

Section 5: Funding

**Shifting Mindsets:
Creating a more flexible
humanitarian response**

In this section:

Section 5: Funding	3
5.1 Types of humanitarian funding and their relationship to flexibility	5
5.2 What are the characteristics of funding mechanisms that support flexible and adaptive humanitarian action?	11
5.3 The future of flexible bilateral funding	18

Boxes, tables and figures

Table 1: Number of revisions and average approval times by country	10
Box 13: Examples of how SIDA's Programme Based Approach is supporting more flexible humanitarian responses	19

The bibliography is available at alnap.org/help-library/shifting-mindsets-biblio.

How to use this report

Shifting Mindsets is formed of parts and sections which can be read independently.

Part I outlines a framework for thinking about flexibility for humanitarian organisations at the level of crisis response.

Part II is for readers who want to start making their own humanitarian responses more flexible. It outlines different 'starting points' based on the three distinct pillars that flexibility relies upon according to this study. Each section can be read independently, and in any order.

Turn to:

Section 3 on organisational systems to support flexibility

Section 4 on culture and people to support flexibility

Section 5 on funding to support flexibility

Key to design features



Audio companions

Section 5: Funding

Humanitarian financing shapes incentives and behaviours in humanitarian agencies. As such, it is often seen as the primary constraint to the flexibility of humanitarian responses. However, the systems used by humanitarian agencies for project planning and management have co-evolved with donor systems for accountability over several decades, driven by a shift towards institutional government funding for NGOs and increased donor expectations for results-based management in UN agencies. This means that changes to funding cannot be a panacea on their own and that it may take time to see results from newer, more flexible funding mechanisms.

More flexible funding requires a mindset shift on the part of implementing agencies as well as changes to their internal systems in order to use this funding most effectively and pass flexibility down to local partners. But, understandably, many agencies are reluctant to make significant changes to their internal systems if most of their funding continues to be highly restricted and inflexible.

One of the challenges in building greater flexibility in humanitarian response is that a single implementing agency's flexibility can sit in tension with a donor agency's concern for its own flexibility, coverage and aid effectiveness.

Traditionally, donors have attempted to achieve system-wide flexibility in their financing by annually allocating their funding and using short-term contracts. This allows them to review allocations regularly and make adjustments in response to changes in crisis or need. This is in addition to contingency funds that can be used to respond to rapid onset or unexpected crises within the year.

But greater allocative flexibility for donors can lead to reduced operational flexibility for agencies. In contrast, more predictable and longer-term resourcing can reduce allocative flexibility for donors but provide better support for learning and adaptation within an aid project over time (as long as other factors are present: see [section 5.2](#)) and can also help agencies make the investments needed for anticipatory strategies for flexibility.

Donors also seek to achieve wide geographical coverage by strategically selecting partners who are well placed to deliver in different parts of a country. This can reduce the flexibility of humanitarian operations with respect to location, as they are effectively assigned to a particular area and unable to move – even when populations move or when greater needs arise elsewhere.

Greater response-level flexibility in humanitarian agencies can also sit in tension with current approaches to aid effectiveness and accountability.

Flexible approaches are needed because situations change. And while agencies can anticipate some of these changes, there will always be high levels of uncertainty in the countries in which humanitarian actors operate. Humanitarian actors need to be more comfortable with acknowledging what they do not know in advance of an intervention, particularly for adaptive programming strategies.

One of the challenges in building greater flexibility in humanitarian response is that a single implementing agency's flexibility can sit in tension with a donor agency's concern for its own flexibility, coverage and aid effectiveness.

Accepting and acknowledging a state of not-knowing is difficult when it comes to showing accountability for public funding. Not-knowing is associated with a lack of control, which is a highly negative concept in humanitarian aid (and organisational management more broadly), as it comes with higher fiduciary risk and an inability to guarantee quality. Flexible funding therefore presents significant questions for donors around accountability and compliance: Are changes being made for the right reasons? Will these changes have a positive impact on response quality or effectiveness?

Despite these tensions, there has been some progress on moving to more flexible funding in recent years (Metcalf-Hugh et al., 2019: 2), in connection to the Grand Bargain and other, more country-specific aid sector reforms. This consists of unearmarked and lightly earmarked and multi-year bilateral funding agreements, as well as an enhanced look at flexibility and approval processes to revise grants in Country-Based Pooled Funds (CBPFs). Multi-year funding has been a particularly active area of finance reform (ibid.), although the relationship between multi-year funding and enhanced operational flexibility is potentially influenced by a number of factors (see subsection [5.2.3 Predictable](#)).

