High-Level Panel on Humanitarian Financing
Report to the Secretary-General

Too important to fail—addressing the humanitarian financial gap

January 2016
High-Level Panel on Humanitarian Financing
Report to the Secretary-General

Too important to fail—addressing the humanitarian financing gap

January 2016
## Contents

### Executive summary

- [ ] 1. Introduction

### 2. Shrink the needs:
- [ ] a shared responsibility

### 3. Deepen and broaden the resource base for humanitarian action

### 4. Improve delivery:
- [ ] a Grand Bargain on efficiency

### 5. Conclusion

### Annex I

### Annex II

### Notes
Executive summary

The world today spends around US$ 25 billion to provide life-saving assistance to 125 million people devastated by wars and natural disasters. While this amount is twelve times greater than fifteen years ago, never before has generosity been so insufficient. Over the last years conflicts and natural disasters have led to fast-growing numbers of people in need and a funding gap for humanitarian action of an estimated US$ 15 billion. This is a lot of money, but not out of reach for a world producing US$ 78 trillion of annual GDP. Closing the humanitarian financing gap would mean no one having to die or live without dignity for the lack of money. It would be a victory for humanity at a time when it is much needed.

The UN Secretary-General has appointed a nine-person group of experts (“the panel”) to work on finding solutions about this widening financial gap. The panel identified and examined three important and interdependent aspects of the humanitarian financing challenge: reducing the needs, mobilising additional funds through either traditional or innovative mechanisms, and improving the efficiency of humanitarian assistance.

The panel’s work aims to help inform and shape the objectives of the World Humanitarian Summit (WHS) in Istanbul in May 2016. It is also highly relevant in the context of adopting the Sustainable Development Goals (SDGs)—only by focusing the world’s attention on the rapidly growing numbers of people in desperate need will we be able to achieve the SDGs.

Shrink the needs: a shared responsibility

The panel recognises that the best way to deal with growing humanitarian needs is to address their root causes. This requires a strong determination at the highest level of global political leadership to prevent and resolve conflicts and to increase investment in disaster risk reduction (DRR), especially in the most vulnerable communities and countries. Because development is the best resilience-builder of all, the panel believes that the world’s scarce resources of official development assistance (ODA) should be used where it matters most—in situations of fragility.

Beyond focusing ODA on fragile countries and countries experiencing shocks due to conflicts in their surroundings or to natural disasters, there has to be systematic investment in resilience-building. This includes dedicated funds for peacebuilding and conflict resolution at the international level. In this regard the panel endorses the recommendation of the UN Secretary-General’s Advisory Group of Experts on the Review of the Peacebuilding Architecture to put one per cent of core funding allocated to peace operations from assessed contributions of the UN’s Member States into the United Nations Peacebuilding Fund.

Similarly, countries at risk of natural disasters should have emergency reserve funds and dedicated DRR budget lines for risk-reduction activities and for receiving funding when disasters hit. Countries hosting refugees should integrate displacement into their development plans and obtain predictable and adequate international support. And we should also follow the people in need, not the countries, by reclassifying the eligibility criteria for the International Development Association (IDA), thereby giving middle-income countries (MICs) access to its grants and low-interest loans. To further ensure that low-income countries can be assisted in times of crisis, the panel recommends that during the next IDA replenishment its shareholders vote to increase the current level of funding of the Crisis Response Window by at least threefold.

Last, but not least, there must be an end to the short-termism of annual—and retrospective—fundraising by bridging the humanitarian-development divide with programming based on joint analysis. This way vulnerable people can become self-reliant, being helped seamlessly by humanitarian organisations with higher capacity to operate in volatile environments along with development organisations with longer-term funding horizons and better capacity to support economically viable activities.
Deepen and broaden the resource base for humanitarian action

Insufficient funding for humanitarian aid means not only more suffering but also a wider spread of global instability. Helping people in distress is morally right, but it is also in the interest of those who support aid. Today’s massive scale of instability and its capacity to cross borders, vividly demonstrated by the refugee crisis in Europe, makes humanitarian aid a global public good that requires an appropriate fundraising model. In an interconnected world we need solidarity funding capable of crossing borders. The panel proposes that governments use the opportunity of the WHS to sign up to the concept of a solidarity levy and create a steady revenue stream for humanitarian action.

There is an over-reliance upon a small group of ODA donors. While they remain very important and are also encouraged to do more, we are heartened by emerging donors who act on the premise that with greater wealth comes greater responsibility. The panel believes that states that are appropriately credited and recognised for their contributions to humanitarian aid will respond generously. There is a need to better reflect the full contributions of all states to humanitarian action.

Beyond governments, the humanitarian community must harness the power of business to deliver its key skills and capabilities. Business is still a modest factor in humanitarian activities, yet has the creativity and capacity at scale to provide new solutions to risk management, support aid delivery, create jobs, and modernise transparency and accountability. Involving staff in humanitarian action is also motivational, and companies need to be encouraged—from insurance and digital cash to logistics and telecommunications—to get involved in providing their relevant skills and capacity for delivering life-saving assistance.

The time has come for innovative investment in humanitarian action which leads to long-term social improvements. Social Impact Bonds and micro-levies on corporations with high volume transactions have great potential.

Given that the vast majority of conflict-affected populations are in Muslim counties, the role of Islamic social finance is particularly important. Work is ongoing to address how waqf, zakat and other instruments such as sukuk bonds can be channelled effectively and efficiently to meet humanitarian needs. The potential certainly exists for Islamic social finance to provide solutions.

