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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 examines key trends in the financing of humanitarian assistance.
- Humanitarian aid has increased, amid overall falls in the share of national wealth allocated to development assistance.
- Disbursement channels are changing; donors are looking to NGOs, and earmarking more of their funding to multilateral agencies.
- The US is by far the largest donor of humanitarian aid, and dominates the global humanitarian system.
- There are wide variations in the aid allocated to particular emergencies. There is scant evidence that these variations reflect real levels of need.



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Financing international humanitarian action: a review of key trends

Key patterns in humanitarian assistance

Overall, global humanitarian assistance more than doubled over the 1990s, from \$2.1 billion at the beginning of the decade to \$5.9bn in 2000. This growth is linked to the predominance of complex conflict-related emergencies. In 2001, donors contributed \$2.1bn in response to 20 complex emergencies, and \$311 million for 49 natural disasters. Although the number of people and countries affected by natural disasters is greater than for complex emergencies, conflict-related crises usually cause greater loss of life and entail more expensive response operations. The exception is a particularly severe and large-scale natural disaster, like Hurricane Mitch in 1998, when the response exceeded the combined total for all natural disasters in the previous five years.

While humanitarian assistance has grown, donor countries are contributing a smaller and smaller share of their wealth to overseas development aid (ODA) as a whole. In the 1970s and 1980s, they contributed around half of the UN's target of 0.7% of gross national product (GNP); by the 1990s, overseas aid had declined to an all-time low of 0.22%. In the US, less than 0.1% of the national budget is spent on ODA, the lowest level in decades. Even traditionally generous countries like Denmark are cutting their spending in this area. This means that humanitarian aid is now accounting for an increasing portion of shrinking overall assistance. As a percentage of total ODA, it reached 10.5% in 2000, compared with an average of 5.8% between 1989 and 1993.

Humanitarian aid is the most high-profile and emotive part of a donor government's

Box 1: Limits to the data

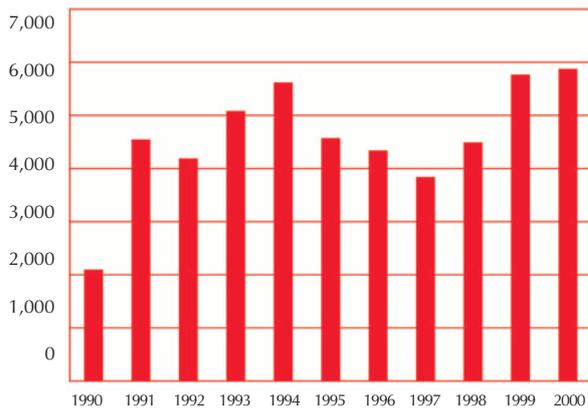
Humanitarian assistance is notoriously difficult to track: data is patchy and not easily available; there is no official global calculation of total aid flows; and definitions vary and are inconsistent. This makes accurate analysis of aid flows difficult, while lack of transparency is a major obstacle to accountability. This analysis therefore relies on data from the Development Assistance Committee (DAC) of the OECD. There are obvious, though currently unavoidable, limitations in relying on DAC figures to assess overall patterns in humanitarian assistance. Official DAC data obviously excludes humanitarian assistance provided by non-DAC members. Yet for some emergencies, such as Somalia and Afghanistan, reported aid flows from non-DAC governments, such as Arab nations or, in the past, the Soviet Union, have been substantial. The absence of reliable data means that we cannot comment on these sources of finance, other than to indicate that, in some instances, they may be significant. DAC data does not include private contributions, and information on this is not collated systematically. Again, this is an important part of overall humanitarian funding, especially for NGOs; a US government report in 2001, for instance, estimated that private contributions account for between 10% and 15% of total humanitarian assistance.*

* See *Global Humanitarian Emergencies: Trends and Projections, 2001–2002* (Washington DC: National Intelligence Council, 2001).

aid budget, and can play an important ambassadorial and public relations role for the aid project as a whole. There is consistent, though by no means assured, public support for emergency assistance in response to major crises. In Canada, for example, a poll in 1998 showed that humanitarian concerns were the public's main reason for supporting overseas aid. In the US, the public has repeatedly backed US action in response to major humanitarian disasters, even though voters tend to believe that their government spends far more of the national budget than it should on aid.

