fund activities in Syria through a multilateral partner, the lowest degree of earmarking would be Syria itself. Sometimes we give regional grants, for example UNHCR, WFP to address across Syria or regionally as they see fit. [...]. The lowest level of earmarking as little as possible while still being able to see the [...] contribution in terms of funding for a particular crisis."

Others argued that reducing earmarking was not necessary to ensure flexibility because they were taking approaches to build in operational flexibility at the project or program level. Such arrangements to allow the partner to seek context specific modifications to programming tended to be used to grant flexibility to NGOs participating in national consortia. Some donors applied the same standard to UN agencies, to use the funds for operations that receive less earmarked funds.

"I really have to emphasize that even though technically our NGO process is tightly earmarked, it's actually operationally quite flexible [because of flexible grant agreements]."

⁵ Development Initiatives. "Global Humanitarian Assistance Report 2020." Development Initiatives. Accessed May 6, 2021. <https://devinit.org/resources/global-humanitarian-assistance-report-2020/>.

Oversight

Donors have different requirements for quality assurance, due diligence, and oversight of aid agencies. Most donors participated in the peer network MOPAN to evaluate agency performance. Some made assessments on an ad hoc basis or took creative steps to maximize their oversight capacities such as reviewing multiple aid programs in a single monitoring visit. Small and medium sized donors were particularly reliant on agency self-assessment of their performance.

Some donors strategically invested in agencies' systems and capacity for assessment and monitoring. Others also funded ACAPS to draw on for needs assessment, and Ground Truth Solutions as an independent third-party mechanism to gather aid recipient perspectives. Donors admitted that their reliance on multilateral agencies, even for those with well-established assessment procedures of their own, could add pressure to rate agency performance positively or raise the specter of parliamentary scrutiny. Donors also followed separate policies for grant making and due diligence reporting for national NGO networks than multilateral agencies.

"It's a bit ambiguous in a way, because we would like to be critical in this [performance] scorecard but if we are too critical, parliament will start asking "why are you still supporting those?" So, it's a bit of a delicate balance here."

"It's more of a squeaky wheel approach to oversight; if no problems are overtly emerging, things are assumed to be fine."

"We also do a lot of joint donor missions. We always go with ICRC, UNHCR, ODSG. We use our NGO monitoring visits ... to meet with all the [donor's] NGO partners and we would be trying to get their insight into the agencies in country."

Donors consulted evaluation reports and used third party monitoring to assess programs in some cases. Some dedicated a portion of NGO funding toward the cost of a third-party evaluator to assess results independently. Even then, donors did not typically evaluate their full humanitarian portfolios but conducted targeted evaluations. In one case, the government tendered evaluations for two to three projects per year.

"We expect our agencies to use our core funding to do the needs assessments, but in terms of ... an opinion of those needs assessments, a kind of quality control, then we do feel that's a role for independent agencies."

"Of course, we try to read independent evaluations ... We try to read ODI, all kinds of research institutions that also have reviews on performance. "

Donors used funding arrangements more consistently to improve collective performance of NGOs than multilateral agencies. Several donors required participants of national NGO consortia to document joint planning among NGOs working in a particular context. Some donors also expected feedback from NGOs to reflect how they had cooperated.

Political, institutional, and administrative constraints

Donors confirmed that beyond their strategic focus and shared commitments to target the most urgent need, strategic considerations influenced by the **broader institutional and political context** also factored into allocations decisions.

Rising political sentiments against global cooperation broadly led one donor to increasingly rely on NGOs and less on multilateral organizations. Contrarily, others referred to their strong foreign policy commitments to multilateralism as reason to support UN agencies through unearmarked core funds.

COVID-19 has posed a pertinent domestic challenge for donors while driving increased humanitarian need. Several donors expressed concern over humanitarian budget pressures deriving from government decisions to focus on COVID-19. In one case, this led to the reversal of funding decisions.

The political context of a given crisis can impact donors' level of interest and investment and lead to unbalanced funding outcomes if some emergencies receive less attention for greater needs.

“There’s a certain amount of visibility involved. There’s a minister who wants to be seen to act when there’s a need for that—so that was part of the equation when we decided to focus on COVID-19. The fact that we reacted early was indeed a reflection of political interest here, but one that could quite well be merged with a needs-based approach.”

Donors described their commitment to **humanitarian principles** as sufficiently detached from their political objectives. Although regional crises in the Middle East drove increases in humanitarian budget levels, donors who participated in interviews described ultimately allocating the funds in a principled manner.