Partnering with media companies for free airtime and directing donors to an alliance of humanitarian partners can reduce fundraising costs, improve the coherence of humanitarian response, ensure funding is used efficiently by partners, and strengthen public trust, increasing opportunities for ‘in kind’ contributions of expertise and other support.

Remittances to the developing world enable people to meet their basic needs and not depend on external aid. The panel thanks the money transfer agencies who already lower their commission rates in times of crises and encourage others to follow suit, preferably waiving charges altogether in such moments. The WHS could be a platform for rallying support for states to meet the SDG target of lowering transaction costs to less than three per cent by 2030.

Partnerships between the media, the private sector and humanitarian organisations to raise funds need to go much further by building on existing successful models. UN agencies in particular should be encouraged to join or emulate them.

Improve delivery: a Grand Bargain on efficiency

The panel concurs with a widely shared view among stakeholders that systemic change in humanitarian aid delivery is needed in order to raise new money and use it more effectively. Greater efficiency will create a virtuous circle by drawing in more funding. Since the status quo is not an option, the panel calls on donors and implementing organisations to come together in a Grand Bargain. As part of that agreement, donors would not simply give more but give better, by being more flexible, and aid organisations would reciprocate with greater transparency and cost-consciousness.

The elements of a Grand Bargain include provision of more cash-based assistance, where appropriate, and recognition of the comparative advantages of local, national and international implementing organisations for delivery of services. To improve response time the panel suggests the creation of a repository of pre-qualified organisations to dispense with repeated screening of NGOs, as well as more work on strengthening local capacity.
The panel wants donors to commit to more multi-year funding and less earmarking, since flexible funding is the lifeblood of humanitarian operations. And donors should simplify and harmonise their reporting requirements, leaving aid workers more time to perform their life-saving activities. And we need greater transparency from implementing organisations so that everyone can “follow the money” on its journey from donor to recipient. A global data platform to provide open and transparent data would help reduce transaction costs and increase effectiveness.

By committing to joint needs assessments, such as those carried out in northern Syria and during the Nepal earthquake, humanitarian organisations would increase donors’ trust. True transparency is within our grasp thanks to digital technology and this should be extended to include communities receiving aid: humanitarian organisations can learn and improve by listening to the people they serve.

If we are to move towards a model of collaborative efficiency, the panel would like government donors and aid organisations to agree to a Grand Bargain. By doing so, they will clearly demonstrate a common commitment to the greater good.

The panel presents this report conscious that the implementation of its recommendations will depend upon the will of many to carry them forward. Panel members are committed to continuing to offer their assistance in the process of making these proposals a reality.
1. Introduction

Imagine a country of 125 million people, the eleventh most populous nation in the world. This is like no other country we know: its citizens are without employment or shelter and do not have the means to feed themselves or provide for their loved ones. Too many of their women die giving birth and too few children are lucky enough to live until their 5th birthday. For those who do, especially girls, they do not attend school. They have been deprived of their dignity and live in insecurity. Above all, they are struggling to change their circumstances; they rely upon charity to survive.

This is the number of people in the world who need humanitarian assistance, mostly as a result of conflicts but also because of natural disasters. In 2014, every day 42,500 people were displaced by violence and conflict, while 53,000 people per day were forced from their homes by natural disasters, 90 per cent of which were due to weather-related events. Today, with violent extremism and climate change those figures are certain to be even higher—as will the cost to respond.

Leaving no one behind

In September 2015 global leaders committed themselves to “leave no one behind” when they launched the Sustainable Development Goals (SDGs). Building on progress made with the pursuit of the Millennium Development Goals (MDGs), the SDGs aim to end extreme poverty, ensure all people have access to basic public goods and services and combat climate change by 2030. But achieving the SDGs is not possible without first acknowledging and addressing the needs of this ‘country’ of 125 million citizens.

They are among the people who face the greatest risk of being left behind. While some of those in extreme distress might make themselves heard and receive media attention for periods of time, the vast majority remains voiceless and invisible, struggling to survive from one day to the next. It is an invisible country which should have no place in a world as wealthy as ours.

We have a duty to focus the world’s attention on the rapidly growing numbers of people in dire need: only if they are seen and heard will we honour the pledge to leave no one behind and achieve the SDGs. This is one of the reasons for holding the first World Humanitarian Summit (WHS), which will take place in Istanbul in May 2016.

As part of the summit’s preparations the Secretary-General appointed this High-Level Panel on Humanitarian Financing, comprising individuals from international and national government, the private sector and civil society. The goal of the panel is to ensure that the resources are found to meet the needs of those who are the most likely to be left behind: the people whose lives are crushed by conflicts, earthquakes, typhoons and all manner of disasters.

In response to the widening gap between humanitarian needs and the resources available to service them, the Secretary-General asked us to seek solutions: how to mobilise greater funding, how to make that funding more predictable, and how to ensure those resources are managed most efficiently.

Our point of departure: every member of the panel believes that in today’s global economy of US$ 78 trillion it is unacceptable that anybody should die or live without dignity because we cannot find the resources required to help people in need.

We are humbled by the dedication and selflessness of the thousands of humanitarian aid workers around the world working on behalf of the most vulnerable and who, all too often, pay the ultimate price for serving humanity: 329 aid workers were killed, kidnapped or wounded in 2014. They ought to be equipped with adequate resources to deliver to the people they serve.