There are wide fluctuations in the amount of humanitarian aid that the key donors make available each year. This reflects the unpredictability of major, high-profile emergencies. Aid peaked in 1994–95, as a result of the Great Lakes crisis, and again with the Kosovo emergency in 1999–2000 (see Figure 1). However, aside from these periodic surges the bulk of the humanitarian caseload is actually fairly static. Many emergencies last for years, even decades. Parts of Ethiopia, for example, suffer from chronic food insecurity, and receive humanitarian assistance year after year. The chronic nature of many emergencies is at odds with the annual, short-term 'project-cycle' basis on which official donors pledge most humanitarian assistance. That said, in some instances the occurrence of a major emergency can have a 'ratchet effect' on overall aid levels, with assistance sustained at the emergency level, or at least substantially higher than in the previous period. For example, in Ethiopia ODA was always below \$100m before 1984; since then, it has always been above \$300m. In Jordan in 1991, the Gulf War resulted in increases in ODA from \$100m to \$500m, and to \$700m in 1992. From 1993 to 2000 ODA averaged \$300m a year. (This pattern is not, however, universal. In Rwanda, for instance, aid levels had dropped to \$175m by 2000, close to the pre-crisis level of \$150m per year.)

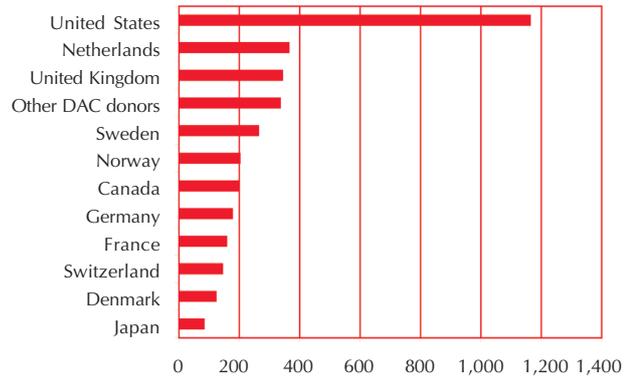
Figure 1: Total humanitarian assistance (US\$m, 1999 prices), 1990–2000



Who provides humanitarian assistance?

The US is by far the largest provider of humanitarian assistance, accounting for around a third of the total for the DAC countries between 1998 and 2000 (see Figure 2). The other consistently large donors are Australia, Canada, France, Germany, the Netherlands, Norway, Sweden, Switzerland and the UK. The predominance of the US is especially marked in Africa, where Washington provides 39% of humanitarian assistance compared with 29% in Europe. The UK provides 21% of humanitarian assistance for Europe, but only 8% for Africa. Just as different

Figure 2: The major donors of humanitarian assistance, 2000 (US\$m)



donors focus on different regions, so the importance of humanitarian aid within overall assistance budgets varies between donors. The Nordic countries and Switzerland allocate a fifth to a quarter of their bilateral aid to humanitarian assistance, the US averages 10%–15% and the UK 12%; eight governments, including very large and very small donors, allocate less than 10% of their overall ODA to humanitarian aid.

Box 2: What exactly is humanitarian assistance?

Defining what precisely constitutes humanitarian assistance is a perennial problem. The definition used here is the one used by donors to report their allocations to the DAC, which understands humanitarian assistance as emergency and distress relief. There are, however, difficulties in defining 'emergency' relief, as opposed to rehabilitation or more developmental assistance. Somewhat controversially, conflict reduction and management may also be included as an objective of humanitarian assistance, which means that such projects and programmes may be funded from humanitarian budgets.