In her opening remarks at the financing session at ALNAP's workshop, Lydia Poole noted that flexible funding will require diversity and diagnosis: a range of financing mechanisms, designed for specific purposes based on a diagnosis of the financing challenges faced by agencies as they try to respond to changes on the ground. The sector is seeing greater diversity in its funding mechanisms – but this needs to be paired with good understanding of the different purposes these mechanisms can serve, and in which type of circumstances they are most useful.

For example, when it comes to increasing efficiency, a recent review of financing mechanisms notes that 'Large-scale, chronic emergencies causing similar needs among large segments of the population could be more efficiently funded through large umbrella grants to competent coordinating agencies', while flexible funding could be used to address specific gaps or under-addressed problems and direct funding to local organisations could be targeted towards 'small pockets of need and highly location-specific needs in individual areas' (Stoddard et al., 2017: 35).

With a range of choices available to them, donors need to take a strategic and innovative approach to how they finance humanitarian action in order to see greater agility and adaptiveness. To support this, the following sections aim to provide an understanding of how the main types of humanitarian funding relate to response-level flexibility (see [subsection 5.1](#)), and of the characteristics and supporting factors for funding mechanisms that enable a more flexible humanitarian response (see [section 5.2](#)).

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5.1 Types of humanitarian funding and their relationship to flexibility

5.1.1 Private funding and core funding from donor governments

Private and core funding offer the greatest flexibility for implementing agencies but make up a low proportion of humanitarian financing. Among NGOs, World Vision uses its private funding to provide a 20% internal ‘crisis modifier’ budget for sudden crises, which it uses to respond to crises in communities where it is already working (Obrecht, 2018). UN agencies and the ICRC enjoy core funding from donor governments, which they say helps them maintain the systems needed for operational flexibility (Stoddard et al., 2017).

To date, agencies with core funding largely seem to use this for agility (increasing speed of response), for increasing their geographic scope (delivery-level flexibility), and for anticipatory strategies such as increasing the volume and mix of products they stock (product flexibility). But there is little data on how exactly core funding is used to think *strategically* about flexibility.

Examples from field research in the Democratic Republic of Congo (DRC) and Kenya, as well as interviews with field staff in four additional countries, suggests that when private and core funding is used for flexible programming and operations, this tends to take the form of ‘gap plugging’. Core funds are used to help agencies address sectoral needs that donors are not covering, or to reach populations in areas that are left out of scope in calls for proposals. While this technically increases an agency’s range of response options, it is very different from a strategic approach to flexibility, which would directly resource the capacities and systems needed for monitoring, reflection and corrective actions.

Some agencies use core funds for targeted innovation projects, but the learning and iterative management systems set up for these projects



Flexible funding presents significant questions for donors around accountability and compliance: Are changes being made for the right reasons? Will these changes have a positive impact on response quality or effectiveness?



are largely considered to be one-off exceptions. ALNAP did not find any examples in the humanitarian sector of the use of private or core funding to initiate specific adaptive programming approaches or increase an agency's capacity to offer a wider range of services.

Using core or private funding more strategically is a challenge: the fact that so much humanitarian funding remains restricted and short-term places a high demand on how to use the limited flexible funding available. But given the potential benefits of flexibility for delivering better results and greater medium-term and long-term efficiency, it would be worthwhile for agencies to consider how they can make best use of core funding to invest in systems and practices that allow for a more embedded type of flexibility – whether anticipatory, adaptive, or both. This can allow them to move away from gap-plugging to better ways of working that demonstrate to donors the added value of this type of funding.

5.1.2 Collective funding mechanisms

Collective funding mechanisms are those in which two or more agencies can access funding in a single mechanism. These include pooled funds, where contributions from multiple donors are pooled and allocated to multiple agencies based on a proposal process, as well as multi-agency consortia which provide funding to a group of agencies who plan and report on their work collectively. Primary examples of pooled funds include the UN-managed Central Emergency Relief Fund (CERF) and country-based pooled funds (CBPF), as well as the NGO-run Start Network pooled fund. An example of a consortia-based mechanisms is the Rapid Response to Movement of Populations (RRMP) model, developed by the UK Department for International Development (DFID) and UNICEF originally for response to forced displacement in the DRC and now active across 12 countries.

Most collective funding mechanisms focus on increasing agility for rapid response to new crises. Less attention has been placed on streamlining processes for making changes to these grants once they have been agreed. In many cases, the period for implementation is so short, and the lead time for supply chain so long (four to six weeks in several examples discussed by research participants), that making changes becomes impossible even if considered valuable. Also, agencies are typically restricted on the kinds of activities they can deliver with these grants – shifting to anything resembling early recovery or transitional programming for returnees, for example, is typically disallowed despite the importance of early recovery in protracted settings with high rates of cyclical displacement (Obrecht, 2017).

