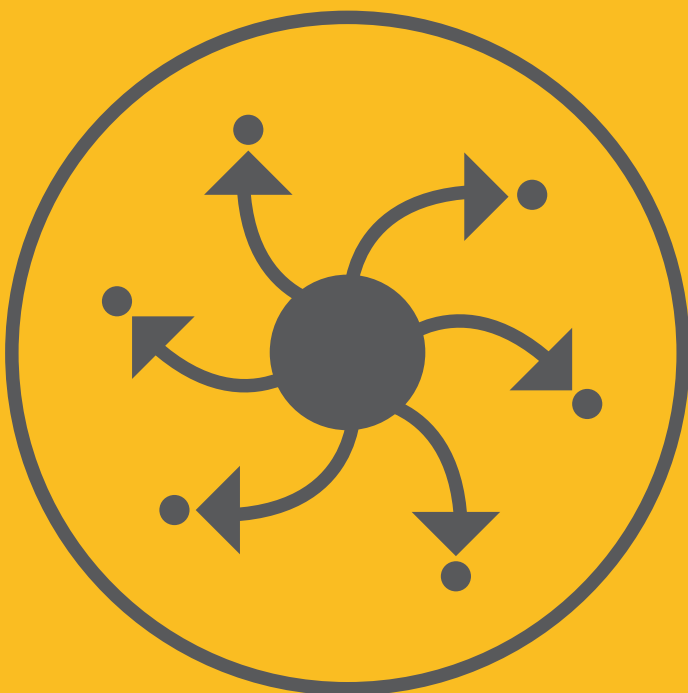
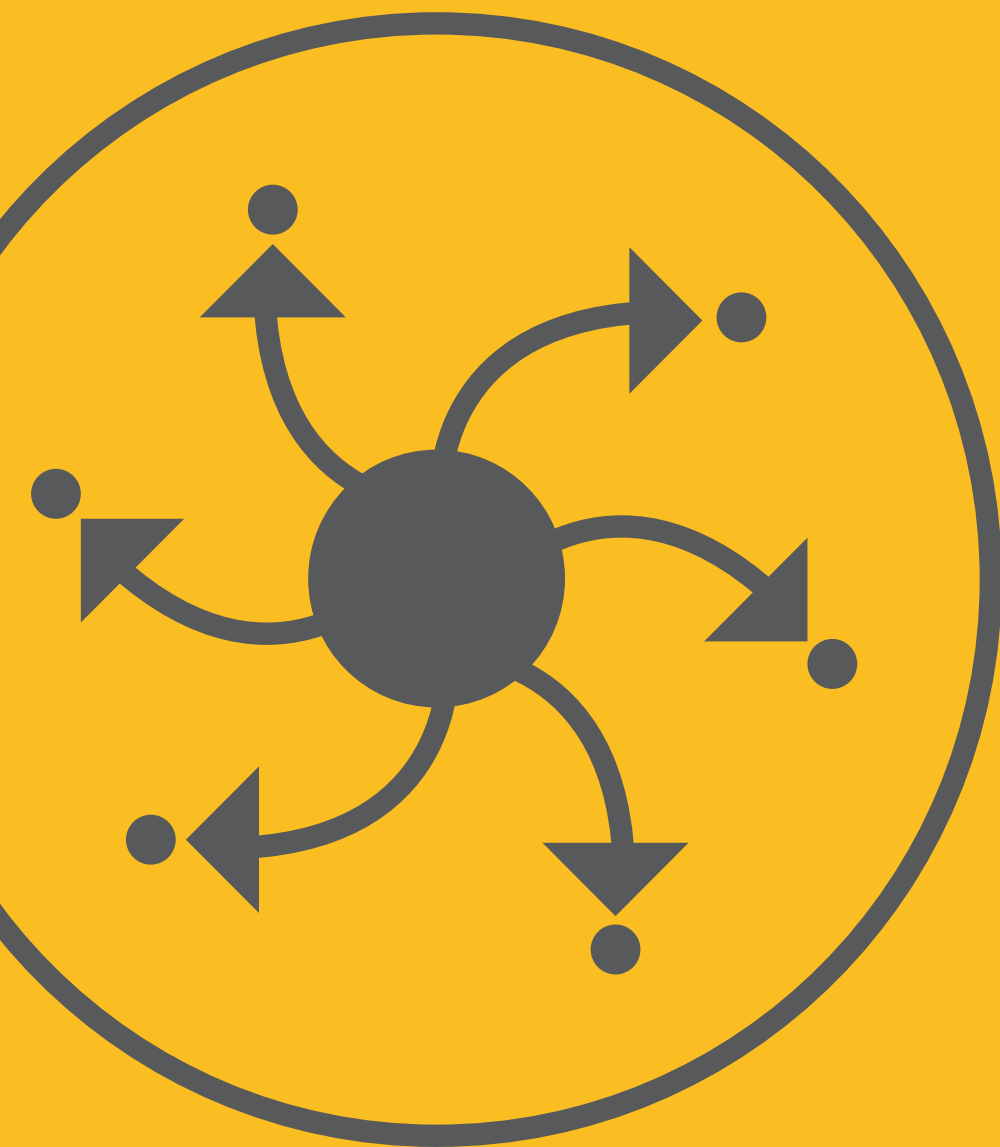