But we are falling short in providing the funds that are needed. In 2015, for example, 1.6 million Syrian refugees had their food rations cut and 750,000 Syrian refugee children could not attend school. Food rations for Darfuris living in camps in Chad varied greatly from...
one month to the next. UN-run healthcare services have been closed across large parts of Iraq, leaving millions of internally displaced people without medical attention. There is a real danger that there could be more cuts ahead.

This is happening despite a sharp increase in humanitarian funding over the last 15 years. In 2000, UN OCHA recorded US$ 2 billion raised globally for humanitarian action. By 2014 this amount had increased more than twelvefold to US$ 24.5 billion.

The world humanitarian aid budget for 2014 was significant for a number of reasons. It was the largest ever recorded but, according to the UN, it also created the biggest ever shortfall with just 62 per cent of the total needs identified by its annual appeals process being met. Never before has the world been so generous towards the needs of people affected by conflicts and disasters, and never before has generosity been so insufficient. The gap between needs and resources widened even further in 2015, when nearly half of the UN’s humanitarian appeals were left unmet.

Humanitarian assistance overreaching itself is a result of a wider systems failure. The world is richer than ever before, and continues to build more prosperity—with globalisation and rapid economic growth, technological advances and interdependence. The funds raised for humanitarian aid in 2014 amounted to just 0.031 per cent of world Gross Domestic Product.

But paradoxically the world is also more fragile today and globally we are ill-equipped to cope with multiple shocks caused by financial crises, natural disasters and violent extremism: phenomena which are increasingly frequent and likely to spread across national boundaries, and exacerbated by rapid population growth.

If current trends continue, by 2030, when the SDGs expire, the cost of humanitarian assistance will have risen to US$ 50 billion and 62 per cent of the world’s poor could be living in fragile and conflict-affected countries, a clear warning that humanitarian needs will spiral even higher. The Intergovernmental Panel on Climate Change (IPCC) projections on the growing intensity and frequency of climate-related disasters, as well as a deterioration of peace indicators over the past decade, point in this direction and the costs could be even higher than current estimates.

Faced with exponential growth in humanitarian needs, there is an urgent requirement to overhaul the global approach to providing aid. The panel took a comprehensive approach towards its task, challenging many aspects of the humanitarian aid system. But we unanimously agree that the inviolable core humanitarian principles of humanity, neutrality, independence and impartiality must be protected. The panel believes that respect for these principles is essential for lives to be saved and aid to be delivered.

Closing the gap

To mobilise adequate resources in order to close the humanitarian financing gap requires us to determine its size. This, however, is not an easy task. The integrity of the numbers used when measuring and defining needs goes to the heart of the matter. There is a desperate lack of high-quality reliable and comparable data, on the severity of needs, for not just the cost but also the effectiveness of responding to crises.

It appears that, far too often, needs assessments are performed by aid organisations to service their own aid programmes rather than for the purpose of establishing the true extent of what is required, meaning that the real needs of affected communities may not be reflected. Organisations are suspected of ‘appeal inflation’, overstating requirements because they are unlikely to get 100 per cent of what they request from donors. A lack of solid data means that the funding gap is also a credibility and accountability gap.

Recognising that there is more work to be done in the future to define the needs and funding requirements, we applied the threshold for extreme poverty—US$ 1.25 a day per person. Using this benchmark as a basic minimum cost of preserving life, we arrived at an estimate of the scale of humanitarian financing needs from multiplying a minimum of US$ 1.25 a day by the number of people in need annually. When adjusting for factors such as access and seasonal needs we arrived at a figure of US$ 40 billion for 2015 to cover the most basic needs of this ‘country’. Deducting the sums raised in 2014 for global humanitarian aid therefore gives a gap of US$ 15.5 billion.

Throughout this document, the term “organisations” refers to all humanitarian aid providers including UN agencies, funds and programmes, national and international NGOs, the International Red Cross and Red Crescent Movement.
Introduction

This is not a figure which reflects all of the multiple settings and contexts in which man-made, protracted and natural disasters occur. It is instead a metric to reflect the needs of people rather than the needs of humanitarian aid organisations to deliver emergency assistance. It gives us a rough idea of the challenge we are faced with to collectively honour the noble principle of the humanitarian imperative: namely, that receiving life-saving humanitarian aid is a right, and that providing it is a duty.

During our consultations, almost everyone with whom we spoke said that finding more money will not solve all the problems, and may even entrench some of the current dysfunctions. Transparency is in very short supply, even though it is vital to maintaining credibility and goodwill. However, by improving the way that humanitarian financing works we are certain that more resources could be drawn in, but only if we measure and define the needs more accurately, find more efficient ways to target and disburse resources and develop new ways to engage traditional and potential donors.

The global humanitarian system is overstretched and is unable to respond adequately. This gap between demands and resources is complex in nature; it is not just the result of more armed conflict, extremism, disaster, disease and displacement. Humanitarian aid’s traditional function to provide life-saving assistance—in short, to get in quickly, fix the immediate problems and leave—has evolved to include a dizzying array of additional responsibilities: from building resilience and preparedness to providing long-term basic services such as health, shelter and education.

This is not to denigrate the extraordinary achievements of humanitarian assistance but to raise legitimate questions about where its boundaries should be drawn. Humanitarian aid should not be judged for failing to deliver in a role for which it was never designed; and yet it still has to adapt to changing times.

It’s not a competition—
we have to work together

We wish to see a move away from the current situation of inter-agency competition, which wastes scant resources, towards a model of collaborative efficiency. In the last decade the number of humanitarian organisations has expanded rapidly, creating a crowded market where everyone competes to raise funding from the same pot of limited financial resources.