While pooled funds can be considered a form of unearmarked funding from a donor perspective (because they can go to any agency for any project), once they are drawn down, they are assigned to specific agencies and projects, with agreed objectives, budget and outputs. This means that the approval processes required to agree changes to these grants are an important factor in understanding whether pooled funds support flexibility within a response.

The issue of how pooled funds support flexibility through timely changes to projects has not been studied in significant depth. One 2017 review found that CBPFs ‘are typically too tightly circumscribed in their role to act nimbly and flexibly, despite their aspirations’ and ‘were not particularly flexible when it came to midstream modifications’ (Stoddard et al., 2017: 26). However, recent annual reports from the CBPFs suggest that this may be improving. Flexibility was one of the key performance indicators used in the 2018 annual reports of the CBPFs, with four targets under this indicator. It is worth noting that not all these targets are good proxies for flexibility. For example, one target specifies achieving an ‘appropriate’ amount of cash-based assistance without making clear how this amount is defined. Nor is cash-based assistance always indicative of a more flexible response.

The most relevant target looks at the amount of time taken to approve a project revision: ‘CBPF funding is successfully reprogrammed at the right time to address operational and contextual changes.’ Several CBPFs set this target at an average of 10 days, which can be a long time when implementing a 90-day project. According to annual reporting, the ability of pooled funds to approve changes to projects may depend on the total number of revision requests that the country office receives. Table 1 shows that, generally, approval times take longer in countries facing higher volumes of revision requests.

Annual reports indicate that the process for approving changes could be improved with more streamlining and better clarity on what the process entails. In Ethiopia, ‘finalization of revision requests took time, as some partners did not submit final project revisions once the initial request was approved’ and ‘Delays were typically due to difficulties faced by a partner in securing the necessary supporting documents or providing adequate justification for the changes requested [that were] required by the HFU [Humanitarian Financing Unit] to approve the revision’ (OCHA, 2019a).

In contrast, in Afghanistan, where the average time for approval was shortest, ‘Improved and more frequent interaction between implementing partners and the fund throughout the project cycle resulted in timely revision requests’ (OCHA, 2019b), although it should also be noted that this country office had one of the lowest number of revision requests.

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Table 1: Number of revisions and average approval times by country

Country (in order of time taken to approve revisions)	Number of revisions requested	Average time to approve (days to the nearest half)
Afghanistan	13	5.0
South Sudan	22	8.0
Yemen	33	8.0
Pakistan	8	8.5
Somalia	52	21.0
Iraq	107	27.0
Myanmar	15	34.0
Ethiopia	78	40.0

Source: Compiled from the 2019 Annual Reports of the Country Based Pooled Funds, accessible at: www.unocha.org/our-work/humanitarian-financing/country-based-pooled-funds-cbpf/cbpf-annual-reports-2018.

5.1.3 Bilateral partnership agreements and bilateral project grants

Bilateral funding is the most common form of humanitarian financing. It may consist of framework agreements between donors and agencies or grants tied to specific projects – with the latter being the most common and considered to be the least flexible. Reporting requirements and the use of earmarking for project-based funding are major barriers to flexibility and have also been identified as challenges for the aid efficiency (Caccavale et al. 2016; ICVA, 2016; GPPI, 2017; Stoddard et al., 2017). This has led to calls to move away from bilateral funding mechanisms in favour of collective mechanisms or core funding.

But it is also the case that bilateral funding, when paired with greater budget flexibility, less earmarking, more streamlined reporting and longer-term predictability, can provide adequate support for both anticipatory and adaptive strategies. The Swedish International Development Cooperation Agency (SIDA) is piloting such an approach in collaboration with three implementing partners (see [section 5.3](#)), which was discussed in detail at the ALNAP workshop. Early indications suggest that shifting bilateral funding away from individual projects towards country strategies and greatly extending budget line flexibilities could allow agencies with limited core funding the ability to think more strategically about their work and develop deeper and more sustainable flexibility.

Bilateral funding, when paired with greater budget flexibility, less earmarking, more streamlined reporting and longer-term predictability, can provide adequate support for both anticipatory and adaptive strategies.

5.2 What are the characteristics of funding mechanisms that support flexible and adaptive humanitarian action?

Just as there is no one approach to flexible humanitarian action, workshop participants noted that there is no single ‘silver bullet’ approach to financing it. Different funding mechanisms will support different types of flexibility – or can support the same type of flexibility but in different ways.