**BRIEFING PAPER SIX**

# **GOOD HUMANITARIAN ACTION MAKES THE BEST POSSIBLE USE OF RESOURCES**





This paper was written by Alice Obrecht and Paul Knox Clarke with Alexandra Warner. The authors drew significantly on the text of the SOHS 2015, the authors of which are: Abby Stoddard, Adele Harmer, Katherine Haver, Glyn Taylor, and Paul Harvey.

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# The Global Forum Briefing Papers: What are they for and what do they tell us?

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The aim of the Global Forum is to identify recommendations that will help the international system become more adaptable to different crisis contexts, thereby making overall humanitarian action more effective. To support these discussions, these Background Papers:

- Outline how the international system is performing against various criteria of effective humanitarian action
- Identify the key obstacles to improvement on each criterion of effective action
- Present the recommendations that have been put forward around the World Humanitarian Summit (WHS) process to address these obstacles

Each paper's title describes a **success criterion** for humanitarian action. These are different ideas of what effective humanitarian action looks like. The seven success criteria were identified through a two-stage review of the evaluative research on humanitarian performance and the recommendations put forward for the World Humanitarian Summit process (for more detail, please see the accompanying paper: 'The Global Forum Briefing Papers: What are they for and what do they tell us?').

## WHAT IS THIS SUCCESS CRITERION ABOUT? WHY DOES IT MATTER?

These sections give a brief description of the success criterion and the different views on why this is important for good humanitarian action.

## HOW WELL DOES HUMANITARIAN ACTION PERFORM AGAINST THIS SUCCESS CRITERION?

This section provides an overview of what is going well and what is not with respect to each success criterion. It draws on evidence to identify the degree to which the criterion is being met in current humanitarian action. The primary source of evidence for this section in each paper is the 2015 State of the Humanitarian System

(SOHS) report, and it should be assumed that this is the key reference unless cited otherwise. This section also introduces the key obstacles to improvement, which are bolded in the text. These key obstacles are also derived from the 2015 SOHS, as well as from other research and evaluation on humanitarian action.

## KEY OBSTACLES

This section is a summary list of the key obstacles described in each paper as inhibiting better performance against the criterion.

## KEY OBSTACLES AND RECOMMENDATIONS

This section provides a list of the recommendations which seek to address the key obstacles and so to improve humanitarian action with respect to each success criterion. These recommendations have been synthesised from over 700 recommendations across 39 position papers, WHS consultation reports and the work of the WHS Thematic Teams (see 'The Global Forum Briefing Papers: What are they for and what do they tell us?' for more detail). They reflect the different recommendation areas external organisations have put forward and have been clustered according to the obstacles they seek to address. The aim of the synthesis is to accurately reflect the range of views and ideas for reform, and to connect these ideas to an evidence base on how the humanitarian system is performing. This means some synthesised recommendations may conflict with one another, or may not be mutually achievable, as there remains a lack of consensus among humanitarian actors on how best to improve humanitarian action.

## ANNEXES

The annex to each paper (provided in a single-bound document to Global Forum participants) provides the full set of raw recommendations used in the synthesis, showing where these recommendations were clustered.

# GOOD HUMANITARIAN ACTION MAKES THE BEST POSSIBLE USE OF RESOURCES

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## 1. WHAT IS THIS SUCCESS CRITERION ABOUT?

