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HUMANITARIAN POLICY GROUP

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About HPG

The Humanitarian Policy Group at the Overseas Development Institute is Europe's leading team of independent policy researchers dedicated to improving humanitarian policy and practice in response to conflict, instability and disasters.

In brief

- This HPG Briefing Paper reports on a study of one part of donors' involvement in the humanitarian enterprise, namely the way in which they provide funds to humanitarian organisations, manage these funds and are held accountable for their use.
- Official donors are spending much more on humanitarian aid, and are much more active in determining how and where these funds are spent.
- Important changes in funding and coordination arrangements may enhance accountability, but are not translating into an equitable distribution of humanitarian aid resources. Gains in performance are difficult to measure and prove.
- There is a need for criteria of 'good humanitarian donorship' against which donors' performance can be monitored and measured.



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The changing role of official donors in humanitarian action: a review of trends and issues

Introduction

Historically, humanitarian assistance accounted for only a very small part of official aid programmes, and attracted relatively little scrutiny and attention. During the 1990s, however, humanitarian issues became mainstreamed into international relations, and more explicitly linked to efforts to enhance international peace and security. The rising volume of official humanitarian aid brought with it heightened concerns for its effectiveness, and the need to improve the performance and accountability of partner organisations.

Against this background, a number of important changes have taken place in the financing and management of official humanitarian aid. These include:

- an apparent shift away from supporting multilateral humanitarian action and towards NGOs;
- the increased earmarking of contributions, and the concentration of resources on highly visible emergencies;
- an increasing donor role in the coordination of humanitarian action;
- tougher contractual and managerial regimes to scrutinise the performance of implementing partners; and
- increased donor presence at field level.

These multiple and complex changes have been subsumed under the catchy, but misleadingly simple, label of 'bilateralisation'.

This Briefing Paper reports on a study of the changing role of donor governments in the management of humanitarian assistance. Based on field

studies, documentary reviews and case studies of official donors in the UK, Denmark, Canada and the US, as well as ECHO, it identifies the implications of this trend, and proposes an agenda to define 'good donorship' in the humanitarian sphere.

The 'bilateralisation' of humanitarian aid spending: is it happening?

In 1990–2000, official humanitarian aid flows doubled both in real terms, from \$2.1 billion to \$5.9bn, and as a proportion of total official development assistance (ODA), from 5.83% to 10.5%. A very small number of donors provide the bulk of this aid. The US accounts for around a third; Canada, Germany, Japan, the Netherlands, Norway, Sweden, Switzerland and the UK are also consistently large donors. These bilateral donors account for over 90% of official humanitarian aid spending. ECHO is also a major player, providing approximately 10% of official humanitarian aid in 2000.

Existing data suggests that there is a move away from multilateral methods of disbursing humanitarian assistance, in favour of bilateral channels. In 1996–99, the volume of assistance channelled multilaterally increased by 32% compared with a decade earlier. By contrast, bilaterally managed expenditure increased by 150%.

Part of the explanation for this apparent 'bilateralisation' lies in the technical peculiarities of official aid reporting. 'Multilateral' aid has a very particular meaning. It refers *only* to aid which is unearmarked and channelled through multilateral institutions, such as the UN

and the World Bank. All other aid, including earmarked assistance to the UN, NGOs and the Red Cross Movement, and funds spent by governments themselves, is technically 'bilateral' aid.

Box 1: Factors accounting for the apparent 'bilateralisation' of aid spending

- *Spending on supporting refugees in donor countries.* The Development Assistance Committee (DAC) of the OECD allows members to count as emergency ODA money spent on supporting refugees during their first year of residence in donor countries. By definition, this spending is bilateral, and never leaves the shores of the donor country. In 2000, 38% of bilateral humanitarian aid was spent in this way.
- *The introduction of new mechanisms of resource mobilisation.* The Consolidated Appeals Process (CAP) has provided a new means of raising and allocating funds. All contributions to the CAP are earmarked, and thus 'bilateral'.
- *Greater earmarking of contributions to UN organisations.* Outside of the CAP, donors are earmarking a greater proportion of their aid. Ninety per cent of contributions to the UN are earmarked, enabling donors to target their aid at specific countries, and allowing for closer monitoring of their spending.
- *Increased direct contracting of NGOs and of military and paramilitary providers.*

While overall levels of multilateral assistance have declined, the resources allocated to the major UN operational agencies have remained relatively constant as a share of total official humanitarian aid. This is because donors are increasingly earmarking their contributions to UN organisations. Earmarking can protect activities that might otherwise not secure adequate funding. More commonly, however, it results in a concentration of spending on the most visible crises.