With a few exceptions there is very little practice of working together to reduce overhead or procurement costs. While the need for joint planning is often talked about, in reality every organisation is an island. ‘Turf wars’ are a common occurrence, with each organisation trying to position itself as the best implementer—and therefore most deserving of donor funds. This duplicates efforts and saps energy which humanitarian aid can ill afford to lose.

The humanitarian and the development worlds cannot continue to exercise what is at best a benign neglect towards each other. They must commit to working constructively together. Part of the problem lies in the use of outdated definitions, used primarily by donors, which create artificial and unhelpful divisions. There are growing inter-linkages between humanitarian, development, peacekeeping and climate change-related interventions and this should be reflected in the funding responses. Ensuring greater linkages and flexibility between development and humanitarian aid would begin to move the building blocks of international assistance into a new and more harmonious alignment.

The transformation of simple low-cost humanitarian organisations into complex trans-national bureaucracies has brought mixed results: more vulnerable people than ever are being reached with assistance but the associated rising costs are unsustainable. The centre of preparedness and response needs to be reset at the national and local levels, putting responsibility in the hands of people most affected by crisis. Only 0.2 per cent of reported humanitarian funding was channelled directly to national and local NGOs in 2014[1], and the complaint we often heard is that they are treated as sub-contractors rather than true partners by international organisations.

We have heard calls from across the board for better coordination of how resources are raised, channelled and spent. We have heard the private sector’s calls for a better system for identifying needs. And we have heard calls for common reporting standards, more interoperable data and more meaningful review functions. There is a pressing need for further investment in innovation and diverse financing instruments, including risk finance, Islamic finance and pre-disaster funding agreements.
Too important to fail

In recent years, there has been much talk of certain financial institutions being ‘too big to fail’. When it comes to the humanitarian system, we think it is too important to fail. We need to do whatever it takes to make sure that we have the resources in place to respond to humanitarian needs when and where they arise. Providing adequate, predictable and efficient humanitarian finance will not just help us save lives and protect dignity in the face of disaster, disease and displacement, but also help achieve other public goods ranging from peacekeeping to sustainable development. Just as we need unprecedented international cooperation to curb the excesses of human greed, so too do we need it to respond to the depths of humanitarian need.

But with 60 million people uprooted as a result of shocks and stresses (the highest number since the Second World War) there is an urgent need to start making the changes that are not only morally right but also contribute to global stability. The WHS has transformational potential on a range of issues, including financing.

This report is not just about finding new sources of money but about the political will to bring about the changes that can reverse the trend of rising costs. We wish to see a new framework for partnership based on results, efficiency, competency and reciprocity. We need to go beyond planning to meet humanitarian financial needs, to planning for humanitarian needs reduction.

During our research we listened to many voices expressing widely divergent views and solutions. These ranged from ‘throwing more money at the problem’ to a complete overhaul of the humanitarian system, which has grown on an ad hoc basis over decades.

We have heard much about the ‘humanitarian development divide’. We have been told that the system is ‘broken’; that it is not broken but ‘broke’; that it is ‘not fit for purpose’; that the rich countries whose donations sustain the global humanitarian system are ill-served by the implementing agencies and vice versa; that the private sector is suspicious of the humanitarian system and vice versa; that the large international agencies are mistrustful of their smaller national and local implementing partner agencies and vice versa.

We discovered that even relying on the term ‘humanitarian system’ to describe the full panoply of emergency aid is to court controversy. However for the sake of utility and brevity this report employs this term throughout.

The panel considers that there is an urgent need to address at the highest level the drivers of the exponential growth in humanitarian demand (thereby shrinking the needs) while also working to close the funding gap.

Complementing both reducing the needs and finding new sources of funding are the efficiency gains required for building a durable and sustainable new business model. This is framed as a Grand Bargain between the current and the largest parts of the humanitarian system. Our recommendations for shrinking the needs, raising more money and such a Grand Bargain are presented in the following pages. Some of the recommendations are aspirational but no less important for that; we believe that global aid needs to catch up with the dramatic pace of change in the world.

Other recommendations address the urgency of the ‘here and now’. There are practical steps which can be taken immediately to improve the lives of millions of vulnerable people. Some of these steps are already tentatively under way. We are optimistic about the prospects for making humanitarian financing sustainable, effective and adequate. The record sums being raised are a powerful signal that our collective humanity is a force to be reckoned with and can be harnessed to even greater effect. But we also need the political will to create change at scale.

It is our hope that the WHS will see stakeholders come together to implement the most ambitious effort yet at making both short and long-term reforms. The future of the 125 million people, and counting, depends on it.
2. Shrink the needs: a shared responsibility

The most effective way to bring down the cost of humanitarian aid is to reduce the necessity to resort to it. Yet current trends reflect the exact opposite—as illustrated by the increase of people in need of humanitarian aid, and even more dramatically by the increase in the number of deaths caused by conflicts. In the context of multiple crises the best we can realistically aim for is to arrest the exponential growth of demand for life-saving assistance.

The world needs strong determination at the highest level of global political leadership to prevent and resolve conflicts. This applies to the wars actively covered by the media and even more so to ‘forgotten crises’, all giving rise to seemingly intractable situations of misery and suffering. In the absence of determined and persistent political and diplomatic efforts to resolve conflicts, humanitarians are forced to assume a burden that should not be their responsibility. Unfortunately it is easier to deliver humanitarian assistance than it is to invest in political solutions.