Evidence is emerging of the kind of funding mechanisms that can support flexible humanitarian action. But, to date, it also suggests that these mechanisms are by no means a guarantee of greater operational and programmatic flexibility. Other factors must be present to achieve operational flexibility in a response – and thereby see improvements in relevance and effectiveness. This section summarises the main characteristics of funding that support more flexible humanitarian responses, along with the necessary support factor that such funding must be paired with to lead to real change.

5.2.1 Outcome focused

Necessary support factor: budget and M&E flexibility

Over the past few years, some donors have moved to more outcome-focused contracting, including the use of a standing repository or set of outcome indicators from which agencies select when submitting a proposal. Focusing on outcomes rather than outputs creates greater flexibility to change activities or revise a programme’s logic if these are not working as expected or if the situation changes in a way that leads to other, more pressing priority services. But if outcome-based contracting is not paired with budget flexibility – particularly across budget lines – then using outcome indicators will not necessarily lead to more flexible programming.

Budget line restrictions are one of the most common barriers that agencies face when trying to respond to new changes in a response context or feedback from affected populations. While bilateral grants can allow for changes in principle, these can involve lengthy approval processes. Using an outcome- or objective-oriented approach is most beneficial when paired with wider budget flexibility that holds agencies accountable for results while freeing them to find the best potential pathway to addressing humanitarian needs in a crisis.

Experience from field teams suggests that budget flexibility paired with outcome-focused reporting at the level of country strategies can lead to positive changes in how humanitarian teams carry out assessment, design and delivery (see, for example, the discussion of SIDA and its partners in [section 5.3](#)). Within a year, these field teams were able to combine sectoral assessments and service delivery, adapting their services based on the specific combination of needs in a given community. They were also able to achieve significant improvements to delivery and targeting flexibility by responding to a wider geographical range in a short period of time.

If you can manage to change your budget structure, it unlocks doors for programmes and M&E to jump ahead, that they've been closed off to.

Workshop participant

A limitation of outcome-based contracting is that it does not allow for outcomes or indicators to be revised, should these turn out to be less appropriate later on. And not all outcome-based approaches are the same: more evidence is needed on how to structure outcome-based contracts to find the best balance between incentivising flexibility and accountability. For example, payment by results, which is being trialled by DFID for humanitarian multilateral agencies, is a form of outcome-based contracting that provides funding to agencies only after agreed objectives have been achieved (DFID, 2018). The evidence for whether payment-by-results leads to improvements in the effectiveness, efficiency or flexibility of programming is mixed (Clist, 2017), and it remains to be seen whether this will lead agencies to focus more on risk-averse 'safe bets' rather than deeper, more strategic adaptations (Bryan and Carter, 2018).

5.2.2 Streamlined processes for approving change

Necessary support factor: clarity on decision-making procedures

Humanitarian staff cannot make timely, effective changes to their programmes if they are too busy with reporting requirements, or if the work required to approve a change is too burdensome. At the ALNAP workshop, participants discussed the importance of **streamlining** decision-making processes when it comes to approving changes in bilateral grants.

Where possible, more **decentralised decision-making power** in donor agencies can support timely approvals for changes to bilateral grant agreements. Donors with a country presence are more likely to have a good grasp of the situational and contextual changes that may necessitate a programming change, which can make approvals more straightforward. This was the case in DRC, where country-level donor staff proactively reached out to partners to ask why they had not come to them to discuss changes to a programme in an area that had undergone a significant movement of population.

But country-level donor staff do not always feel that they have this kind of decision-making power. In both country studies, country-level staff expressed frustration with their inability to approve 'common-sense' and straightforward requests for changes to programming without higher level sign-off, and felt that their agencies' bureaucracies were primarily responsible for delays in responding to new crises or adjusting appropriately to changing situations. Flexible funding arrangements that pass more decision-making power to implementing agencies can also be threatening to donor staff at country level, where they may feel their added value is reduced.

Streamlined decision-making may be more important than whether decisions are decentralised. For example, while CBPFs are decentralised, their processes for approving changes to grants have not always been timely or straight forward. Moreover, decentralisation may not always be possible. In these cases, donors can look to streamline the decision-making processes for approving changes by removing layers and standardising and minimising the information required for approving changes.

Donor staff sometimes have more flexibility to approve changes than they realise. In ALNAP's country-level research there were several examples of where donor and agency staff understanding of the processes for requesting and approving changes in their grant agreements differed. This is also noted in several CBPF reports as a barrier to timely approvals for project changes.