Many official donors are reducing the share of their aid channelled multilaterally simply because they can. The predominance of the UN has been challenged by an increasingly strong NGO sector. NGOs are the key mechanism for the bilateralisation of humanitarian aid spending. In addition, new actors, including military and paramilitary forces, are becoming important conduits for official humanitarian aid.

Historically, one of the arguments for multilateral aid disbursement has been that it promotes a more equitable allocation of funds than bilateral methods. There is insufficient evidence to support this in practice. It is, however, clear that more bilateral disbursement is certainly not resulting in such equity. Between 1996 and 1999, the top five recipients of humanitarian aid were all political hotspots (in the Balkans, Israel and Iraq). These countries received \$2,725m, double the funds that went to the next five largest recipients.

Choosing partners: the need for policy and information

The expansion in the range of potential partners through which official aid might be channelled has made the choice of partner more complicated. Rather than assuming that others, particularly the UN and the ICRC, will define needs and organise the most effective response, donors are developing their own analyses of humanitarian crises to inform their allocation of resources. ECHO, for example, has developed global plans mapping out

overall need and presenting a strategy for response. Major donors such as DFID and ECHO have produced comprehensive statements of their overall objectives for humanitarian response, and the principles that will guide this.

Formalising project appraisal and monitoring

To translate these frameworks into practice, donors have formalised the procedures for appraising projects, defining contracts and monitoring performance. The changing relationship between official donor bodies and recipient humanitarian organisations is part of broader developments in governance and public administration in donor countries (see Box 2). The donors examined in this study have invested in providing more detailed guidance to their partners on how to apply for and manage official aid funds. They have also introduced more policy-oriented goals, for example mainstreaming gender and environmental protection; support for inter-agency coordination; and an awareness of the political impact of relief. Donors have also invested in their capacity to interpret and verify applications, and to monitor outcomes. Both DFID and ECHO have used contract staff, as well as increasing the number of their permanent civil servants to do this. It is, however, unclear whether donors have sufficient capacity to appraise and monitor contracts, particularly given the increase in direct contracting with NGOs and in earmarked funding. In other words, there is still uncertainty regarding donors' capacity to *use* the information their operational partners are providing in ways that necessarily contribute to enhanced operational effectiveness and strengthened accountability.

Box 2: The new public management: trends in Western public policy

Changes in the financial and management arrangements of official humanitarian assistance are part of wider developments in public-sector management in Western governments, particularly in the US and the UK. This has seen a significant increase in public service contracting, driven by concerns over the efficiency and effectiveness of public service provision by the state. Arguably, the character of donor giving to recipient organisations is now closer to a contract, in which funds are allocated to achieve a particular predefined purpose. The humanitarian arena is perhaps particularly sensitive to this shift in the donor-recipient relationship. In contrast to the major development institutions, there are scarcely no assessed contributions for humanitarian assistance. The power of donors to influence the pattern of humanitarian response that flows from this essential financial dependence is amplified as they become more specific in their requirements of their partners.

Issues of accountability are further complicated by the lack of universally accepted performance indicators, which means that donors are allowing their partners to define and monitor their own. Techniques such as results-based management in the humanitarian sphere remain in their infancy. While this permits agencies a desirable degree of freedom in defining the criteria for success, it will make it difficult to assess the overall effectiveness of a particular donor's humanitarian aid programming. As methods to formalise performance monitoring evolve, it will be important to ensure that these do not discourage agencies from engaging in high-risk activities, and activities that do not have easily quantifiable outputs. Diverse factors influence success or failure

in the humanitarian arena, and it will be important to be clear about how outcomes are attributed and achieved. Improving nutritional status, for example, relies not only on the technical competence of the implementing organisation, but also on security conditions, humanitarian access and adequate funding.