Addressing this leadership gap goes beyond the remit of this report. Yet, it is our fervent hope that the political support which we have heard expressed repeatedly for resolving conflicts, reducing fragility, risk and vulnerability will now finally translate into action. Revitalising the authority of the United Nations (UN) as an organisation to maintain peace and resolve conflicts plays an important role. Part of that role is to maintain respect for International Humanitarian Law (IHL) during conflicts. We deplore the flagrant violations that are becoming ever more commonplace. If belligerent groups were held more firmly to account there would be less displacement of civilian communities, reducing the financial burden on aid organisations to respond.

Reduce fragility and build resilience to shocks

The current business model of the global humanitarian system is built almost entirely upon retrospective finance after the needs arise. To a great extent it ignores the ‘new normal’ in which population growth, climate change, competition for limited resources and violent extremism are creating regions of instability which do not recognise borders. In Europe it has taken the largest refugee crisis since the Second World War to awaken its citizens to the reality that somebody else’s problem is no longer just somebody else’s problem.

Success or failure to achieve the SDGs will depend upon whether or not we are up to the challenge of managing fragility and risks. Development is of course the best resilience-builder of all. We believe that we must use the world’s scarce resources of official development assistance (ODA) where it matters most—in situations of fragility.

Without investing to reduce fragility where it is most profound, the humanitarian bill will continue to rise. Ninety-three per cent of people living in extreme poverty are in countries that are environmentally vulnerable, politically fragile or both. In 2011 in Busan, South Korea, world leaders declared that fragile and conflict-affected states must be prioritised for development funding. Progress is being made but not at sufficient scale and pace. We believe that a much higher proportion of donor development budgets should be directed to situations of fragility and protracted emergencies.

Similarly large-scale investments are needed for peacebuilding. One small step would be to implement the recommendation of the Advisory Group of Experts on the Review of the Peacebuilding Architecture to put one per cent of core funding allocated from assessed contributions of the UN’s Member States to peace operations (peacekeeping and special political missions) into the United Nations Peacebuilding Fund (PBF). In 2015 alone this would have generated about US$ 90 million for the PBF.

We believe that additional support to this fund will help strengthen aspects of peacebuilding which have been neglected: for example, the essential role that women play in the reconstruction of political, legal, eco-
nomic and social structures. Evidence shows that peace agreements where women had meaningful negotiation roles are at least 50 per cent more likely to endure than when they do not.17

**Invest in preparedness, prevention and disaster risk reduction**

It is vital for countries most at risk from natural disasters to reduce this risk, to have the capacity to withstand disaster shocks and cope should the worst happen. The Sendai Framework for Disaster Risk Reduction 2015-2030, adopted at the third UN World Conference on Disaster Risk Reduction (DRR), reaffirmed the importance of risk management and resilience building. Implementing it would have direct benefits for reducing humanitarian needs and associated costs: 20 per cent of humanitarian financing requirements go to responding to recurring and sudden-onset natural disasters.18

Yet investment in risk reduction and preparedness is far too low. For every US$ 100 spent on development aid projects, just 40 cents has gone into protecting countries from succumbing to natural disasters. The statistics for countries with least capacity demonstrate the wasted opportunities: 12 out of a group of 23 low-income countries received less than US$ 10 million for DRR over 20 years while receiving US$ 5.6 billion in disaster response.19 This has to change.

As demonstrated in the 2011 triple disaster in Japan—the world’s most disaster-prepared country—nobody is immune from disasters and even global leaders need to gear themselves for receiving international assistance. There is a global responsibility to invest more in DRR and to manage risks before they become crises. Over time this will reduce the cost of disasters both in terms of human suffering and in responding to them.

Governments have a responsibility first and foremost to take care of their own citizens when they fall prey to natural disasters and other emergencies occurring in their territories. **All governments should have emergency reserve funds and dedicated DRR budget lines for risk-reduction activities and for receiving funding when disasters hit.** Humanitarian financing requirements would substantially shrink if more governments in disaster-prone countries took the responsibility to put in place sustainable budget structures to fund risk-reduction and preparedness activities, and frameworks to enable and build the capacity of national responders.

But they cannot do this alone. International investment for risk management and resilience-building must meet the challenge. The most fragile states are often the poorest. By assisting them financially and by supporting them to build adequate fiscal space, we are making a comparatively cheap medium-term investment to reduce the much more expensive long-term and recurring costs of humanitarian response.

We have seen several successful new initiatives in risk-pooling and financing initiated at regional and national levels, which should be replicated and scaled up. Similarly, there is space to replicate good practices in development of early-warning systems, building disaster and climate-resilient infrastructure, or risk-informed planning. Technological advances have eased the task of accurately predicting the occurrence and potential impact of future natural disasters. Financial preparedness promotes swifter responses, protecting lives and livelihoods.

Recognising climate change as one of the root causes of natural disasters gives an opportunity to link climate change financing with disaster risk-reduction efforts. The impact of climate change falls disproportionately on the poorest and most fragile countries, already weakened by poverty, population growth, environmental degradation, population movement, urbanisation and conflicts. We welcome ongoing discussions on climate finance—in particular the annual commitment to it in the amount of US$ 100 billion for developing countries by 2020 agreed at the Paris Climate Change Conference 2015 (COP21). Beyond funding pledges, the successful completion of the climate change negotiations is a hopeful sign that the multilateral system can deliver global solutions to global problems.

