



Finance Outcomes, Not Fragmentation: Shift from Funding to Financing

Analytical Paper on WHS Self-Reporting on Agenda for Humanity Transformation 5D

Executive Summary:

This paper was prepared
by Sandra Aviles:¹

At the World Humanitarian Summit (WHS), there was consensus that addressing the complexity of humanitarian crises and threats warrants approaches that integrate well-sequenced country and context specific responses with global and regional support. Concomitantly, there was also agreement that financing of such responses requires a fundamental change in the way the international community mobilises, targets and coordinates resources to achieve collective outcomes.

38 stakeholders submitted self-reports regarding commitments towards financing collective outcomes and progress to date. Since there had not been any collective outcomes identified to work towards in the reporting period, progress was primarily articulated around revisiting and putting in place more flexible and predictable funding modalities and adopting policy and operational measures to create an environment conducive towards greater coherence between humanitarian, development, peace/stabilization (and in some cases climate) finance.

In the follow-up to the WHS, the commitments to “leave no one behind” and “work differently to end needs” require a radical change in the way the international community does business. This transformational change was identified as working toward and financing collective outcomes that multiple years reduce needs, risk and vulnerability. Whilst the progress reported on financing collective outcomes is commendable, the progress to date is only the tip of the iceberg. For the humanitarian community, financing collective outcomes requires wider and deeper knowledge of financing tools, mechanisms and approaches as well as working effectively with colleagues across different disciplines and sectors and expanding partnerships with actors in the private sector such as the multilateral development banks.

It is important to recognise that reporting by the international humanitarian community on progress to finance collective outcomes can only provide a partial picture of the actual state of play on achieving transformative change against this commitment. Therefore, progress on this commitment will require continuous dialogue and learning across different communities of actors, in which there can be a meaningful exchange on what works and what does not.

¹ Sandra Aviles, former senior advisor on humanitarian affairs for one of the UN specialised agencies, has coordinated research on international humanitarian policy and action since 2009. Her most recent work has focused on humanitarian financing and the nexus between humanitarian-development and peace. The views expressed in this paper are those of the author and do not necessarily reflect the views of the United Nations Secretariat.

Most significant progress made across reporting on transformation 5D – Finance outcomes, not fragmentation: Shift from funding to financing

In May 2016, over 90 individual and joint commitments were made to shift from funding to financing with several stakeholders pledging to employ a fuller range of financial options. During this reporting period, 38 stakeholders submitted self-reports on their commitments. To the extent that reporting in the Platform for Action, Commitments and Transformations (PACT) provides a snapshot of the state of progress against commitments made by the international humanitarian community at the WHS, it is fair to say that there has been important albeit uneven progress towards the commitment on financing collective outcomes. As there were no collective outcomes yet to report against, donors and aid agencies predominately focused their reporting on progress in putting in place the technical and financial enabling conditions that would in principle allow for the pursuit of collective outcomes and more flexible working arrangements across the humanitarian-development-peace nexus. As such, progress was primarily articulated around revisiting and putting in place more flexible and predictable funding modalities and adopting policy and operational measures to create an environment conducive towards greater coherence between humanitarian, development, peace/stabilization (and in some cases climate) finance.

Shift to multi-year funding frameworks

Overwhelmingly, all stakeholders reported the adoption of and/or phased shift to multi-year funding frameworks as a significant part of their progress on implementing their commitments focused on financing collective outcomes. Out of the 38 stakeholders, over 65 per cent reported shifts to multi-year/multiannual funding frameworks.² The shifts largely related to a plan to ensure predictable funding to key humanitarian partners (in the case of donor agencies) or as part of the objective to integrate longer-term thinking into humanitarian response thus achieving greater alignment between short-term humanitarian assistance and development investments within their own institutions. In some cases, the shift to multi-year funding was made contingent upon the availability of robust analysis and planning, and on comparative advantage (in a given country or operational context). The majority of the stakeholders reporting this shift to multi-year funding were resource partners (donors), whilst operational agencies reported progress in establishing multi-year planning frameworks and piloting this approach in different country contexts.