A further – and less well-known – complication arises because DAC donors can now include aid to refugees within their own countries, for their first year of residence, in their calculations of humanitarian assistance. In 1999 and 2000, this portion of expenditure accounted for a remarkable \$1.3bn and \$1.4bn, respectively 31% and 38% of total bilateral humanitarian assistance for the year. This, of course, distorts the figures and exaggerates the increase in humanitarian aid. Moreover, comparisons between countries are complicated by the fact that not all donors include this expenditure in their humanitarian aid reporting; the UK, for instance, does not.

How is humanitarian assistance channelled?

UN agencies

At first sight, the proportion of humanitarian assistance contributed by DAC donors to the UN agencies appears to have declined throughout the 1990s. However, if aid allocated to refugees within donor countries is excluded, the share of spending channelled through the UN seems to have remained fairly static, with the important exception of the Kosovo crisis in 1999, when the volume and share of multilateral humanitarian assistance channelled through the EC was, exceptionally, slightly higher than multilateral humanitarian assistance through the UN.

While the proportion of funds channelled through the UN agencies has remained roughly the same, donor governments are increasingly earmarking these contributions for particular activities in particular countries. Between 1998 and 2000, UNHCR's proportion of unearmarked resources fell from 26% to 18%. In WFP, only 10% to 15% of resources were unearmarked in the last three years. This shift towards earmarking is partly a result of changes in the way that UN agencies raise their funds. All resources obtained through the Consolidated Appeals Process (CAP), introduced in 1992, are by definition earmarked because each appeal relates solely to a particular emergency. It is also partly the result of donors' increased concerns with the accountability of humanitarian aid funds, and dissatisfaction in some quarters with the UN's performance. While a number of the major donors still profess a commitment to multilateralism, this support is clearly more contingent and conditional than it used to be.

Increased earmarking reflects donors' greater interest in knowing, and choosing, exactly where their resources go. As such, it has important implications for how and where aid resources are distributed. Earmarking enables donors to decide which emergency response or activities they want to target. It also reduces the flexibility of agencies with a global mandate, like UNHCR and WFP, and thus their ability to respond quickly to changing circumstances. And it has an immediate impact on their ability to cover management and headquarters costs.

NGOs and the Red Cross Movement

By the end of the 1990s, most donors were channelling at least a quarter of their humanitarian assistance through NGOs. For some,

Box 3: UNHCR and WFP in focus

Funding patterns have also changed among the UN agencies. Up to 1996, UNHCR consistently received more funding than WFP. Thereafter, the situation reversed, so that WFP's relief expenditure now exceeds UNHCR's; in 2000, it was about twice as large.

This change is partly functional: many of the major international relief situations of the past decade – the food crisis in North Korea, Hurricane Mitch and the Mozambique floods – have not involved large flows of refugees, and therefore have not involved UNHCR. It is also partly political: in a number of complex emergencies, donors have sought to contain would-be refugees within the borders of their home countries. These people are strictly speaking displaced, rather than refugees, and so fall outside of UNHCR's remit.

These changes aside, both UNHCR and WFP face a chronic problem of under-funding. UNHCR reports that, while the number of people 'of concern' to the agency has fallen to 80% of the 1995 peak, resources have declined to 60% of peak levels.¹ Similarly, WFP received around 80% of the funding it needed in 2000.

Both UNHCR and WFP depend on a very small number of donors. In 2000, for instance, around half of WFP's relief resources came from the US, while for UNHCR the US, the EC and EU member states and Japan accounted for some 85% of all contributions. These same donors are particularly stringent in their earmarking. This overwhelms and neutralises the potential impact of the more 'multilateral' donors, such as Denmark, the Netherlands, Norway and Sweden, whose unearmarked contributions range from 40% to 80%.

the percentage is much higher – 36% for Denmark in 1999, 40% for France and 60%–70% for the US. The European Commission Humanitarian Office (ECHO)'s expenditure through NGOs has grown most sharply, from around 40% in the mid-1990s to 64% of humanitarian assistance (\$326m) in 2000. This exceeded the bilateral humanitarian assistance of all but three donors that year. In the UK in 2000–2001, 41% of the Department for International Development (DFID)'s total support for NGOs went to humanitarian assistance, compared with just 17% the year before. Whilst this trend may be partially distorted by the 'Kosovo effect', the preference for channelling funds through NGOs has clearly intensified.