“...for example, [politics] would explain why we have a large part [of our funds] going to the Middle East, especially to Syria.” ... “We don’t pretend that we address through our funding exactly the most urgent needs throughout the world—but the package of information that we get, gives us the confidence as to the way we are addressing urgent needs and that we are not wasting our funds on needs that are not really there.”

“Obviously there is humanitarian need, but there is also what’s in our national and strategic interest. Syria and Iraq—we’ve got coalition agreements there. ... So, yeah, it’s sort of a combination of humanitarian need and our geostrategic interest.” -

“And the pressure was very big in 2015 when we had millions of Syrians coming to Europe, there was some pressure within the ministry to allocate humanitarian funding only to those countries that are near, in the ring around Europe. ... the outcome was, we got 150 million extra... In our new policy document, still, the humanitarian principles, impartial needs assessment, all these kinds of things are still in there, and if not, I would have left the ministry.”

“If you look at the high number of people coming from Syria, Afghanistan, then [some would say] we will prioritize those countries expecting to see a decrease in the numbers coming to [...] Some politicians have been trying to use that logic—we haven’t bought into that; we’ve never pretended to support that logic. Nevertheless, there has been a strong focus on displacement including internal displacement over the years.”

Donors’ **internal oversight** of their humanitarian portfolios varied in formality and rigidity. Some humanitarian units were obligated to tender and submit independent evaluations of their work for parliamentary scrutiny on an annual basis, whereas others underwent only periodic evaluation by independent governmental oversight bodies and lacked flexibility to influence how due diligence and reporting are set. One donor had control over the budget once approved including flexibility to adjust due diligence practices, which they passed downward to their national NGOs or by accepting the due diligence of pooled funds for local organizations.

One smaller donor noted their office did not “have to dig down to the project level or outcome level” to satisfy internal reporting requirements. One donor also noted that relying on multilateral agencies to assess and prioritize needs helped to depoliticize the process internally. Another donor with strong accountability requirements described being ‘under the suspicious eye’ of the mechanism for internal oversight.

“I’m continuously amazed by the relatively relaxed attitude of our quality assurance department and even the national audit office. We do not really have to produce much in terms of analytics, and nothing compared to for instance what some other donors are engaging in.”

Donors’ collective lack of institutional bandwidth created challenges to keep their Grand Bargain **localization** commitments. All donors reported they did not have sufficient capacity to provide more funding “as directly as possible” by increasing the number of small grants to local organizations, a key goal of the localization agenda. Donors instead pursued localization in other ways, such as structuring partner agreements with clauses on engaging with local NGO partners or collecting feedback. Participants also identified pooled funding mechanisms, NGO networks, the Red Cross / Red Crescent movement as beneficial channels to advance the localization agenda.

“I think pooled funds offer us a great solution here in that funding can go through an intermediary and into the hands of local and national actors.”

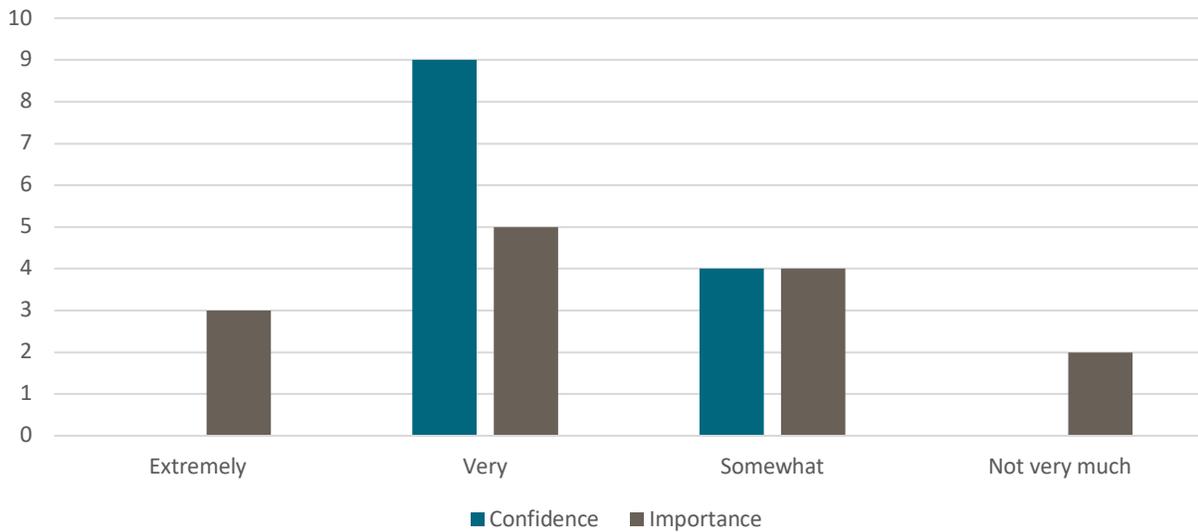
Donors also used national NGO networks to pass through funding to local organizations. One donor had gone further, and substantially increased funding to national NGOs and the Red Cross as a proportion of its humanitarian budget relative to UN contributions, since 2014.