**Bridging the humanitarian–development divide**

In 2014 humanitarian assistance became the UN’s costliest activity, surpassing peacekeeping by US$ 2 billion.20 Protracted crises are the single biggest driver of these spiralling costs. Eight out of every ten dollars of humanitarian funding is accounted for by conflicts, and most of the demand is generated by protracted crises lasting more
than seven years. Three quarters of humanitarian funding in the last decade has gone to the same 20 countries while six of the largest recipients have had humanitarian appeals for ten consecutive years.

Humanitarian emergencies become protracted when politics fail to deliver a solution or when natural disasters such as droughts recur, pushing local capacities over the edge. In these situations, development gains are either already lost or in constant decline. Trade collapses, investment vanishes and a full-scale structural catastrophe ensues. In many cases, long-term development assistance also grinds to a halt. In these circumstances it generally falls to humanitarian agencies to provide de facto social safety nets to affected communities for years, even decades—but often using funding instruments designed for short-term emergency response.

Humanitarian organisations are therefore often locked into a yearly fundraising cycle, when the greater part of their costs can be anticipated and accurately predicted on a multi-year basis. And donor governments frequently contribute to the problem by perpetuating inadequate funding and programming behaviours through separate humanitarian and development silos within their own ministries. The lack of field presence of development organisations in many protracted situations contributes to this problem. They are not designed to engage in crises quickly, and when they do, they tend to be risk averse, focusing on institutional capacity-building rather than on household-level interventions.

A long list of best practices exists for making development and humanitarian aid work more effectively together. They build on each other’s strengths: the humanitarians’ higher tolerance for insecurity and field presence in volatile environments and the development community’s experience in long-term sustainable solutions. And yet, the humanitarian-development divide debate continues to rumble on. Bridging the divide involves redirecting development assistance quickly and flexibly—for example by using crisis modifiers—to where it is needed most, and even, where appropriate, using the implementing modalities of humanitarian aid.

It also means humanitarian and development organisations carrying out joint planning whenever possible, to address needs, risk and vulnerability in a coherent and comprehensive way, enabling vulnerable people to become self-reliant and allowing humanitarians to plan their exit. It means donors having funding windows in place that can intervene in areas including livelihoods and basic services before longer-term development funding kicks in (such as the crisis or post-crisis trust funds being put in place by a number of donors). Such initiatives must become second nature for donors and organisations alike.

Follow the people in need, not the countries

An increasing number of the estimated 60 million people who have been forced to leave their homes and to become displaced or refugees are coming from or going to middle income countries (MICs). This recent phenomenon is generating new situations of fragility that need to be addressed urgently. Here, again, there is a strong case for a close interaction between the humanitarian and development communities. By making financing for refugees in MICs eligible for grants and concessional loans, the development institutions can take on a bigger role. One of the more practical ways to do so is by reclassifying the eligibility criteria of the World Bank’s International Development Association (IDA), which sets international standards for other financial institutions, to follow the people in need and not the income levels per capita of the countries.

When exposed to extreme man-made or natural disaster shocks, low-income countries may obtain support from the IDA, which is the single largest source of concessional loans and grants, for basic social services to low-income countries. The IDA’s Crisis Response Window and the Immediate Response Mechanism were established as dedicated funding instruments to help countries absorb the impact of shocks such as economic and natural disasters.

In recent years we have seen how situations of fragility can threaten to overwhelm MICs, with Jordan and Lebanon in particular, as well as Turkey and Iraq, hosting millions of Syrian refugees. Because the IDA’s funding criteria is based on gross domestic product, Lebanon and Jordan are not eligible. Middle-income countries may obtain loans from the International Bank for Reconstruction and Development (IBRD), which is also part of the World Bank Group (WBG).
However, loans provided by the IBRD come with higher interest rates. The potential to increase the resilience of MICs through financing must be addressed by the proposed change in IDA’s eligibility criteria for access to grants and low-interest loans, to allow refugees-hosting countries to benefit from it. In addition, the IDA’s Crisis Response Window should be at least tripled, to provide sufficient funding to meet sharply increased demand. We base this recommendation on the absorption rate during the current IDA cycle—the entire US$ 900 million of the Crisis Response Window were exhausted during the first nine months of a three-year programme period.24

We urge all development finance institutions to expand their funding capacity for emergencies. In this regard we welcome the growing use of tools by the International Monetary Fund to respond rapidly to crisis situations, such as the Rapid Financing Instrument and the Rapid Credit Facility.

Protracted displacement: moving from “emergency” assistance to providing a future for people

The need for closer cooperation and coordination between humanitarian and development assistance is particularly acute in situations of protracted displacement. With an average duration of 17 years (enough time for a child fortunate enough to be enrolled in school to complete secondary education) it is clear that displacement is no longer a temporary condition.

Long-term displacement carries a high cost to host governments and communities, increasing the demand for food, water, sanitation, education and health care. What often begins as a short-term humanitarian emergency turns into a long-term development challenge. So applying development solutions in a crisis helps to set a longer-term vision for economic development, which prevents the recurrence of displacement and reduces dependency on humanitarian aid. The SDGs provide an important opportunity to put displacement at the heart of the development agenda.

Again, good practices exist. In the case of the Syria crisis, humanitarian and development organisations have jointly developed a Regional Refugee and Resilience Plan (3RP) for the countries affected, providing humanitarian aid and resilience-building simultaneously. This should be replicated systematically for all protracted situations worldwide, including the multiple ‘forgotten crises’ where there is insufficient or no international aid or no political commitment to solve them.

We are encouraged in this regard by the work of the Solutions Alliance, launched in 2014, which has built on previous initiatives and brings together humanitarian agencies, development organisations, affected states, donor countries, academics, the private sector and civil society to develop new and improved approaches to forced displacement.