Donors are favouring NGOs for the same reasons that they are reducing the amount of multilateral funding for the UN. It is easier to hold NGOs to account for the resources they spend, and donors' visibility significantly increases if they channel their funds through their 'own' NGOs.

For the NGOs themselves, official donor funding accounts for a varying portion of overall emergency income. Some, notably Médecins Sans Frontières (MSF), regard official funding with caution, and set ceilings on the proportion they will accept. Others, particularly some of the larger US organisations, are heavily dependent on government funding. Five – CARE, Catholic Relief Services, the International Rescue Committee, Save the Children and World Vision – account for fully a third of the US government's total annual support to NGOs; three of these agencies rely on Washington for half of their total funding in any given year, and for one the proportion is nearer 90%. UNHCR estimates that, in 1970, its NGO partners received on average 1.5% of their income from governments. By the late 1990s, this had reached approximately 40%.²

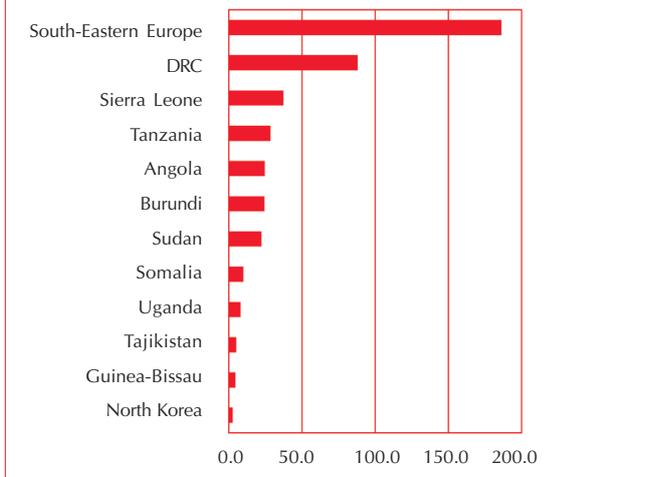
NGO income is also powerfully affected by public appeals. As noted above, the scale of private giving in response to a particular emergency is difficult to gauge with any certainty across the sector. Figures for the UK, however, suggest that it may be significant, particularly for the larger agencies and for faith-based organisations. For Oxfam, for example, DFID funds make up only around a third of overall income, and for Christian Aid around a quarter. In some instances, funds raised through public appeals mounted by the Disasters Emergency Committee (DEC) more than match equivalent humanitarian funding from DFID. In response to the Gujarat earthquake in 2001, for example, the DEC raised £24m, compared with the £12.2m allocated by DFID. After a major disaster, NGO incomes tend to settle back to a level significantly higher than they were before the crisis.

The amount of humanitarian assistance channelled through the ICRC and IFRC also increased during the 1990s. Spending reported through the CAP almost doubled between 1992 and 1995, to \$560m. It declined in the following three years, but still remained above its 1992 level. ICRC alone accounts for about 10% of total bilateral humanitarian assistance.

ECHO

ECHO is both a donor and a recipient of humanitarian aid funds. It receives humanitarian assistance funding from EU member states, and allocates humanitarian assistance through UN agencies and NGOs. ECHO is a significant player; its share of humanitarian assistance rose steadily from 1992 to 1997,

Figure 3: Bilateral humanitarian assistance per affected person (US\$ per person), 2000



accounting for a fifth of total spending, although it fell to 12% in the following two years. Nonetheless, ECHO's budget still tends to be higher than all bilateral donors apart from the US. Over the past three years, ECHO has channelled less than a fifth of its expenditure through the UN, compared with an average of 31% between 1992 and 1997.