From projects to policy-based approaches

Donors are developing framework agreements with key international organisations. These provide for an annual contribution of funds, and define donors' expectations of how these will be used. They consolidate existing earmarking approaches, and formalise the policy dialogue between donors and recipient organisations.

Framework agreements have improved the predictability and timeliness of official contributions to international organisations, and have enhanced trust and mutual understanding; this is sometimes reflected in increased overall funding. However, some agencies are concerned that such agreements are simply earmarking in a new guise. They are also seen as potentially undermining formal governance mechanisms. Furthermore, negotiating these agreements has been a time-consuming process.

Policy-based approaches to humanitarian aid funding are likely to continue. Used well, they can make relations between the donor and the recipient organisation more predictable, not only for funding but also in codifying mutual expectations. It will be important to ensure that these agreements are negotiated transparently, and that checks and balances are in place to ensure that donors' priorities do not distort the recipient organisation's objectives. Improved donor coordination, peer review and clarity from the partner agency itself about its objectives will be key.

Donors in the field

Major donors like the US, DFID and ECHO have significantly increased their presence at field level over the past decade. The precise remits of these field staff vary considerably from agency to agency. In broad terms, field offices allow donors to develop a first-hand understanding of need and of the operating environment, to guide resource allocation and monitor partner agencies' performance. In highly visible crises, field presence provides immediate access to information; this can be shared with politicians and the media, as well as used to inform programming.

Donors' field staff can play an important part in monitoring the overall aid effort. Their financial leverage can create the momentum for change, and assist in securing additional resources to meet particular demands more quickly. Their role in shaping the overall envelope of resources, and in determining actual allocations, is more difficult and contentious. On the one hand, field staff can channel information from operational agencies to the donor, and so influence allocation. On the other, they are also conduits of donor policy, and thus influence decisions about which agencies should be funded, and where. The net result of this complex interplay is difficult to assess. Good field staff encourage coordination and provide a check on overall priorities. In other cases, field staff are seen as having disproportionate influence over the interpretation of humanitarian need. They may also be seen as overly directive, potentially reinforcing a view of agencies as the executing bodies of set donor policy.

Donors as coordinators

In a small number of countries, donors have sought to become more engaged in the coordination of humanitarian operations. This research looked at two such cases: the Somalia Aid Coordination Body (SACB) and the Afghan Support Group (ASG). The SACB was formed in 1994, and the ASG in 1997. In both countries, donors were faced with the dilemma of trying to provide assistance in the absence of a recognised government interlocutor. There were also concerns about the UN's ability to act as a proxy authority.

Both the SACB and the ASG were important in raising awareness among donors of the issues facing humanitarian organisations working in these difficult environments. On occasion, the groups also translated donors' financial muscle into action, and provided a means for donors to meet and review their policies. However, in neither case did the coordination structure approach any consensus on overall strategy. There was virtually no connection between these bodies and efforts in the political domain; indeed, there was active resistance to formulating common positions on political issues, including human rights. There was no donor field presence in either country, and the UN remained the primary mechanism for negotiating access.

The only clearly political issue tabled in these groups concerned security assessments. In Somalia, this resulted in the adoption of a code of conduct by which violations would be monitored and action considered, including the suspension of aid. Interpretations have, however, proved contentious, with agencies accusing donors of being selective and unevenly informed.

Ultimately, donor coordination appears to have had little impact on the overall volume of aid allocated, nor has it informed donors' choice of sectors in which to invest. Overall volumes of aid did not significantly increase because of increased donor involvement in coordination, nor were areas identified by the coordination groups as priorities guaranteed to receive additional funding.

Accountable donorship

Official donors exert significant influence over both the size and the shape of humanitarian response, both globally and in specific countries. Yet while donors have laid considerable stress on enhancing the accountability of their operational partners, they have paid relatively little attention to how they themselves are held accountable for the impact of their decisions. Overall scrutiny of official humanitarian assistance remains limited.

Within recipient states, humanitarian assistance is typically provided outside of public channels, which means that affected populations cannot usually rely upon their governments to ensure the equitable and appropriate use of funds. Internationally, there is no mechanism of global governance to monitor and regulate the use of official humanitarian assistance, no consensus regarding what a good donor should look like and no systematic documentation of good practice.