As such, it is important to provide both staff in donor agencies and implementing partner organisations with **clarity around what the rules actually are** – which, somewhat surprisingly, is not always the case. Among donor staff, perceptions vary with regard to their agency's appetite for risk, what decisions they are empowered to take, and what options they have to build more flexibility into their contracts with partners (ALNAP workshop; ICAI, 2016; Stoddard, 2017).

5.2.3 Predictable

Necessary support factor: a shift in agency management practices and an intentional approach to using funding for flexibility

Multi-year funding has received significant attention in recent years for its potential to increase the efficiency and flexibility of humanitarian assistance (FAO, 2017). There are many 'in principle' arguments for multi-year funding, on the basis that it can bring about a range of benefits: greater efficiency, greater connectedness to resilience and other longer-term objectives in fragile settings, and greater capacity for flexibility and adaptation. But until recently, there has been little empirical evidence to support this (Cabot Venton and SIDA, 2017; FAO, 2017).

Multi-year funding can support anticipatory strategies by enabling the purchase of larger quantities of stock, or by allowing agencies to maintain a longer presence in settings featuring frequent cyclical crises – both of which can support a faster response to sudden increases in need. This was observed in multi-year rapid response mechanisms such as the RRMP in DRC and has also been noted in other research on multi-year financing (Stoddard et al., 2017; SIDA et al., 2019).

The relationship between longer-term funding and **adaptiveness** – the ability to apply continuous learning to improve programmes – is less direct. In theory, longer-term funding allows the length of an intervention to be adapted based on needs rather than arbitrary short-term cut-off dates, and avoids the gaps in programming that often arise in between annual funding cycles:

[Annual funding is] so much less effective because you have so much time in between the interventions ... but then, when the contract is starting again, we don't have the supplies to directly go for it, so you have this dead time of, say, six months, where you [...] practically can't do anything.

Key Informant Interview 25

Predictable funding can also reduce uncertainty in staffing, which is often tied to grant funding. And in turn, greater staff continuity can support more experimentation and higher quality adaptations to programming as it is easier for individuals to apply learning from their own experiences, rather than from a project in which they were not involved (Obrecht, 2017).

In practice, ALNAP found that all of the strongest examples of adaptive programming observed for this study happened to be supported by multi-year funding, which suggests some link between the two. Managers of adaptive programmes viewed predictable funding as a way of helping them move gradually towards greater experimentation and willingness to change, and enabled learning to be 'rolled over' more easily into new phases of a programme (ALNAP workshop; Obrecht, 2018).

But greater flexibility is not a given without the necessary shift in agency management practices. As with core funding (see previous sections), multi-year funding is sometimes used strategically; but in other cases, when it is used to 'plug gaps' rather than to intentionally enhance an organisation's agility and adaptiveness, predictable funding will not on its own lead to noticeable gains in flexibility.

Adaptive strategies require a humanitarian staff to adopt a different mindset and work differently from how they typically deliver programming. This kind of shift can take time – particularly when it comes to increasing product, service and strategy flexibility.

Moreover, staff continuity can still be a problem even with multi-year funding (Cabot Venton and SIDA, 2017) and, if internal systems remain unchanged, field staff will continue to think in terms of annual or short-term project cycles (KII K37; K31). This is consistent with broader findings on multi-year funding, which note that 'in most cases potential benefits were not realised in the first iteration of MYHF business cases' and that, in order to achieve better efficiency and effectiveness, multi-year funding needed to be 'actively managed' by agencies (Levine et al., 2019: 6).

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Necessary support factor: budget flexibility

Donors also need to consider carefully the systems they use to create accountability within multi-year funding agreements and should avoid over-prescribing the changes that will be allowed within the grant period. Multi-year contracts that over-specify inputs and outputs will be worse for supporting flexible and adaptive responses, not better. Several donors and UN agencies have piloted the use of triggers within multi-year funding agreements to 'pre-agree' significant changes to a programme in advance. While trigger-based contingency plans reduce the approval time required to make adaptations (and can therefore support greater responsiveness (Stoddard et al., 2017; Obrecht, 2019; Valid, 2019)), they rely on being able to predict the changes that will occur in a setting. This requires a high level of certainty in the effectiveness and relevance of planned interventions.

In reality, contexts can change unpredictably over two- to three-year periods, and situations and needs often evolve to affect the performance of planned activities. Predictable funding must therefore include space for budget flexibility – ideally well beyond the 10% level that is currently the maximum flexibility for many grants and bilateral agreements. A potential approach being trialled in the development sector is to use adaptive contracting in multi-year funding arrangements (Bryan and Carter, 2018), where there are periodic reviews and opportunities to change objectives, activities and budget allocations. Irish Aid uses a process similar to this in its 'multi-annual' agreements with its partners.