Who receives humanitarian assistance?

Over the past six years, bilateral humanitarian assistance has been split fairly evenly between three regions, Africa, Asia and Europe, with each receiving around a fifth of the total. For the main multilateral agencies, the picture is slightly different: in 2000, for instance, 46% of UNHCR spending and 64% of WFP expenditure allocable by region went to Africa. ECHO's allocation of humanitarian expenditure shows a strong European bias, with 47% being spent in Central and Eastern Europe between 1993 and 2000, almost half of it in the former Yugoslavia.

Data on the allocation of funds per affected person, although precarious, is also revealing. During the 1990s, funding per affected person in the Great Lakes and the former Yugoslavia was roughly twice the average for surrounding countries. Funding requests also far outstripped those for other regions. While the average request for Africa between 1995 and 1997 was between \$50 and \$90 per affected person, for the Great Lakes it was never lower than \$150, and peaked at \$235. In the former Yugoslavia, requested funding per head ranged from \$150 to \$300 compared with a regional average of under \$120. In 2000:

- five countries received less than \$10 per affected person (North Korea, Somalia, Tajikistan, Uganda and Guinea-Bissau);
- five received between \$20 and \$36 per person (Sudan, Angola, Burundi, Sierra Leone and Tanzania);
- one received \$87 per person (the Democratic Republic of Congo); and
- one region received \$185 per person (South-Eastern Europe).

These substantial differences cannot be entirely explained by the varying costs of providing humanitarian assistance in different

countries. Instead, they imply that different standards are being applied, and that resources are not being allocated on an equitable basis. In other words, the allocation of humanitarian assistance is not impartial. The major destinations of official humanitarian aid funds tend to be high-profile emergencies, and emergencies in countries or regions that the donors consider politically or strategically important. Over the past decade, these countries or regions have included the Balkans, Israel, Iraq, Rwanda and Afghanistan. Conversely, countries with unpopular governments and/or 'invisible' emergencies tend not to attract such large amounts of donors' resources. Thus, WFP was unable to secure any resources in response to the drought that struck Cuba in 1998.

Conclusions

Surprisingly little attention has been paid to tracking humanitarian assistance at a global level, with a corresponding lack of investment in strengthening the process of data collection. As humanitarian assistance grows, both in absolute terms and as a proportion of overall ODA, improving data collection and analysis will become increasingly important. The absence of easily accessible and comparable data reduces transparency, and hinders accountability across the humanitarian system. It also makes coordination more difficult, and obstructs informed decision-making. Specifically, the inclusion in official humanitarian aid statistics of money spent on refugees in the host country constitutes a significant distortion of the data.

The lack of a comparable indicator of humanitarian need across emergencies is a major limitation in assessing the fairness and impartiality of aid allocations. The CAP comes closest to performing this role, but its inadequacies are well-known, including the absence of data for inaccessible areas, and widely varying methodologies for assessing need in different countries. A priority must be improving the comparability of need across emergencies, and thus the equitable and efficient allocation of resources according to need. Given the scale of spending, even modest steps could result in significant improvements in the extent to which humanitarian assistance reduces poverty and meets the needs of victims of humanitarian crises.

Notes

- 1 *Refugees by Numbers* (Geneva: UNHCR, 2000).
- 2 *Review of UNHCR Implementing Arrangements and Implementing Partner Selection Procedures* (Geneva: UNHCR Inspection and Evaluation Service, 1997).

This Briefing Paper is drawn from Judith Randel and Tony German, 'Trends in the Financing of Humanitarian Action', in Joanna Macrae (ed.), *The New Humanitarianisms: A Review of Trends in Global Humanitarian Action*, HPG Report 11 (London: ODI, 2002); and from Joanna Macrae et al., *Uncertain Power: The Changing Role of Official Donors in Humanitarian Action*, HPG Report 12 (London: ODI, 2002). These reports are available from www.odi.org.uk/hpg/publications.html, or on request from the ODI.

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