“There is a recognition that the SDGs and the commitment to ‘leave no-one behind’ provides a new framework to ensure humanitarian and development actors deliver in situations of crisis to their best ability. A key part of this is identifying efficiency gains by donors and agencies and how to utilize financing in a manner that incentivizes joint delivery and reduces risk in the long term. The commitment (to finance collective outcomes) was made to ensure that there is a shift in the way that actors across the humanitarian and development spectrum, on both the donor and agency side, respond jointly to crisis.”

UNDP

Increased level of soft earmarking or unearmarked funding provided to aid agencies

One-third of the 38 stakeholders (mainly donor agencies) underscored that financing of collective outcomes required fundamental shifts towards more predictable funding (through multi-year frameworks) accompanied by flexible funding. For example, the European Union (EU) stated that the “operationalization of multi-year strategies are dependent upon ensuring flexibility within multi-year grants to adapt to changing humanitarian contexts or needs.”

² This percentage is in reference to the self reports against Commitment 5D submitted in the PACT as of 26 May 2017.

Stakeholders reported adherence to the Grand Bargain commitment i.e. to increase unearmarked funding by 20 to 30 per cent by 2020.

Increased funding for the CERF and for Country based pooled funds

Some organisations reported that to advance this transformation, pooled funding – through humanitarian financing tools such as the Central Emergency Response Fund (CERF) and the Country-Based Pooled Funds (CBPFs) – required increased funding to meet the increased needs in crisis ridden countries. Australia, Iceland, Canada, and Germany are all significantly increasing their funding to the CERF, whilst Belgium is targeting strong support to flexible funding mechanisms such as the CBPFs because “...these instruments also allow a context-based approach and a local response whenever it is possible, by directly financing local actors and reinforcing their capacities.”

Increased funding towards specific crises, adopting a whole of government strategy

Donors reported specific references to concurrent financial support for situations of protracted refugee and displacement caseloads through humanitarian sources as well as to host communities through development aid budgets. For example, Norway, Australia, Canada and the United Kingdom are applying a whole of government approach, which involves substantial increases to humanitarian funds with simultaneous increases in funding in development and peacebuilding cooperation, targeted at the same crisis within specific country and regional contexts.

Adoption and piloting of new financing approaches

Some aid agencies are piloting new approaches to financing specific thematic issues through partnership agreements that are funded by both humanitarian and development budgets. Denmark removed barriers to humanitarian and development efforts by targeting certain thematic issues (ie sexual and reproductive health and rights, gender equality and eradication of GBV), and developing one partnership agreement with two aid agencies – the United Nations Children’s Fund (UNICEF) and the United Nations Population Fund (UNFPA) – involved in the implementation of actions for these particular issues.

Establishment of joint humanitarian-development working platforms and in some cases, joint strategies within national institutions

Some donors have established various financial mechanisms and trust funds that could finance both rapid humanitarian response and resilience building activities. The EU, Switzerland, Turkey, Action Against Hunger International, the United Nations Food and Agriculture Organization (FAO) and the International Organization for Migration (IOM) are piloting joint humanitarian-development strategies in specific country contexts. Belgium, Ireland, Canada, Finland and Norway have adopted internal working methods that bring together actors across the nexus to promote joined up planning, programming and financing. Lithuania and Slovenia recently launched policies that will see more joined up work between humanitarian and development work in their national settings.

In its 2020 strategy, the International Rescue Committee (IRC) developed a systematic way to focus on clearly defined outcomes that can be consistently measured across all the contexts. With the Outcomes and Evidence Framework (OEF), IRC staff and partners identify feasible outcomes and explore theories of change for program planning. The framework can be used to

advocate for and demonstrate the necessity of multi-year planning and funding. Delivering and financing collective outcomes shared by all stakeholders are central to this. In addition, together with the Centre on Global Development, the IRC launched a report on *Refugee Compacts: Addressing the Crisis of Protracted Displacement*, which put forward game-changing policy recommendations with practical guidance on how the international community can fund, manage and create incentives for collective results at the nexus of humanitarian and development action to address protracted displacement. Finally, France and the EU have established and launched hybrid trust funds that seek to simultaneously finance humanitarian action and longer-term resilience building work.