5.2.4 Creates the expectation that good, timely changes will be made

In some cases, donor staff receive requests for changes by implementing agencies based on what donor staff describe as poor needs assessments or a lack of due diligence in programme planning. One country-level donor explained that they felt it was the implementing agency's responsibility to 'know what to do' and that a good quality needs assessment would mean few changes would be necessary.

Balancing accountability with flexibility is a challenge. It requires donors and their implementing partners to agree on the degree of uncertainty and ambiguity that is present in a context or programme theory of change. It also requires clear expectations about what constitutes adequate, risk-informed decision-making (for anticipatory flexibility) or what constitutes high-quality, reflective learning (for adaptive flexibility).

Reaching this consensus and establishing shared expectations has largely relied on relational trust between donors and agencies. ALNAP workshop participants and key informants in the country studies emphasised repeatedly that having strong relationships with donors – often built with specific individuals over time – was one of the most important factors in their ability to make programmatic changes or to secure resources quickly to respond to new crises. This has also been observed in flexible programming in development programming (Valters, et al., 2016) and urban settings (Campbell, 2019).

Relying on shared history and relationships is a strategy that is understandable when considering the information needs of donors. They face information asymmetries in their resource allocation: implementing agencies have better information on how much it costs to deliver a service and on what is needed by a particular population. In a better functioning system, donor trust would be generated through greater transparency on the part of implementing agencies when it comes to needs assessment and response design. But attempts to address this in the Grand Bargain have not seen significant progress (Metcalf-Hough, et al., 2018).

Relational trust is a problematic foundation for flexibility because it lies outside of any formal process or agreement and is therefore unstable over time. If there are donor staff changes, for example, this can lead to a very different approach in the middle of a framework agreement. One workshop participant expressed concerns that relational trust is potentially exclusionary and unfair: certain agencies may be able to enjoy wider flexibility than others, based on their connections.

While understandable, relying on relational trust is not the only way forward. Accountability processes can be reimagined and redesigned to incentivise smart, timely adaptations, and to differentiate between truly flexible programmes and those which require technical changes due to poor planning (Wild and Ramalingam, 2019). Participants at ALNAP's workshop discussed several potential ideas and 'quick wins' to shift donor accountability mechanisms to be more supportive of flexibility – primarily by creating expectations and incentives for changes to happen in a response. This will look different depending on context and nature of the need/problem being addressed, but can include:

- funding a 'portfolio' programme approach where a certain percentage of activities (e.g. 10%) will be dropped based on regular review and assessment of performance, and successful activities expanded
- developing alternative approaches to log frames that set expectations for how 'robust, rigorous' changes can be made using monitoring and evaluative data (see [section 3.3](#))
- using a set of questions to facilitate donor dialogue with implementing partners. These would be designed to:
 - improve the donor's understanding of its partner's monitoring systems and experiences in identifying and making timely adaptations to programming and operations
 - help the implementing partner to get clarity on a donor's expectations for justified programme changes, the steps needed to approve changes and the extent of budget flexibility.

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5.3 The future of flexible bilateral funding

As well as requiring internal changes to country teams and to the systems and ways of working in humanitarian agency headquarters, the move towards greater flexibility also requires changes among donors. They must be willing to work more strategically with partners, improve the clarity of their internal communications so that donor staff understand what approvals are actually necessary, and cultivate patience and understanding that flexible funding cannot change humanitarian action overnight – particularly if it continues to occupy such a small percentage of overall humanitarian funding.

For example, SIDA's humanitarian department has taken a strategic approach to engaging with its implementing partners with its new Programme Based Approach (PBA), moving away from contracts that focus on outputs to those that look at strategy and country programmes or strategic objectives (see [section 5.3](#)). This has allowed it to discuss with partners the overall vision for humanitarian action and how this can best be achieved amid contextual changes. The PBA has full budget flexibility and its reporting is streamlined: it consists primarily of the partner's annual reporting on its country strategy, along with annual audits. Agencies must contact SIDA to approve changes to a sector or a geographical region only if these sectors and regions are not covered in the existing country strategy ([section 5.2.2](#)).

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SIDA began piloting the PBA in 2017 with NRC, followed by ACF and IRC in 2018. There are early indications that it led to improvements in the three agencies' operational and programmatic flexibility ([box 13](#)).¹

The PBA has also had several additional benefits beyond increasing flexibility at the response level:

- helping responses be more needs-based, by assisting people in areas facing access constraints, or which are underfunded by other donors due to political sensitivity
- offering more efficient and joined-up support to beneficiaries, by enabling teams to make link between ongoing and new programming, or to close gaps between annual funding cycles for ongoing programmes
- for IRC, enabling Nigeria and Central African Republic country offices to engage better in country-level coordination to support greater efficiency and flexibility across the sector.

