Inputs to the High Level Panel on Humanitarian Financing from the NGO Community

June 2015

This paper is intended to inform the work of the High Level Panel (HLP), with collective analysis by NGOs on the current state and future potentials of financing humanitarian action. Based on a foundation of NGO experience, this paper is the result of a consultative process, with input received from various NGO networks and individual NGOs.

Overall considerations for HLP representatives

This group urges HLP representatives to consider the following foundational elements:

• Provide bold, practical, actionable recommendations
• Ensure recommendations are based on Humanitarian Principles
• Ensure a focus on better spending, not just more money
• Focus on the interests of disaster affected communities, not institutions

Listed below, this submission considers current system-wide challenges of insufficient resources for humanitarian action; barriers to local, national and regional participation; limited transparency and efficiency; and rigid and exclusive financing mechanisms.

Insufficient resources for humanitarian action and support for protracted crises

In addition to identifying additional sources of humanitarian financing, we must consider how to balance the needs of chronic, ongoing, underfunded crises with media driven situations where funding is easier to attract. New funding sources may include:

• Engage emerging economic powers to increase humanitarian funding commitments: Current and potential sources of funding in transitioning economies, including wealthy states, individuals and companies outside of the traditional donor base, should be motivated to contribute to humanitarian financing. Options include promoting state based tax-deductible donations and other incentives.

• Move from voluntary, to mandatory, humanitarian funding: Such funding could be developed through assessed contributions of Member States. Establishing such a system would be fraught with complexity and political considerations.

• Leverage development funding: Humanitarian crises can reverse decades of progress in seconds. Until greater coherence is made between humanitarian action and development, limited impact will be coupled with increased humanitarian needs. Strategically releasing on-hold development funding in protracted crisis, could help meet current needs, reduce vulnerabilities and protect development gains.

• Promote the use of risk financing to free up humanitarian funding: The use of risk financing may assist in reducing gaps in humanitarian financing, ensuring funds are available and released in the event of a natural disaster. Such a system would involve Governments paying annual premiums linked to actuarial risk assessments, with
contributions from development and humanitarian actors. Risk financing, more suited in response to natural disasters as opposed to conflict, could then free up other humanitarian funds for protract crises.

**High barriers to local, national and regional participation**

Significant barriers remain for national and regional humanitarian actors to access humanitarian financing: Numerous, complex humanitarian financing systems and excessive due diligence processes continue to limit NGO access to humanitarian funding, particularly national NGOs (NNGOs). We must prioritize funding to the best-placed actors. Depending on each humanitarian context, this will be a mix of NNGOs and government, undertaken in complementarity with international NGOs, the Red Cross Red Crescent Movement and the UN.

**Barriers to participation by local organizations** can be reduced through various initiatives, including:

- **Simplify UN, donor and INGO contracting processes**, through ensuring consistency in guidelines, budgeting and donor conditions.

- Ensure **due diligence procedures better reflect the specific proportionality of NNGOs**, particularly in smaller scale operations.

- Commit to a **percentage of humanitarian aid is accessed directly by local actors**.

- Develop simplified and streamlined partner capacity assessments for CSOs and NNGOs (potentially through Humanitarian Country Teams) to access funds rapidly.

**Lack of transparency and limited efficiency**

There remains a lack of transparency of the inputs, flow, outputs and impact of humanitarian financing. Despite existing tools and measures, an increasing demand for compliance, risk management and counter-terrorism measures have resulted in a greater percentage of humanitarian finance internally absorbed, rather than being utilized to directly support affected populations.

- **Promote greater transparency** with a clear picture of who gives what, where, and the value chain of ‘pass-throughs’. A review could: gather comparative evidence around the efficiency and value-add of different (UN and non-UN) funding mechanisms; analyze the link between risk appetite and burden sharing; inform decisions around which funding mechanisms are most suited to particular contexts; and inform the development of new financing mechanisms.

Advances in technology can greatly increase efficiency, scale and access in financing humanitarian action. However, limited investment and utilization of new technology to date, has stifled improvements.

- **Utilize technology to improve speed and access**: Leverage technology, with a focus on increasing access and speed of transfers. This may include exploring the potential of crypto-currencies (e.g. bitcoin) as an effective way of transferring funds.
Humanitarian reform processes have resulted in a standard UN-led system response, which fails to acknowledge the wide variety of contexts and scenarios in humanitarian action. Humanitarian financing mechanisms also remain predominantly rigid, to the extent that potential new funding sources (emerging states, the private sector and wealthy individuals), are unable to or uninterested to engage in the international humanitarian system as currently configured.

- **Unlock new funding sources** - Different situations and diverse donor mixes (e.g. business in Asia and Arab donors in the Middle East) illustrate how funding mechanisms need to go beyond a “one size fits all” approach, towards a range of mechanisms that better reflect regional and local contexts and provide inspiration to new actors. Different pooled fund mechanisms at country, regional and sectorial levels may be one answer.

The above recommendations represent an initial, brief submission to the HLP. NGO consortia members welcome a continued dialogue with HLP representatives and its Secretariat over the coming months.