Closer involvement with International Financing Institutions and support to innovative financing approaches, processes (ie IDA 18) and mechanisms (such as the Global Concessional Financing Facility)

One of the most significant game changers at the WHS was the presence of the World Bank, the Islamic Development Bank and other multilateral development banks and their commitment to work towards more coherent financing solutions to address fragility and risk. Stakeholders reporting on financing collective outcomes reported closer engagement with the process on IDA 18 (UK, Austria, Norway). There has been a record replenishment of funding to IDA 18 (International Development Association), including the doubling of resources (more than USD 14 billion) to address fragility, conflict and violence, and the root causes of these risks before they escalate. Additional financing has also been provided for refugees and their host communities (USD 2 billion). Increased financing will help strengthen IDA's support for crisis preparedness and response, pandemic preparedness, disaster risk management, small states and regional integration.

The main barriers/ challenges to progress

The previous section outlined a series of emerging approaches, tools and mechanisms that have the potential to transform the policies and working methods of the international humanitarian community to shift from funding to financing collective outcomes. Notwithstanding positive steps, stakeholders reported the following barriers/challenges.

Intra- and inter-institutional constraints

Several stakeholders noted that a greater focus is required on shared situational analysis and joined up planning between the UN, World Bank and other actors in order to drive the transformation from funding to financing forward. Existing silos of humanitarian and development funding create an inherent lack of flexibility of financing mechanisms and do not encourage the application of development-oriented approaches from the onset of an emergency and in protracted refugee situations (Canada, the United Nations Development Programme (UNDP), France). Others noted that co-financing collective outcomes across the humanitarian-development nexus is challenging, due to differing structures, institutional mandates and ensuing synchronisation of action (Ireland, Diakonie Katastrophenhilfe).

Policy/operational constraints

Various stakeholders noted policy and/or operational constraints within their own national apparatus. Some stakeholders expressed concern over the “collective” part, in that working together (humanitarian-development-peacebuilding) poses a challenge in safeguarding

humanitarian principles (Germany, Diakonie Katastrophenhilfe). Others noted the challenge to ensure the benefit of multi-year funding to aid agencies also translates to multi-year allocations to implementing partners, maximising efficiency and effectiveness gains (EU, Australia, Canada). Some stakeholders further noted that greater transparency is required to advance the transformation to financing collective-outcomes, as transparency is a fundamental part of improving efficiency, effectiveness and accountability of all crises-related financing (the Netherlands, Development Initiatives, International Committee of the Red Cross, International Council of Voluntary Agencies). UNICEF noted that the UN Development System needed to develop more flexible and risk-informed policies and procedures regarding innovative financing modalities to enable financing across humanitarian-development-peacebuilding actors.

Financial/budgetary/fiduciary constraints

Stakeholders reported tangible constraints linked to the shift to more multi-year funding. For smaller donors such as Finland, committing to multi-year funding could also reduce their flexibility to respond to other crises, as a larger share of funds will be allocated and tied at the beginning of the calendar year, leaving them with little flexibility to provide funding for other crises which may transpire during their fiscal year. For others like the EU, balancing annual budgetary allocations from central authorities with multi-year funding allocations to partners has proven challenging. On financing innovation, Action against Hunger International noted that there is lack of funding to test innovation on what works and what does not.

Funding to financing: challenges within and beyond humanitarian financing

There are also a series of significant challenges that go beyond the traditional grant based financing to meet humanitarian needs that require careful consideration. In adapting humanitarian financing to both meet growing humanitarian needs and collective outcomes, financing challenges and solutions will need to be explored against the backdrop of specific contextual and crisis situations. Moreover, the step change from funding to financing will require a deeper and wider knowledge of financial flows and available financing from across the humanitarian-development-peace nexus and how these can be used to structure financing (catalysing, leveraging, blending, sequencing and layering) to deliver collective outcomes.