¹ ALNAP interviewed staff from country teams from each of the three implementing agencies in spring 2019, as well as with headquarters technical leads for PBA. Internal reporting data from one of the agencies was also provided to ALNAP.

Box 13: Examples of how SIDA's Programme Based Approach is supporting more flexible humanitarian responses

Implementing partner	% of total country budget	Countries piloted
ACF	12%	Bangladesh, Myanmar, Ethiopia, Somalia, Syria
IRC	2%–11% depending on country	Central African Republic, Cameroon, Nigeria
NRC	15–20% (7% SIDA; the rest provided by NMFA)	All 32 NRC country programmes (24 of which have SIDA PBA funding)

Greater agility (reactive flexibility)

Location changes. Because the PBA is set at country level, agencies can switch activities to different geographical locations within the country without need for approval. As geographic changes do not imply significant budget revisions, ACF was able to use this flexibility in its drought response in Somalia, moving activities to districts that were facing greater need due to changing drought conditions.

Responsiveness to new spikes in crisis. Some donors already support rapid response mechanisms for responding to new crises (e.g. ECHO and OFDA), but these typically require a response within 72 hours and security and logistics conditions can make this difficult. With PBA, implementing agencies could use SIDA funding to respond to new crises outside this 72-hour window as well as to initiate a response while waiting for additional funds from donors. IRC's Central African Republic office used the funding to respond to new displacements; and there were numerous examples of NRC using PBA funding for this, including its response in Cameroon to the unforeseen 'Anglophone crisis'.

Supporting anticipatory strategies for flexibility

NRC has used PBA funding for small 'stock pre-positioning' to strengthen their supply chain systems for emergency response. In Syria, ACF used scenario planning to consider potential humanitarian situations they might face in the coming year and then applied PBA funding to initiate flexible contracts with suppliers based on what these scenarios would require.

Supporting adaptive strategies for flexibility

Using learning and feedback from affected populations.

In Lebanon, during the implementation of water trucking and desludging services, NRC identified further issues with water sources due to contamination and seasonal flooding. As well as expanding its programme geographically (by including more cadastres), NRC also increased the range of services provided, which included focus group research to inform the design of their hygiene promotion. The focus groups revealed that while aid recipients had been satisfied with the kits they had received, they preferred cash assistance to cover their hygiene needs. NRC was able to use PBA funding to shift to a split modality and provide cash vouchers alongside the kits.

Multisectoral integration. Field teams from all three agencies discussed how the PBA funding had inspired more cross-team and integrated design and implementation of programmes. In several cases, this led to more joined-up assessments and targeting, which feasibly led to efficiency gains. Reporting against the country strategy to a donor brought greater collective attention to that strategy and provided a 'shared vision for addressing needs' that became more integrated into teams' day-to-day work. For example, ACF changed how it engaged in targeting and conducting joint nutrition and food security assessments, which allowed them to build synergies across their nutrition and food security services.

Piloting new solutions. In Afghanistan, NRC used the PBA funding to pilot new approaches to urban livelihoods for internally displaced persons. Being able to trial new programme designs and approaches is particularly important for crisis contexts like urban settings, where there is greater uncertainty on the effectiveness and appropriateness of traditional humanitarian programme designs (Campbell, 2018).

Higher quality learning. The implementing partners also used PBA to fund small research studies that directly informed the design and adaptation of programmes, and therefore enhanced learning within a response. For IRC, country teams with sufficient background knowledge of the PBA's unique flexibility could think more strategically about their approach and create stronger links between different intervention activities.

Source: ALNAP interviews with ACF and IRC country team staff, as well as with headquarters technical leads for PBA; and internal reporting data from one of the agencies.



Listen to Alice Obrecht, the author of this study, reflecting on the role donors can play in making humanitarian response more flexible.

Based on the experience of SIDA and its three implementing partners, the following areas should be considered for the future of flexible funding in humanitarian action.

Ensuring humanitarian objectives are met without imposing rigidity.

While it offers a great deal more flexibility than common bilateral grants, the PBA comes with a few constraints in the form of conditionalities. The most significant of these are its focus on ‘life-saving’ activities, which does not allow for early recovery or crisis mitigation activities. The second condition is the request that implementing agencies align their country strategies with the in-country Humanitarian Response Plans (HRPs).