“The [donor country national NGO consortium] is also an extremely important instrument for localization and for them it’s a strategic priority, and they’re actually considering the way they want to develop say in 10, 20 years from now. They would want to localize as an alliance for example. ... So, we do have very good discussions with them on localization.”

We sought donor perspectives on the efficacy of global and country-level **pooled funding** to drive humanitarian outcomes and as tool for reform. Donors had relatively high confidence in country-based funds, though held different views on their strategic importance. One large donor preferred to maintain more direct oversight of crisis funds than they thought was possible working through pooled funds and expressed skepticism of CBPF capacity to prioritize needs. Others found the ability to sit on CBPF advisory boards to provide adequate oversight.

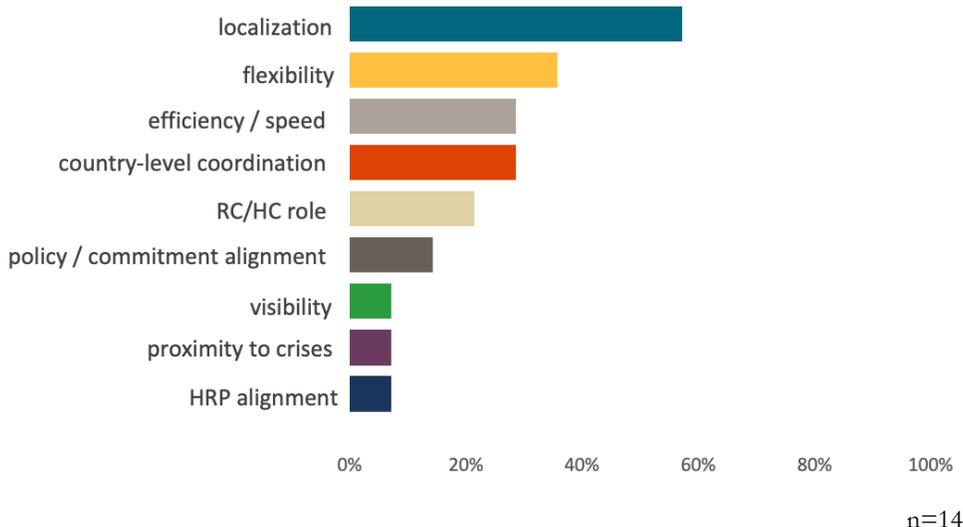
One small donor that dedicated a large proportion of funding toward CBPFs relative to others found them of limited utility at their current scale to address protracted crises through multiyear, outcomes-based funding, though they were valuable to address funding gaps. Donors were also fairly consistent in the view that CBPFs are useful tools for advancing the localization agenda (see above).

Donor confidence in CBPFs and their importance to humanitarian strategy



n=13

Donor objectives for CBPFs



Advancing reform in the humanitarian system

Overall, donors viewed the Grand Bargain as gradually improving the system. Donors have worked to make progress on the specific workstreams they co-lead. Some spoke to policy changes made as a result such as increasing multi-year funding. Multi-year funding has increased as a proportion of total funding, though still represents a portion less than half the size short-term contributions.

Several donors noted the connection between multi-year funding and enhanced predictability for partners including one donor who provided the majority of its funding as multiannual core commitments, and one who reported the added benefit of having increased internal predictability for the humanitarian department budget and reducing the reporting burden for funding recipients to once per year. Some experienced issues with multi-year funding not being passed downward to NGO implementing partners, though in one example of multi-year funding to CERF, the donor sought to improve predictability for CERF to carry out its coordination mandate, not necessarily for it to pass the funding onward as a multiannual commitment. Several donors committed funding for specific crises, such as the complex crises in the Middle East, on a multiyear basis.