Sovereign nations have obligations to protect their citizens at all times, including when they are displaced within their borders. Countries hosting refugees are providing global public goods. In these cases, there is a need for greater responsibility-sharing in the global community. We believe that countries which host refugees should integrate displacement into their development plans and receive adequate support from the international community.

Displacement caused by conflict and natural disasters has occurred on every continent and is a universal challenge with political, economic, environmental and security implications. But where options for greater self-reliance exist, they should be used to the fullest extent possible. Members of the panel met with displaced people who told us that, if given the right to work legally and enabled to develop their skills, they would gladly contribute to the economic growth of their host community.

Long-term refugees should also be able to access basic social services including health and education, so that when they and their children are able to return home they can help rebuild their nations or contribute to the countries in which they are resettled.

Institutionalise the interface between the humanitarian and development sectors

Partnership between humanitarian and development organisations is crucial at the field level and in funding practices. But it should also be taken to an institutional level to ensure more inclusive decision-making. We are encouraged that the World Bank now participates in the
Inter-Agency Standing Committee (IASC), a humanitarian forum for UN agencies and NGOs.

In the same spirit, we believe that the humanitarian community should be included in development discussions in a structured manner. A first step in this direction would be to invite the UN Emergency Relief Coordinator to the World Bank’s Development Committee.

These senior-level interactions of the humanitarian-development interface need to be systematically replicated as appropriate at all levels. While in many cases this is being done, good practice has to be codified and mainstreamed. The panel welcomes efforts in this direction from both sides.

The panel recommends:

1. Reorient official development assistance towards the reduction and prevention of situations of fragility.
2. Create fiscal space and generate local and national capacity for crisis prevention and response.
3. Promote development finance in protracted crises and, wherever possible, move to joint humanitarian-development financial programming.
4. Change the eligibility criteria for access to low-interest loans and grants to follow the people in need.
5. Increase the International Development Association (IDA)’s Crisis Response Window funding by at least a factor of three.
3. **Deepen and broaden the resource base for humanitarian action**

The world’s five biggest donors provide nearly two thirds of the money given by governments. This concentration of donors serves to highlight the imbalances in the present system. We see every day that the impact of insufficient funding is more global instability. In this sense, prevention of the spread of instability is a global public good; therefore, providing the resources for doing so should be a collective responsibility.

**Solidarity levy**

Panel members have voiced different views on the role of taxation to raise more money for humanitarian aid. However, there was broad agreement that the world needs to move towards new models of funding global public goods, including humanitarian aid. We believe that in our interconnected world we need to find new ways to fund solidarity that goes beyond national borders.

We have considered the political feasibility, costs and benefits of a financial transaction tax (FTT) or Tobin Tax, estimated to raise between US$ 25 and US$ 34 billion annually in Europe. It has the potential to serve broad development objectives, including funding humanitarian action. At the same time it continues to be the subject of debate, and the panel acknowledges the unlikelihood of a global agreement on FTT in the near future.

We see the adoption of voluntary “solidarity levies”, for instance on airline tickets which have been introduced by some governments, as a viable option that merits greater investment and development. UNITAID funds its work in finding new ways to treat, prevent and diagnose malaria, tuberculosis and HIV/AIDS with an air ticket levy. As this NGO itself rightly argues, “the simple act of catching a plane turns passengers into contributors to the cause of saving lives—it is responsible travel on an enormous scale”.

The UNITAID micro-levy on airline tickets raised €1.6 billion between 2006 and 2011, with the participation of just ten countries, helping to fund treatments and diagnostics for HIV/AIDS, malaria and tuberculosis in low-income countries. **We recommend that at the WHS in Istanbul governments voluntarily sign up to the successful model of a solidarity levy and create a steady flow of revenues for humanitarian action.** We propose that additional revenues from a solidarity levy on air travel or fuel could be used to support the provision of health services in camps and urban areas hosting displaced people. Ensuring the good health of people on the move is a global public good that deserves to be supported by an international funding source.

The panel also suggests that the humanitarian community engages in the post-COP21 discussions on climate finance in light of the decisions that may be taken on adaptation and building resilience in the most vulnerable communities and countries.

**New donors need more recognition**

We wish to highlight the example of countries who, even with economic challenges at home, strive to achieve or even exceed the 0.7 per cent target—set by the UN in 1970—of gross national income for international aid spending. And we are encouraged by the emerging donors who act on the premise that with greater wealth comes greater responsibilities and who are now giving more. We recognise the crucial difference that these new donors will make to humanitarian financing and we believe in the importance of expanding their numbers, while at the same time protecting the fundamental principles of humanitarian aid.

We believe that states which are appropriately credited and recognised for their contributions to humanitarian aid are more likely to respond generously. There is a need to better reflect what all states contribute to humanitarian action.
Definitions of humanitarian aid contributions exclude some of the forms of funding covered in this chapter, including remittances, private and foundation giving, and Islamic Social Finance. It is worth considering how future discourse on available resources can be informed with better, more complete data.

For better and more effective tracking we need a renewed commitment to transparency, accuracy and standards. Current systems fail to track or under-report the contributions of many governments who are hosting displaced people. We commend the generosity of states such as Turkey, Jordan, Lebanon, Iran, Pakistan, and Ethiopia who together host the most number of the world’s refugees.