- Making the best use of time and funding
- Ensuring humanitarian assistance is cost-effective, through a reduction of unnecessary costs and the allocation of funds to achieve the most benefit
- Using efficient financial mechanisms that reduce duplicative procedures and activities
- Using cash as a more efficient delivery mechanism for assistance
- Not the amount of funding available for addressing humanitarian needs (Paper 1) or how programming can be made more effective (Paper 7).  
The particular contributions of accountability and community engagement to humanitarian effectiveness and quality are addressed by Papers 2 and 7.

## 2. WHY DOES IT MATTER?

Making the best use of resources ultimately means more needs being met and more lives saved through efficient and cost-effective approaches. Efficiency has long been a priority in the humanitarian system, but has risen in importance as part of the broader discussion around aid effectiveness. Public scrutiny of aid budgets and concerns around cuts to aid spending have increased the need for donors to ensure funds are spent as efficiently as possible. However, the desire to make the best possible use of resources is driven by more than just a concern for public accountability of

humanitarian funding. As needs continue to rise against levels of financing, humanitarian actors will need to make the most they can of limited resources. For these reasons, more effort has been made to articulate what ‘value for money’ means in a humanitarian context, how best to measure it, and how to use it to guide decisions regarding resource allocation.

## 3. HOW WELL DOES HUMANITARIAN ACTION PERFORM AGAINST THIS SUCCESS CRITERION?

The international humanitarian system has made little progress over the past five years on managing and using resources. The 2015 State of the Humanitarian System (SOHS) found examples of new efficiencies at a small scale (mostly project level, involving cash-based programming), but no significant change or new notable developments in large-scale efficiency.

**There is a lack of support within the system for better data, monitoring and analysis around the use of funding and outcomes achieved by humanitarian spending.** Funding flows are not well tracked outside the Global Humanitarian Assistance (GHA) initiative. Average spend-per-beneficiary and amount of requested funds-per-beneficiary, while widely cited, are not a useful measure of efficiency, as they do not reflect the actual costs of delivering outputs or outcomes nor can they on their own support conclusions as to whether the cost of assistance has risen because of inefficiencies in the system or changes in the operating context.

There is a lack of support within the system for better data, monitoring and analysis around the use of funding and outcomes achieved by humanitarian spending.

Donor reporting requirements remain a key challenge at field level.

Under the framework of value for money or cost-effectiveness, there have been attempts, particularly by donors, to make progress on how the humanitarian system measures its performance and uses this to inform decisions on resource allocation.<sup>i</sup> However, there remains considerable resistance to this, based on the concern that using the quantitative lens of costing to compare alternative programming options may undervalue certain programming approaches.

Nevertheless, there are identifiable practices and policies that are widely perceived as contributing to or detracting from an efficient use of funds, as well as proven advances in cost-effectiveness at a small scale.

In terms of financing mechanisms, **donor reporting requirements remain a key challenge at field level.** Seeking to create greater efficiencies internally, donors are making fewer, yet larger, bilateral grants. Yet, rather than contributing to overall improved efficiency, SOHS 2015 found the move had resulted in the costs of administration and bureaucracy being passed down the chain from donor to operating agency.

As for common pool funding, an innovation intended to improve efficiency, results have been more positive. In 2011-2014, 6-8% of total government flows to emergencies went through pooled funding instruments, such as country-level humanitarian funds and the Central Emergency Response Fund (CERF). These continue to be popular channels for some donors, though the two largest donors (the US and ECHO) largely eschew them in favour of bilateral funding at country level and the overall impact of pooled funding instruments on efficiency remains low.

**Donors' evidence base on the relative contributions and effectiveness of different funding channels and real and potential partners remains weak.** Little is known about the bilateral contributions of 'non-traditional' donors outside the Good Humanitarian Donorship initiative, and even less about the volume and impacts of remittances. The SOHS notes public-private partnerships (PPPs) remain relatively the same as five years ago, despite years of enthusiastic rhetoric about the potential of transformative PPPs in humanitarian assistance and the imminent rise of commercial entities as both donors and humanitarian actors in their own right.<sup>ii</sup> Though individual examples of private sector engagement are not hard to find (at least in natural disaster scenarios), they have not as yet added up to any

significant shift in burden-sharing at scale.

**Current funding mechanisms remain unpredictable,** leading to ‘avoidable cost-inefficiencies [...] such as procurement and transport at sub-optimal market conditions; additional transport and warehousing costs; and additional recruitment and severance costs.’<sup>iii</sup> This is particularly the case in protracted crises such as the Central African Republic, where several observers noted that piecemeal funding (CHF funding came in several small waves, and CERF funding was unpredictable) made it difficult to strategise and prioritise in relation to the changing situation on the ground and thereby reduced any possible efficiencies in the process.