Several donors have made structural changes over the last several years such as merging departments and consolidating humanitarian funding streams. In interviews, donors elaborated on steps they have taken to streamline processes such as lobbying internally to permit national NGOs to submit reports in another language, or to loosen constraints on the timeline to use certain funds. Donors have also begun shifting more funding proportionally to cash programs, including large donors.

Donors' efforts to coordinate and/or cooperate were sometimes thwarted by governmental policies or administrative barriers. One donor attempted to promote the sharing of funding information among peers though most were unable to reciprocate. Some

participants also cooperated bilaterally through secondments or other close communications and capacity-building exercises. One provided as an example, modelling an internal oversight office off that of another donor. Two donors also jointly assessed agencies that received core funding from them both. And, in another cooperative effort, several small donors participated in a four-year regional program structured with a steering committee similar to a pooled fund. One donor that did not participate in collective reform processes observed a trickle-down normative benefit from commitments made by other donors.

Participants varied in their **flexibility to alter funding allocations** such as redirecting resources from agencies toward pooled funds, and typically faced greater constraints to shift core funding—flexible, unearmarked resources to specific agencies—than other types, including funds geared toward rapid-onset emergencies. For the most part, donors also had flexibility to fund independent needs assessments and shift some funding to the country level. Parliaments in some cases set core allocations for each agency, leaving the remaining portion of the budget under more flexible control of the humanitarian unit. In some cases, the process of parliamentary appropriations impeded donors’ control over their budget and presented an obstacle to change. Some donors tended to see core funding as limiting their own flexibility. In some cases, parliamentary approval was required in order to reallocate core funding.

Core funding can be changed if parliament approves. We would need to request an increase in core funding explicitly and would get it or not, then be bound. ... We have discretion in designing voluntary beyond core funding which is often a much higher proportion. This might be somewhat inconsistent. But the amount of core funding for each agency is determined by parliament.

One small donor retained flexibility to alter one third of its budget, and found its small, informal structure provided quick access to senior officials to be able to make internal changes with relative ease. Another donor whose core funding took up more than half the budget noted that with agreement from the minister to defend any changes to parliament, reallocations would probably get approved. Even donors without similar legislative constraints also expressed hesitation to make changes in anticipation of parliamentary scrutiny.

But of course, we have to get approval and the higher they spend, the higher up the line it has to go for approval. So, for the big UN agencies quite often that has to go to ministerial level, so for cutting funding then that would, you know, raise questions, but we could make the argument - there's nothing to say we can't do that. We don't really have so many political constraints.

To significantly alter the pipeline for agencies for that crisis would be... it would require contractual change and there would be hesitancy based on reputational fallout.

“You know, that is 2/3 of the humanitarian budget that is essentially outside our control as we move along, because it has already been deposited with our partners based on very broad agreements that are in no ways earmarked towards a particular purpose.”

Donors that already provided a high percentage of core, multiyear funding, navigated tension between shifting more to pooled funds or maintaining their level of core commitments. Donors who strongly believe that core funding to agencies offered sufficient flexibility and predictability said that shifting the balance towards pooled funds would require a high-level political steer. They had greater flexibility to alter non-core funding.

Basically, we as [x] government have relatively little flexibility in terms of changing our way of funding, because the multiannual agreements with core institutions. We have commitments to allocate another 40% to a particular crisis ... So, little flexibility from our side, but a lot of flexibility for our partners to actually do what they feel is best in terms of responding to needs.

I think it would be difficult but not impossible, but it would probably be incremental [to shift money from one intermediary to another].

In terms of the humanitarian- development- and peace ‘nexus’—where humanitarian donors and agencies have advocated for cohesive approaches to policy and practice—most donors had separate budget lines for humanitarian, development, and peacebuilding funds that were in many cases overseen by different separate departments, and they could not flexibly reallocate funding across streams. Around one third indicated that they have this flexibility currently.⁶

Some donors reported concerted efforts to improve joint analysis to align humanitarian, peace, and development contributions toward specific crises. Ninety-two percent of donors who responded to the survey either had clear ‘nexus’ policies in place, had piloted joint planning in several countries, or implied that doing so was a future priority. For example, one donor was standing up a mechanism for colleagues across government to align engagement in fragile contexts. One large donor that had increased multiyear funding also had fewer constraints to shift non-core funds across the ‘nexus’ streams. Another funded NGOs on a regional basis, allowing NGOs to shift funds across country borders by indicating their plans but without first seeking donor permission.