Within donor countries themselves, parliamentary oversight is the ultimate form of democratic accountability. However, with the partial exception of the UK the countries looked at in this study have paid little attention to humanitarian assistance, either

through parliamentary questions or via parliamentary committees. While audit offices are insulated from the pressures of politics and have more resources to undertake their investigations, to date their reports on humanitarian assistance have been confined largely to issues of financial probity and the conduct of specific operations.

Results-based management, adopted by a number of donors, offers the prospect of a more robust and routinised approach to accountable public policy, since it provides the basis for linking resource allocations with outputs. These techniques rely upon a high level of self-reporting, and so independent evaluation is required. However, few independent evaluations of donors' humanitarian aid programmes have included assessments of the policies and procedures of donors themselves.

Underpinning all of these problems around accountability and performance is the fact that the *objectives* of official humanitarian assistance have become increasingly unclear. At its simplest, it is about meeting life-saving needs. However, over the past decade additional, sometimes competing, objectives have emerged, including promoting development and conflict reduction. Thus, the idea of humanitarian aid as a distinctive form of assistance, governed by principles of impartiality and neutrality, is being eroded. In particular, its independence from the foreign policy of donor states is threatened. Switzerland and ECHO have legislation governing the use of humanitarian aid funds, and the Danish audit office has recommended such a law. The British government has recently rejected calls for similar legislation in the UK.

From 'bilateralisation' to good donorship: conclusions and recommendations for future action

The increasing involvement of donors in humanitarian decision-making is both legitimate and appropriate. Donor governments are custodians of public funds, and are responsible for their effective use. Furthermore, humanitarian action is not uniquely, or even primarily, the property of humanitarian organisations. Responsibility for upholding humanitarian law rests first and foremost with states, not aid agencies.

There has, however, been little discussion as to what constitutes a 'good' humanitarian donor. Establishing such an agreement would be timely. Humanitarian aid flows are increasing, humanitarian decision-making is becoming more complex and sensitive and the framework for measuring donor performance is weak, undermining accountability and the trust necessary for positive relations between donors and their partners.

Three core principles might provide the basis for such a discussion:

- a commitment to international humanitarian law and principles;
- a commitment to needs-based programming; and
- predictable and adequate funding.

In operationalising these principles, donors should commit themselves in domestic law to the impartial allocation of official humanitarian aid, and should reaffirm the independence of humanitarian decision-making from wider foreign policy. Systems to measure humanitarian need and monitor the allocation of resources need to be more robust, and the predictability and adequacy of official funding need to be strengthened. This latter objective could be achieved by:

- encouraging the development of multiyear funding arrangements;
- ensuring that, in major emergencies, additional and adequate funds are made available, and that funds are not simply reallocated from elsewhere;
- benchmarking OECD country contributions to humanitarian action by setting a minimum target for the share of GDP or ODA allocated to relief;
- enhancing the transparency of financial reporting systems, including removing donors' domestic spending on refugees; and
- deepening existing policy-based approaches.

It would also be important to invest in systems to monitor adherence to good practice by:

- strengthening the capacity and engagement of parliamentary committees and audit offices;
- ensuring regular independent evaluations of donor programmes and policies and system-wide evaluations; and
- enhancing the role of the DAC in developing and monitoring humanitarian assistance, including more effective aid reporting.

There is also a need for humanitarian organisations to maintain a critical dialogue with the official aid community, demonstrating their legitimacy as independent humanitarian actors, based on their competence as well as their mandates, and the inherent value of organisational autonomy in enhancing aid effectiveness. Agencies have varied in their capacity to engage in and sustain such dialogue.

In taking forward this agenda, it will be important to recognise both its modesty and its significance. It is modest in that it is concerned with a relatively tiny proportion of global wealth. It is significant because the definition and management of these funds says much about the relationship between the most powerful nations and some of the world's most marginalised people. The question is not whether donors should be involved in the management of humanitarian assistance, but why and how they exert their influence.

This Briefing Paper is drawn from Joanna Macrae et al., *Uncertain Power: The Changing Role of Official Donors in Humanitarian Action*, HPG Report 12 (London: Overseas Development Institute, 2002). The report is available from www.odi.org.uk/hpg/publications.html. Printed copies are available on request from ODI.

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