Overall reporting by the international humanitarian community on progress to finance collective outcomes can only provide a partial picture of the actual state of play on achieving transformative change against this commitment. On the development side, there are substantial changes underway in identifying and implementing financing approaches and tools and in forging policy statements that define the parameters for closer collaboration among humanitarian-development and peacebuilding actors. For example, the International Network on Conflict and Fragility (INCAF) has recently met to review the systemic and operational changes needed to deliver on the Stockholm Declaration and “leave no one behind”.³ The UN, the World Bank Group and key financing actors are partnering to identify new financial solutions for resource mobilization, allocation and effective channelling of financing to address situations of crises, fragility and conflict.⁴

³ https://www.pbsdialogue.org/media/filer_public/1e/23/1e237c73-5518-4a03-9a87-b1aa6d914d20/stockholm_declaration.pdf

⁴ Partnering between the UN and the World Bank will build on existing work stemming from the World Humanitarian Summit and Grand Bargain, the recent IDA18 replenishment and its focus on fragility, conflict, and violence; the WBG’s Global Crisis Response Platform, the UN’s ongoing work on Financing for Sustaining Peace and the UN, OECD and WBG mapping of financing instruments for protracted crisis, fragility and sustaining peace as well as the broader debate on innovative financing.

Future self-reporting on the commitment to finance collective outcomes could benefit from a different format to adequately gauge the progress made to date. In order to finance collective outcomes and bring about the step change in how humanitarian action is conceived, planned, implemented and evaluated to achieve transformative results, financial solutions and strategies will need to evolve to consider the full range of financial flows available in a specific context or crisis and instruments tailored to the specific context and crisis.

Measuring progress

Most stakeholders reported on progress through internal existing reporting and assessment channels. Stakeholders who are signatories to the Grand Bargain used their progress report against the Grand Bargain commitment to report on the PACT commitment on financing collective outcomes (or vice-versa), particularly in regards to commitments under the multi-year planning and financing workstreams, earmarking workstreams and the humanitarian-development nexus.

There were no unified benchmarks or indicators to monitor measureable progress against this commitment. Several stakeholders have developed bespoke monitoring systems to measure progress on outcomes or on piloting of joint humanitarian and development work. Some good practice examples are:

- IRC developed an interactive outcomes and evidence framework (iOEF) that contains the tools needed to design effective programs. IRC staff at headquarters and across 30 countries, have access to (i) outcome definitions and indicators for how to measure those outcomes, (ii) theories of change that describe the pathways for achieving those outcomes and (iii) the best available quantitative evidence on interventions that can contribute to that outcome. The iOEF was rolled out through workshops, webinars and conferences inside and outside the IRC. In the last quarter of 2016 alone, the iOEF had over 2000 users from 98 different countries.
- FAO embedded their reporting on their WHS commitments in their *Medium Term Planning Framework 2018-2021*. Indicators and benchmarks to measure progress are the same for the Sustainable Development Goals, for the Sendai Framework for Disaster Risk Reduction and the WHS and Grand Bargain commitments.
- Action Against Hunger International uses an Interagency Regional Analysts Network that undertakes strategic planning and foresight, to track progress on an annual basis and uses surveys to gauge feedback.
- Along with the United Kingdom's own internal monitoring mechanisms, the UK will also monitor the World Bank's implementation of IDA-18, which will be monitored by a result measurement system and a mid-term review, which is expected to include an assessment on the refugee sub-window.

Gaps between the actions of stakeholders and those that are further needed to advance financing collective outcomes

As noted above, stakeholders reported positive incremental changes to funding modalities as well as increased budgets to humanitarian funds (CERF, CBPFs). Whilst these changes are

important, the step change from funding to financing requires a deeper and wider knowledge of financial flows and available financing and how these can be used to structure financing (catalysing, leveraging, blending, sequencing and layering) to address humanitarian needs and deliver collective outcomes. This will require:

1. A better understanding of the financing architecture, including different tools and approaches;
2. Developing data and evidence that would strengthen the basis on which policies and programmes are designed and policy-makers make their decisions. (OCHA, UK, Development Initiatives);
3. Identifying the financial flows within a given regional and country context and the array of innovative financing tools and partnerships, private sector and domestic revenue toolboxes for a given context and that can be scaled up and supported (UNICEF, Norway);
4. Engaging in and strengthening joined up country-level work around joined up contextual analysis and planning, which is the basis for informed prioritisation and for understanding the right mix of finance and partnerships for specific challenges and risks and according to different regional and country contexts (Canada, EU);
5. Designing financing strategies and architectures that combine the relevant financing instruments, support coordination across humanitarian, development and peace and security interventions, and have the best chance of filling the financing gap (UNDP, FAO);
6. Identifying changes in incentive structures to promote work across the humanitarian-development-peace nexus, and achieve collective results (UNDP, Switzerland).