Performance incentives

Large donors had greater capacity to incentivize performance through funding choices. Most donors shied away from using funding as a lever for reform, except for one donor’s payment by results (PBR) initiative. This donor sets collective performance targets for multilateral agencies and linked a portion of its multilateral core funding to the achievement of those targets. Other donors found the approach either “too rigid,” not aligned with their multilateral commitments, or impractical due to their lack of capacity to effectively assess performance against reform objectives. A common critique of the approach by donors related to what was seen as its punitive nature. Agencies were obligated to reach collective

⁶ United Nations, ECOSOC. “Enhancing the Humanitarian-Development-Peace Nexus | 75th Economic and Social Council,” 2020. <https://www.un.org/ecosoc/en/node/14973644>.

targets and could be financially penalized over others' shortcomings. However, the program was seen to increase coordination at headquarter level, and it was rare for funding to be cut due to performance issues. Another donor was willing to switch partners in cases of underperformance in a crisis.

“We do not agree with the payment for results approach, have never liked the word ‘bargain’—it’s more a partnership approach, not punishment by reducing funding. But, funding in a certain region with a particular organization might go down. [if] we hear some agencies are not as effective as we would like, we would consider shifting funds or another consequence. We would also seek to dialogue with the agency and see what could be done. Organizations do understand if funding is stagnant.”

“For us a big question is resourcing. If we’re going to propose carrots into the contracting, we want to be able to assess it properly and make good decisions, so the discussion is very live about whether we can do some of that even on a pilot basis as a starting point.”

Governance in the humanitarian system occurs mainly at the organizational level. We sought donor perspectives on the utility of **multilateral agency governing boards** for advancing reform. Most found them useful for focusing on performance issues pertaining to individual agencies and less so for addressing underperformance at the system-level. Donors generally agreed that the absence of an overarching governance forum stymied opportunities to build political consensus around major policy issues. However, participants also cautioned that large forums can be unwieldy, and some were wary that a new governance system should not replicate existing power dynamics that were unhelpful.

Some group members found it effective to work with a handful of large donors and donors of all sizes have begun dialoguing more with others and engaging or reengaging MOPAN.

One found the Grand Bargain process unique for allowing donors to ‘get in the weeds’ with partners in a way not possible anywhere else, particularly not with the IASC. Donors generally found informal donor support groups to be more useful than executive boards with a broader membership. Several donors participated in donor groups including the OCHA Donor Support Group, which one described as effective for discussion and detail on OCHA reforms—“it’s a genuine discussion” unlike some of the others [which are] “set pieces.” Small donors especially appreciated their ability to assert influence through the appointment of their nationals in agency leadership roles.

Conclusion

The way humanitarian donors fund is key to system-wide efficiency, effectiveness, and reforms in the humanitarian system. Funding should provide the right incentives. Donors have also come under pressure for favoring the status quo and perpetuating an inefficient and ineffective model. Through this study, we have tried to understand how humanitarian donors make decisions, and the opportunities and constraints for change. We have identified and highlighted above some of the constraints—both perceived and real—that donors have to contend with.

Funding according to need is important to donors, but they share the complaint that common analysis of need and severity are lacking and necessary. Donors largely rely on the same information products, with exception of a few donors who have greater capacity to independently assess need. Beyond need, each donor wants to retain control over their priorities, and these are often linked to other foreign policy priorities (without necessarily being politicized), planned in the short term and usually not transparent until final decisions are made. Decisions around budget allocations made by parliament can also constrain the ability of humanitarian units to plan and provide funding information in advance to partners. This hampers effective system-wide planning.

The choice of funding partners is often based more on legacy of partnership and trust than an objective measurement of effectiveness in delivering outcomes. Donors considered visibility for their contributions important but consistently found trusted agencies best placed for their administrative capacity and out of commitment to multilateralism. There are no unsurmountable legal or institutional obstacles to changing ways of funding or channels. However, the political will to change is watered down by perceived reputational risks - both within governments and in terms of relationships with partners. Donors tended to agree that some changes were both desirable and possible in theory, but they would need a concerted effort to be carried through in practice. They were also realistic about their own capacities and competing priorities.