**The use of indirect funding from donors to front-line actors leads to increased overhead costs.** Funding is still siphoned down through organisations, leading to what one interviewee in SOHS 2015 called a “cascading in value for money” in the system. While calls are increasing for direct funding to non-governmental organisations (NGOs) in crisis-affected countries, removal of current funding barriers to local actors may lead to greater competition between international and national NGOs (an issue discussed further in Paper 4).

The timeliness of humanitarian action (see Paper 7) is also critical to cost-effectiveness. **The international humanitarian system creates significant inefficiencies by intervening too late,** making people more vulnerable and increasing the numbers who require life-saving assistance.<sup>iv</sup> In some cases, this owes to underinvestment in early warning systems; in others, decision-makers have the relevant information but are slow to disburse funds or implement programming. Research indicates investment in preparedness, prevention and early action can lead to significant cost savings.<sup>v</sup> Overall, performance on preparedness continues to improve along the same trajectory observed in SOHS 2012, but far more so in stable countries affected by periodic natural disasters as opposed to those experiencing chronic crisis and instability. At the global level, efforts to create regional supply hubs and stockpile lists have advanced global preparedness capacities and increased efficiencies. There are still significant gaps in preparedness, however; for instance, investments in health interventions to address malnutrition are efficient in the long run, but donors have yet to change their approach.

**The use of indirect funding from donors to front-line actors leads to increased overhead costs.**

**The international humanitarian system creates significant inefficiencies by intervening too late.**

**Cash-based programming still comprises a disproportionately low percentage of total humanitarian programming.**

**There is a lack of understanding and agreement on where international humanitarian actors add the most value, and thus where assistance can achieve the greatest benefit.**

In terms of delivery mechanisms, cash-based programming is an example of a small-scale improvement in efficiency.<sup>vi</sup> The degree of improvement can vary across context, depending on the strength of the local market system and the difference between the price at which aid recipients can purchase goods and that at which humanitarian agencies can acquire them wholesale.<sup>vii</sup> Yet, despite strong evidence demonstrating its cost-effectiveness, **cash-based programming still comprises a disproportionately low percentage of total humanitarian programming (3.5%).**<sup>viii</sup>

There is **a lack of understanding and agreement on where international humanitarian actors add the most value, and thus where assistance can achieve the greatest benefit.** The absence of capable development actors in many protracted crises has contributed to an overstretching of humanitarian capacity, affecting its ability to meet all needs and to use its resources to address the greatest needs. Insensitivity to variations in local capacity suggests funding may be duplicating national and local response capabilities and therefore is not being directed to where it is most needed. In terms of resilience programming, there is evidence that, over the long term, the costs are greatly outweighed by the benefits and thus it offers good value for money.<sup>ix</sup> However, because it involves measurements over a long-term period, current assessment of the efficiency of resilience programming is complex and current assessments indicate value for money of resilience programming is context-specific.<sup>x</sup>

More broadly, different contexts pose different challenges to efficiency, particularly **the varying quality of local infrastructure and pre-existing services.** When local infrastructure is good, as it is in many urban settings, international humanitarian assistance can lower cost-effectiveness by duplicating existing structures and services. Where it is poor, making it difficult to transport goods, cost-effectiveness is reduced through reliance on air drops or difficult road conditions.



Finally, there remains little appetite for addressing the **larger system-level inefficiencies in the structure of the UN system, donor agencies and many international NGOs**, which feature multiple and overlapping mandates, for protracted crises in particular. To address this, there have been calls in recent years for a range of more radical solutions, including greater streamlining of humanitarian and development financial and programming mechanisms among donors and international NGOs and consolidation of UN activity around humanitarian response under a single or fewer agencies.

While coordination mechanisms can be quite onerous, they appear to be the most effective mechanism currently available for addressing the need to reduce duplicative efforts and ensure resources are directed to where they are most needed. The 2015 SOHS survey showed no major changes in the past seven years in how 'costly' coordination is perceived to be. In 2012, respondents were generally split between thinking costs were 'somewhat too high' and 'not too high'. Still, there is the **potential for improving the efficiency of current coordination practices, particularly in terms of reducing transaction costs.**

**There is potential for improving the efficiency of current coordination practices, particularly in terms of reducing transaction cost.**

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## 4. KEY OBSTACLES

1

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There is a lack of support within the system for better data, monitoring and analysis around the use of funding and the outcomes achieved by humanitarian spending.