The implications of wider and deeper knowledge and working methods will also require working effectively with colleagues across different disciplines and sectors as well as expanding partnerships with actors in the private sector and with the multilateral development banks (MDBs).

Examples of good practice

- **Strengthened partnerships with MDBs (UNICEF):** UNICEF strengthened its partnership on fragility with the World Bank Group and other International Financial Institutions (IFIs). This has increased collaboration between UNICEF and the World Bank and other IFIs at country level, including joint programming and investments in crises and other protracted emergencies.
- **Incentive structures revisited (Switzerland):** Switzerland commits to support reform on the UN Development System that would include the introduction of some system-wide objectives followed by system-wide funding in order to reorient the incentive structure towards results.
- **Synchronised humanitarian and development action (Ireland):** In establishing a Conflict and Fragility Team, Ireland committed to joint monitoring visits (humanitarian

and development) to recipient partners to review impact of humanitarian and development funding during the Irish funding cycle and to undertaking concurrent application and appraisal processes for development and humanitarian funding for NGO partners with a to strengthening linkages between relief, recovery and development.

- **Hybrid financing tools (France):** France allocated new funding up to EUR 100 million per year. The Vulnerability Fund will finance multi-year programmes focusing on protracted crises, addressing both short-term humanitarian needs as well as longer-term resilience building interventions.

Recommendations

In the follow-up to the WHS, the commitments to “leave no one behind” and “end needs” require a radical change in the way the international community does business and a move towards collective outcomes. Whilst the progress reported on financing collective outcomes is commendable, the progress to date is the tip of the iceberg. Progress on this commitment will require continuous dialogue and learning across different communities of actors, in which there can be a meaningful exchange on what works and what does not.

“Organisations need to think strategically in order to align short-term programs to longer-term goals such as the SDGs and the commitments at the World Humanitarian Summit.”

Action Against Hunger

Based on the analysis of the self-reports, progress on financing collective outcomes by the international humanitarian community will require the following:

1. Reengage with multilateral development banks, particularly with the World Bank specifically on progress against this commitment and on good practice emerging from ongoing work with humanitarian aid agencies;
2. Identify appropriate forums to engage all sides of the discussions on financing collective outcomes in terms of donor agencies (Good Humanitarian Donorship Initiative, INCAF, stabilisation actors, MDBs) to assess progress and identify opportunities and challenges for mutual learning on financing collective outcomes. The current work led by the World Bank and the UN could provide the appropriate framework for such an exchange.
3. In parallel, working together with development and peace actors in a country context, pilot work on developing context specific financing solutions (through for example the development of an integrated national financing framework), in the context of an ongoing protracted crises. The pilot should be with a view to identifying reforms to the current humanitarian financing system and investments in new tools, mechanisms and technical capacities to make the current system fit for purpose.

About this paper

All stakeholders who made commitments at the World Humanitarian Summit (WHS) in support of advancing the Agenda for Humanity were invited to self-report on their progress in 2016 through the Platform for Action, Commitments and Transformation (PACT) (agendaforhumanity.org). The information provided through the self-reporting is publicly available and forms the basis, along with other relevant analysis, of the annual synthesis report. The annual synthesis report will be prepared by OCHA and will highlight trends in progress, achievements and gaps that need more attention as stakeholders collectively work toward advancing the 24 transformations in the Agenda for Humanity. In keeping with the multi-stakeholder spirit of the WHS, OCHA invited partners to prepare short analytical papers that analyze and assess self-reporting in the PACT, or provide an update on progress on initiatives launched at the World Humanitarian Summit. The views expressed in this paper are those of the authors and do not necessarily reflect the views of the United Nations Secretariat.