While most donors have adapted some of their practices to align with their Grand Bargain commitments, they mostly focus on bilateral and multilateral dialogue and consensus on reform, rather than formally linking their funding choices to the achievement of reform objectives. While the piecemeal approach to implementing Grand Bargain commitments has reduced its system-wide impact, donors view the process as integral to gains made thus far and value its role in donors and operational humanitarian organizations together. The refocused Grand Bargain 2.0 process offers an opportunity for donors to find room for bolder changes in their funding practices.

Annex I. Survey questions

Humanitarian Donor Survey

This survey is designed to assess how your institution prioritizes, plans and executes on its humanitarian budget.

The data collected will feed into CGD's research on humanitarian reform. More information about the project is available [here](#).

Please send any questions to Rose Worden at rworden@cgdev.org

* 1. Name of country represented:

* 2. Full name of institution represented:

Humanitarian Donor Survey

Aid agencies and humanitarian coordinators have indicated to CGD that advance awareness of planned donor contributions is helpful to enabling them to plan and prioritize effectively. The following set of questions is intended to explore whether your institution currently provides, or could provide, advance notice of planned contributions to facilitate more coherent planning by recipient institutions.

* 3. Do you establish a set of planned allocation levels toward specific crises, projects, and/or partners at the beginning of your financial planning cycle e.g. fiscal year?

- Yes
- No

* 4. What proportion of your budget do you plan at the beginning of a fiscal year?

*If none, select 0% to continue.

0% 50% 100%

* 5. How much of your fiscal year budget do you hold in reserve for contingencies or rolling allocations?

*If none, select 0% to continue.

0 100

6. Please add any important clarifying details here about the allocations process.

* 7. Do you share planned allocations toward crises, projects, or partners in advance?

- Always
- Usually
- Sometimes
- Rarely
- Never

* 8. With whom do you share this information?

Crisis-level appeals (Humanitarian coordinators and/or humanitarian country teams)

Agency appeals (Recipient agencies)

Specific NGO or agency projects

Other (please specify)

* 9. How far in advance do you share information about planned allocations?

Beginning of fiscal year

Less than one month

1-3 months

3+ months

Please add any clarifying comments

* 10. Would it be feasible for you to share planned allocations in advance?

Yes

No

Please explain

* 11. Does your institution earmark humanitarian funding at the project level?

Yes

No

Humanitarian Donor Survey

* 12. Does your institution earmark humanitarian funding at the country level (e.g. to country pooled funds or country-level agency appeals)?

Yes

No

Humanitarian Donor Survey

* 13. Does your institution earmark humanitarian funding at the agency level (e.g. core funding or funding provided toward a specific agency appeal rather than toward a global or country pooled fund)?

Yes

No

Humanitarian Donor Survey

* 14. Please select your main objectives for earmarking at the project level:

- Prioritization - ensuring that a specific priority activity is financed
- Accountability - tracing specific funding toward specific activity
- Attribution - ability to publicize support for a specific project

Other (please specify)

Humanitarian Donor Survey

* 15. Please select your main objectives for earmarking at the country level:

- Prioritization - ensuring support for a specific priority crisis
- Accountability - tracing funding toward a specific country
- Attribution - ability to publicize support for a specific country/crisis
- Flexibility - enabling country-level partners to allocate funds flexibly toward priorities
- Other (please specify)

Humanitarian Donor Survey

* 16. Please select your main objectives for earmarking at the agency level:

- Prioritization - ensuring that a specific agency and its mandate receive support
- Accountability - tracing funds to a specific agency and its mandate
- Attribution - ability to publicize support for a specific agency
- Flexibility - enabling an agency to flexibly allocate resources toward its own priorities
- Other (please specify)

Humanitarian Donor Survey

* 17. Have you made an effort over the past three years to reduce earmarking? Please describe how in the comments.

Yes

No

Please elaborate

* 18. How important do you consider contributing to country-based pooled funds to be to your humanitarian strategy?

Extremely important

Very important

Somewhat important

Not so important

Not at all important

Humanitarian Donor Survey

* 19. What are your main objectives in contributing to country-based pooled funds?

Humanitarian Donor Survey

The following questions will assess your reliance on external sources of information in determining allocations.

Humanitarian Donor Survey

* 20. Please list any external information sources you rely on to inform your allocation of resources toward greatest needs.

Examples might include:

- Humanitarian Response Plans
- Refugee Response Plans
- ACAPS reports
- FEWSNET
- INFORM

* 21. How satisfied are you that these information resources enable you to make a well informed global assessment of relative resource needs across different crises?