2

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Current reporting requirements divert time and resources away from programming/working with the affected population.

3

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The knowledge base on the relative contributions and effectiveness of different funding channels and real and potential partners remains weak.

4

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Current funding mechanisms are unpredictable.

5

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Current funding mechanisms are indirect, involving high transaction costs in the chain between donors and frontline actors.

6

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The international humanitarian system creates significant inefficiencies by intervening too late.

**7**

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Cash-based programming still comprises a disproportionately low percentage of total humanitarian programming.

**8**

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There is a lack of understanding of where international humanitarian actors add the most value, particularly with respect to longer-term vulnerabilities.

**9**

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The varying quality of local infrastructure and pre-existing services presents different challenges to humanitarian cost-effectiveness.

**10**

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The mandates, structures and behaviours of international humanitarian actors lend themselves to larger system-level inefficiencies.

**11**

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Coordination approaches could be made more efficient.

# 5. KEY OBSTACLES AND SYNTHESISED RECOMMENDATIONS

The WHS Thematic Teams' Bonn recommendations reflect the most recent thinking of the WHS Secretariat and Thematic Teams on the key areas for reform to be addressed by the Summit. These recommendations are italicised below.

1

## KEY OBSTACLES

*There is a lack of support within the system for better data, monitoring and analysis around the use of funding and the outcomes achieved by humanitarian spending.*

## RECOMMENDATIONS

- a. Engage in a systematic review of the cost-efficiency of practices, systems and approaches in humanitarian action.
- b. Invest in developing the right approaches to needs assessments and vulnerability tools, to provide a better understanding of needs tailored to context.

2

## KEY OBSTACLES

*Current reporting requirements divert time and resources away from programming/working with the affected population.*

## RECOMMENDATIONS

- a. Establish a common reporting system supported by common minimum donor standards for applications and accounting practices.
- b. Establish a common reporting system based on the Core Humanitarian Standards.
- c. Streamline reporting against targets and outcomes set at the level of response and utilise an independent monitoring and verification service to validate reports.

## 3

## KEY OBSTACLES

The knowledge base on the relative contributions and effectiveness of different funding channels and real and potential partners remains weak.

## RECOMMENDATIONS

- a. Address humanitarian governance structures in order to ensure harmony and reduce fragmentation and duplication of efforts between traditional and new donors.
- b. Address humanitarian governance structures in order to ensure harmony and reduce fragmentation and duplication of efforts across national, international and Islamic NGOs.
- c. Map and strengthen PPPs.
- d. *Understand the comparative advantages of different funding mechanisms for different operational contexts.*
- e. *Encourage and promote local business solutions to humanitarian crises.*
- f. Clarify existing funding mechanisms and seek out new ones, while avoiding proliferation.

## 4

## KEY OBSTACLES

Current funding mechanisms are unpredictable.

## RECOMMENDATIONS

- a. *Create more multi-year and multi-polar funding streams of three to five years.*
- b. *Scale down and exit humanitarian finance, drawing in other, more appropriate, sources with long-term commitments.*

## 5

## KEY OBSTACLES

Current funding mechanisms are indirect, involving high transaction costs in the chain between donors and frontline actors.

## RECOMMENDATIONS

- a. *By 2017, all international pooled funding mechanisms should be accessible to local and national actors.*
- b. *By 2020, X% of international humanitarian funding will be dedicated to strengthening the capacity of national and local actors, including security management systems for operating in insecure environments.*

## 6

### KEY OBSTACLES

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**The international humanitarian system creates significant inefficiencies by intervening too late.**

### RECOMMENDATIONS

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- a. Improve mechanisms for identifying skilled staff for deployment in advance.
- b. Improve funding mechanisms, so funds are released sooner.
- c. *Establish a target to increase preparedness and risk reduction funding to X% of humanitarian aid.*

## 7

### KEY OBSTACLES

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**Cash-based programming still comprises a disproportionately low percentage of total humanitarian programming.**

### RECOMMENDATIONS

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- a. *Scale up multi-sector, multi-purpose cash (e.g. increasing from 3.5% to X% by 2020)*
- b. Develop minimum standards (SPHERE) for cash programming in humanitarian contexts

## 8

### KEY OBSTACLES

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**Humanitarian action does not make the best possible use of resources because of a lack of understanding of where international humanitarian actors add the most value, particularly with respect to longer-term vulnerabilities.**

### RECOMMENDATIONS

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- a. Establish and communicate clear limits to humanitarian action to facilitate a more efficient and effective division of labour.
- b. Create a 'pooled fund' for projects combining humanitarian and development dimensions.
- c. Build on existing local/national structures and partnerships first rather than duplicate or create parallel efforts.