These two conditions are linked: aligning country strategies with the HRPs helps to ensure that agencies continue to direct SIDA funding towards humanitarian need, rather than to less urgent needs that may be easier to address (e.g. working with host communities instead of displaced populations in areas with difficult access conditions). Both conditions highlight the careful balance that is required in creating more flexible funding while still ensuring that the humanitarian mission of meeting urgent needs continues to be prioritised.

Coordination mechanisms are critical to effective humanitarian action, and, when they work well, can also support greater flexibility at a collective level within a humanitarian response (Knox Clarke and Campbell, 2017; Obrecht, 2018). Aligning country strategies with the HRPs is valuable for avoiding duplication and ensuring that agency priorities remain needs based. However, the HRPs and HNOs that support them can vary in quality from country to country and are only carried out annually – meaning objectives are not updated based on contextual changes throughout the year (Stoddard et al. 2017; Taylor et al. 2017; Stoddard et al., 2017; Swithern, 2018). Tying flexible funding to a potentially inflexible planning process can risk reducing the value of the PBA and might be considered more on a country-by-country basis depending on the strength of their respective HCT and HRP process.

Moreover, while it is important that agencies continue to prioritise those in greatest humanitarian need, many of the field teams’ experiences highlight how the problems faced by people in protracted crises do not fit neatly into the categories of ‘life saving’ versus long-term vulnerability. Staff from countries as varied as Myanmar, Nigeria, Somalia and Syria discussed how there was ‘no linear movement from crisis to recovery’. In these circumstances, recovery and transition activities can play a critical role in reducing future caseloads of humanitarian need.

As policy discussions around the humanitarian–development–peace nexus show, questions remain as to who should ‘foot the bill’ for this kind of work (Development Initiatives, 2018). But there is also significant space to provide transitional support to people attempting to achieve or regain a minimum level of stability, and the diversion of humanitarian funding for long-term development goals. These issues need to be explored carefully with respect to setting objectives and outcomes.

Building stronger agency systems and mindsets for working flexibly.

A significant factor in making use of flexible funding is the shift in mindset among agency staff. When country teams are used to working with highly restricted funding, rethinking how to utilise 15% of their budget as flexible funding can take some time.

Country teams, as well as their support staff based in headquarters, are so accustomed to the boundaries set by current funding mechanisms that this new autonomy can be intimidating.

Country teams, as well as their support staff based in headquarters, are so accustomed to the boundaries set by current funding mechanisms that this new autonomy can be intimidating. One of the PBA pilot agency's field staff noted 'it can be scary'; and a country director for another agency said it took time to get used to 'thinking for ourselves instead of going with what the donors have set as the priorities.' Headquarter-level controllers may not apply different approaches to their oversight of flexible funding, which may diminish its impact on an agency's flexibility.

From the view of headquarters technical staff, changes in country-level flexibility was varied, and depended upon staffing, capacity and awareness of the PBA's unique flexibilities. Country-level teams discussed the importance of HQ and senior management support for helping them understand how PBA was different and the level of discretion that staff could exercise in using it.

IRC addressed this by introducing PBA to its country teams through in-country 'launch' workshops with an explicit focus on flexibility and adaptation. This helped to put the opportunity for using PBA to be flexible and make improvements at the centre of their staff's minds. The workshops were also an opportunity to bring together members from all departments and sectors to review the country-level objectives and discuss how they could work more adaptively together. This was seen as critical for paving the way to faster turnaround times for supply chain and procurement changes that were later made under PBA funding.

Use donor coordination and collaboration to change incentives for greater flexibility. None of the three agencies have made significant changes to their internal processes for planning and budget reallocation with PBA. Given how small a percentage PBA funding occupies of total country spend (between 2% and 20%), this is understandable: setting up new systems involves costs and if a predominant amount of funding remains project-based and inflexible, then the expense may not be justifiable.

But this does mean that there could be potential for further gains in anticipation and adaptiveness if more donor support were to go towards flexible funding arrangements and if flexible funding were to occupy a greater percentage of agency spend. This could include changes to internal financing systems that require less detailed budget lines, and different monitoring approaches that better capture the changes that are made using PBA funds.

Understanding what changes are made, and the results from these changes, can provide a better picture of the added value of operational flexibility and the funding that supports it. It also remains to be seen how the flexibility allowed through donor contracting to international agencies can be passed on to local implementing partners in contracts and partnership agreements.

While it is important that agencies continue to prioritise those in greatest humanitarian need, many of the field teams' experiences highlight how the problems faced by people in protracted crises do not fit neatly into the categories of 'life saving' versus long-term vulnerability.

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ALNAP

Overseas Development Institute
203 Blackfriars Road
London SE1 8NJ
United Kingdom
alnap@alnap.org