Highly dissatisfied

Somewhat dissatisfied

Moderately satisfied

Highly satisfied

* 22. Would other type of information resources on global needs be helpful to your decision-making on funding allocations? Please specify.

Humanitarian Donor Survey

Apart from relative needs, what other factors affect allocations decisions?

In the following questions, slide the scale to indicate the level of prioritization given to each of the following factors:

* 23. Geographic location

very low prioritization moderate prioritization very high prioritization

* 24. Sectoral objectives

very low prioritization moderate prioritization very high prioritization

* 25. Cross-cutting objectives

very low prioritization moderate prioritization very high prioritization

* 26. For each institution-type, please rank what you see as its top two areas of comparative advantage. If only one is applicable, please select it twice.

- Absorptive capacity - *Ability to absorb and manage large amounts of funding*
- Front line delivery capacity - *Implementation-oriented*
- Financial accountability - *Manages funds well*
- Performance accountability - *Robust management and oversight*
- Institutional history - *History of funding through this channel*

	Primary comparative advantage capacities	Secondary comparative advantage capacities
Global pooled funds	<input type="text"/>	<input type="text"/>
Country-based pooled funds	<input type="text"/>	<input type="text"/>
Multilateral organizations	<input type="text"/>	<input type="text"/>
International non-governmental organizations	<input type="text"/>	<input type="text"/>
Red Cross and Red Crescent movement	<input type="text"/>	<input type="text"/>

* 27. Please indicate your level of confidence in the performance of global pooled funds (e.g. CERF, DREF, START Fund) to achieve humanitarian outcomes.

- Extremely confident
- Very confident
- Somewhat confident
- Not so confident
- Not at all confident

* 28. Please indicate your level of confidence in the performance of country-based pooled funds to achieve humanitarian outcomes.

- Extremely confident
- Very confident
- Somewhat confident
- Not so confident
- Not at all confident

* 29. Please indicate your level of confidence in the performance of international non-government organizations to achieve humanitarian outcomes.

- Extremely confident
- Very confident
- Somewhat confident
- Not so confident
- Not at all confident

* 30. Please indicate your level of confidence in the performance of multilateral organizations to achieve humanitarian outcomes.

- Extremely confident
- Very confident
- Somewhat confident
- Not so confident
- Not at all confident

* 31. Please indicate your level of confidence in the performance of the Red Cross and Red Crescent movement to achieve humanitarian outcomes.

- Extremely confident
- Very confident
- Somewhat confident
- Not so confident
- Not at all confident

* 32. Please list what you would consider the top three criteria used to select partners.

(for example, value for money analysis)

1.
2.
3.

33. Roughly how many staff does your institution have working full time on the humanitarian portfolio?

* 34. The Grand Bargain commits donors and aid agencies to greater direct funding to local organizations. Would your institution have sufficient administrative capacity to shift toward administering a significantly larger number of small grants in order to meet this commitment?

- yes
- no

35. The final set of questions explores how your donor institution's funding practices align with Humanitarian-Development-Peace nexus priorities.

36. Does your institution have different streams of funding for humanitarian, development, and peace-related contributions? Please briefly describe.

37. Can funds be flexibly re-allocated between humanitarian, peace, and development funding priorities depending on particular needs and priorities in a given country?

- Yes
- No

38. Does your institution, and/or your counterpart development institutions, have clear processes for jointly planning and aligning humanitarian, peace, and development contributions toward specific crises? Please describe.

* 39.

Please provide a brief general overview of the major elements of how your institution receives and allocates its humanitarian resources, which types of allocation authority exist at which levels, and which officials make key decisions. This does not need to be a fully exhaustive description of every single administrative step; rather it should reflect who holds authority over major decisions around humanitarian allocations (such as overall funding levels, allocations toward specific crises, and contribution levels toward specific projects or agencies).

For example:

- The White House budget office prepares proposed overall humanitarian levels, which the President submits to Congress via the formal government-wide budget request.
- Congress reviews the Presidential request and determines annual levels of funding for humanitarian response, which may or may not follow the levels recommended by the President. Congress typically does not provide binding directives on how much humanitarian funding should go to specific countries or organizations.
- The White House budget office transfers these funds from the Treasury to USAID, via the State Department budget office, but generally does not provide specific guidance on allocation levels within the portfolio.
- USAID's humanitarian office conducts an annual planning process to identify strategic priorities and designate planned funding levels across existing global crises, while reserving a portion of funds for unforeseen contingencies.
- Field-level and regional humanitarian teams liaise with partners to identify specific program and projects, within the funding envelopes provided for their region or country. Based on these consultations, UN agencies and NGOs solicit contributions. Program staff conduct a technical and programmatic review of UN and NGO funding options and propose specific contribution amounts.
- Senior staff in the humanitarian office approve specific contributions based on this input from program teams.
- USAID contracting personnel finalize contributions and formally transfer funds to partners.