9

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**KEY OBSTACLES**

**The varying quality of local infrastructure and pre-existing services presents different challenges to humanitarian cost-effectiveness.**

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**RECOMMENDATIONS**

- a. *Recognising that future crises will more frequently occur in urban contexts, shift from a rural-based to a city-based paradigm, understanding how cities work and adapting interventions from prioritising service delivery to supporting the recovery of systems (governance, social, market, infrastructure, etc.).*

10

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**KEY OBSTACLES**

**The mandates, structures and behaviours of international humanitarian actors lend themselves to larger system-level inefficiencies.**

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**RECOMMENDATIONS**

- a. Funding mechanisms should provide stronger coherence between humanitarian and development financing, and a longer-term timeframe for protracted crises in particular.

11

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**KEY OBSTACLES**

**Coordination approaches could be made more efficient.**

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**RECOMMENDATIONS**

- a. Invest in identifying who are the best individuals and organisations to have in the room.
- b. Spend more attention on developing better procedures for coordination, not just better coordination mechanisms.
- c. Clarify and develop basic definitions and standards for coordination.
- d. Adapt coordination systems to the context, and move towards a system of interoperability, both of actors and of standards.
- e. Improve the sharing of security information in coordination mechanisms, through anonymising and de-militarising security data.

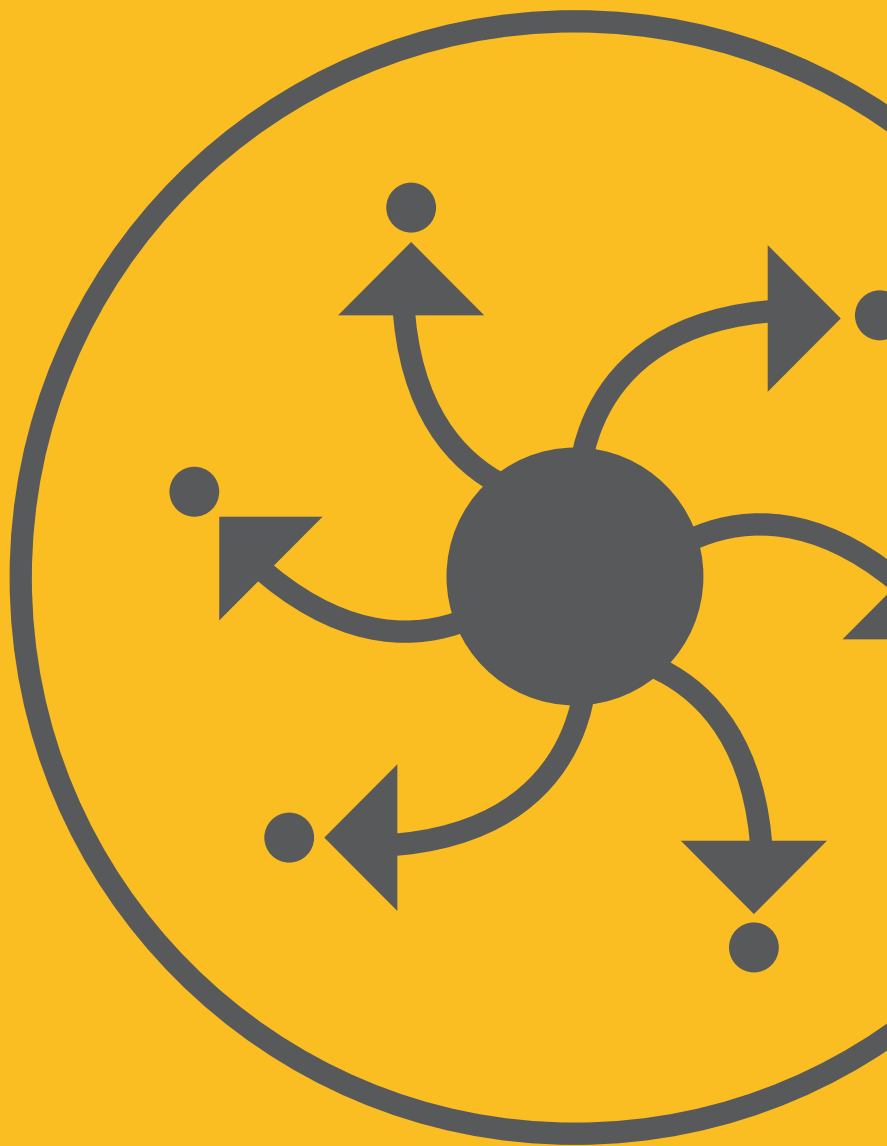
## 6. ENDNOTES

- i. The UK Department for International Development (DFID), for example, was an early leader in value for money discussions. More recently, there have been attempts to apply activity-based costing, whereby costs are assigned to products/outputs through an assignment of costs to the activities required to produce them. This approach has been explored in the humanitarian sector as a way to standardise the average cost per humanitarian activity in a given context so total resource needs can be estimated in advance and irrespective of individual agency proposals and budgets.
- ii. Humanitarians now generally recognise that the real potential of commercial partners is not as prospective major donors, but rather as a resource for technical expertise, particularly in preparedness and new technologies relevant to the aid enterprise (Zyck, S. and Kent, R. (2014). 'Humanitarian crises, emergency preparedness and response: the role of business and the private sector'. London: Humanitarian Policy Group, Overseas Development Institute).