Please send available documentation of this allocations process to Rose Worden
rworden@cgdev.org.

Annex II. Interview indicative questions

Indicative Question Set

Thank you for your willingness to be interviewed for this project. The interview is expected to take approximately 120 minutes and will be conducted on a non-attribution basis. CGD may reference comments without attribution but will not attribute any interviewee without their express consent.

This interview will inform CGD's research on donor behavior and decision-making, and how this shapes the humanitarian business model. We intend to explore the drivers of, and constraints on, donor behavior, and how these factors shape the potential for change in humanitarian practice. Our questions will cover donor perspectives on:

- Determining priorities for humanitarian funding
- Selecting and overseeing funding recipients
- Navigating the political, administrative, and other constraints on decision-making
- Advancing reform in donors' own practices and in the system at large

The below questions are indicative of the general focus of the interview and individual discussions may vary in specific emphasis. Our intent is to use this questionnaire to guide a thoughtful discussion, rather than as a rigid checklist.

Determining priorities for humanitarian funding (30 minutes)

- What steps do you take to ensure that your funds are allocated toward the greatest needs?
- What are the biggest information gaps that you face in your funding allocation process? Would a more uniform and comparable assessment of the depth and severity of need be helpful to your decision-making?
- Do UN appeals (Humanitarian Response Plans and Refugee Response Plans) significantly influence your funding decisions? Do you find them useful?
- How does the behavior of other donors affect your funding allocations, and do you coordinate your contributions with others?
- Could your institution provide planning figures for crisis-specific funding at the beginning of the calendar year, or on a multi-year basis, to enhance funding predictability?

Selection and oversight of funding recipients (25 minutes)

- At what point in your decision process do you identify recipients? Before or after determining crisis-level or sectoral-level priorities and allocations?
- What process do you use to choose between different types of recipient institutions? What do you see as their different comparative advantages? (Pooled fund, multilateral, INGO, NNGO, etc). Are you able to fund multi-partner programs?
- How does your institution use earmarking, and for what purposes? Under what circumstances might you consider changing this practice?
- Apart from standard project reporting, what methods do you use for partner oversight and accountability? Do assessments of recipient performance influence future funding decisions? In what other ways do you use funding to improve the performance and accountability of individual agencies?
- Does your government have mechanisms for independently evaluating the effectiveness of its humanitarian contributions?
- Do you use your funding arrangements to improve collective performance and accountability in the multilateral humanitarian system? If so, how?

Navigating the political, administrative, and other constraints on decision-making (25 minutes)

- How do expectations or directives from outside your own institution (Parliament, budget office, other government departments) influence your institution's funding and priorities?
- What type of due diligence, reporting and accountability are you required to generate (for parliament, intra-government, etc), and how directly does this influence your ability to set priorities or select funding recipients?
- Survey respondents universally stated that they do not have the bandwidth to do more direct grant-making to frontline INGOs or LNGOs. How does your institution pursue localization objectives given this reality?

Advancing reform in donor practices and the humanitarian system (40 minutes)

Donor level

- Have past reforms (e.g. Grand Bargain or other) led to tangible changes in your funding practices? How so?
- Are you harmonizing funding practices with other donors (e.g. reporting, audit, due diligence, grant conditions, pledging practices, etc)? What forum do you use for this?
- Does your institution have flexibility to significantly alter current practices regarding:
 - Funding levels between crises and/or agencies
 - Administrative, due diligence, and reporting requirements
 - Shifting from agency-focused earmarking to country-focused earmarking (perhaps through a block-grant country pooled fund model)
 - Shifting from single year funding to anticipatory and/or multi-year funding
 - Funding independent needs assessment, monitoring or feedback mechanisms.

System level

- Do you find agency governing boards to be useful forums for advancing reform?
- Would your institution see value in an overarching governance forum for the humanitarian architecture?
- To what extent do you use funding practices or conditions as leverage for reform in recipient organizations? What means are used?
- What other tools or practices do you use to drive change in the system?