- iii. Poole, L. (2015) 'Looking Beyond the Crisis.' Future Humanitarian Financing initiative: CAFOD, FAO, WorldVision: 18.
- iv. 'Looking Beyond the Crisis', the report issued by CAFOD, FAO and WorldVision as part of the Future Humanitarian Financing initiative, supports this finding from the SOHS 2015, noting that, 'The likely frequency, intensity, distribution and impact of natural disasters can be anticipated with some confidence using scientific forecasting and modelling. Yet funds are predominantly mobilised on an annual basis, as if it were not possible to foresee demand.' Poole (2015): 18
- v. Abebe et al. (2008) 'Livelihoods Impact and Benefit-Cost Estimation of a Commercial Destocking Relief Intervention in Moyale District, Southern Ethiopia'. *Disasters* 32(2): 167-186.



- vi. The literature demonstrating and discussing the effectiveness of cash-based programming is large. Key pieces include: Gentilini, U. (2014). 'Our Daily Bread: What is the evidence on comparing cash versus food transfers?' Social Protection & Labor Discussion Paper No. 1420, World Bank; Bailey, S. and Harvey, P. (2015) 'State of Evidence on Humanitarian Cash Transfers'. London: Humanitarian Policy Group, Overseas Development Institute; Bailey, S. and Hedlund, K. (2012). 'The impact of cash transfers on nutrition in emergency and transitional contexts: A review of evidence. HPG Synthesis Paper'. London: Humanitarian Policy Group, Overseas Development Institute; Harvey, P. and Bailey, S. (2015). 'Cash transfer programming and the humanitarian system: Background Note for the High Level Panel on Humanitarian Cash Transfers' London: Humanitarian Policy Group, Overseas Development Institute; Gilligan, D., Margolies, A., Quiñones, E., and Roy, S. (2013). WFP/UNICEF/IFPRI 'Impact Evaluation of Cash and Food Transfers at Early Childhood Development Centers in Karamoja, Uganda'. Washington DC: International Food Policy Research Institute.
- vii. Bailey, S. and Harvey, P. (2015).
- viii. WHS (2015) 'Second Face-to-Face Meeting of the Thematic Teams, 21-23 April, Bonn'. World Humanitarian Summit.
- ix. Cabot Venton, C., Fitzgibbon, C., Shitarek, T., Coulter, L. and Dooley, O. (2012) 'Economics of Resilience Final Report: The Economics of Early Response and Disaster Resilience: Lessons from Kenya and Ethiopia'. London: DFID.
- x. Cabot Venton, C. et al. (2012); Ramalingam, B., Gray, B. and Cerruti, G. (2013) 'Missed Opportunities: The Case for Strengthening National and Local Partnership-Based Humanitarian Responses'. Report for ActionAid, CAFOD, Christian Aid, Oxfam and Tearfund.







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