Rules used by international organisations to track assistance also fall short in recognising the scale and value of inputs provided by non-DAC nations or their citizens abroad. The Organisation for Economic Co-operation and Development’s Development Assistance Committee (OECD-DAC), which hosts a reliable repository of aid statistics, is making efforts to modernise its accounting standards to better reflect these contributions, including through a new measure of Total Official Support to Sustainable Development (TOSSD), which will capture a broad array of financial flows beyond ODA that are mobilised through official interventions from donor governments.

While ODA as currently defined will remain a valuable tool, we believe the time has come to seriously consider both changes to the rules of accounting as well as to the club of donors with the power to set those rules. We encourage donors, existing and emerging, to engage with OECD-DAC on reforming the present system. Those who are also aid recipients should have their views taken into account.

Finding a meaningful and consistent new way to recognise global generosity could generate a greater sense of collective ownership and create an enabling environment for more diverse funds to flow to countries in crisis. We believe that the work of the OECD-DAC should be built upon for designing and implementing a ‘generosity tracker’ to better reflect government giving to humanitarian and development aid.

Deepening and broadening the available resource base for humanitarian action will not happen overnight, but we must start somewhere and we must start now. Let us set in motion a ‘post-ODA plan’, so that the dependency on the current model of international and official aid flows is progressively eroded by the involvement of more participants. There is an over-reliance upon a small group of ODA donors, who will of course remain important. But by broadening the base and creating new mechanisms to encourage (or compel, in some cases) new partners to get involved, we will be preparing for a humanitarian system which can operate in new realities.

Harness the power of business

In a world where there is more private wealth than ever before, the role of the private sector in humanitarian aid continues to be under-utilised. We take the view that a significant factor behind this is the perception that the private sector’s role is principally philanthropic. Rather than taking a passive role of directing money to aid organisations, the humanitarian ecosystem should be harnessing the power of business to deliver its key skills and capabilities.

But to achieve this it will need to embrace the private sector. The present planning and appeals systems require potential partners to navigate a series of individual agreements with hundreds of humanitarian organisations. We would like to see established a one-stop shop—a digital platform where private companies can see the vetted requirements of any humanitarian organisation and connect to respond to them.

The current rules of donor governments and humanitarian aid organisations for contracting private sector partners are onerous and bureaucratic. They do not facilitate a process of collaboration. The terms of partnership between the private and the humanitarian aid sectors need to be simplified. These changes should be modelled on the existing partnership agreements between humanitarian aid organisations.

We welcome the strengthened engagement of aid organisations and governments with the expertise and innovation of the private sector in preparing for and responding to crises. We call for the establishment of local, regional and industry-specific business networks focused on scaling up support to humanitarian preparedness and response. The panel welcomes the efforts by OCHA, UNDP and ISDR in establishing a regional private sector network in Fiji and national networks
in Myanmar and Madagascar. We also encourage the UN Global Compact and other UN entities to take forward steps on brokering pre-agreements in advance of emergencies for in-kind contributions and to support the Global Compact’s Local Networks to scale up their leadership in mobilising business support for emergency preparedness and response.

We want to see more of the collaboration that is emerging with logistics companies to assist in humanitarian assistance distribution and tracking. For example, a global logistics company mobilises hundreds of its staff to volunteer during a humanitarian crisis, working alongside aid organisations to manage airports, expedite customs clearance, and support the distribution and tracking of humanitarian supplies.

The role of financial services should be explored and expanded—for example, cash-card systems established for providing food services during a crisis, which can be utilised for additional humanitarian goods, services or grants or social safety net payments after a crisis.

With 80 per cent of needs being recurrent and protracted there is no reasonable argument to be made against shifting some of the funding burden to modes of public-private portfolio investments. Innovative financing for recurrent and protracted humanitarian costs, such as green or social impact bonds, call for creativity, risk-taking, patience, collaboration and resources.

The ICRC is currently in the development phase of contracting into a social impact bond for resourcing its physical rehabilitation programme, in which prospective investors take on the risk of financing it while another entity (normally a corporation, foundation or government agency) repays the investors with a return. The impact bond will open up new avenues of financing for the humanitarian sector, attracting new types of donors and increasing incentives. Using impact bonds will also help to develop a stronger results-based culture.

The accounting and finance industry can help in establishing business process review mechanisms which may lead to increased donors’ confidence. Reviews are standard practice in business settings and should be applied across the board within the humanitarian sector from UN agencies and NGOs to governments. From the headquarters to the field operational level, assessments should take place to measure efficiencies, for example speed of funds disbursement and layers of transactions.

Remittances to the developing world are expected to reach US$ 440 billion in 2015. Remittances account for up to 40 per cent of Somalia’s economy and exceed the amount received in humanitarian aid, development aid and foreign direct investment combined. Although statistics are scarce, it appears that more than half of Somali women receive remittances, which enable people to help their families and friends to meet their basic needs and not depend upon external aid. This is particularly true in times of crisis, and we are grateful to the money transfer agencies who respond by temporarily lowering their commission rates and in some cases waiving their fees. We would like to see more money transfer companies following this lead.

In 2008, the Group of Eight (G8) set a specific target for the reduction of the global average cost of transferring remittances from 10 per cent to 5 per cent in five years (also known as “5x5”) and in 2011, the French Presidency of the Group of Twenty (G20) also introduced the same target. Nevertheless, the average transaction cost of remittances remains at 7.7 per cent and at 9.7 per cent for sub-Saharan Africa. The G8 and G20 commitments should be upheld.

We also encourage states to live up to the SDG target on remittances, asking for a reduction to less than 3 per cent for the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent by 2030. The WHS could be a platform to rally support to accelerate this effort.

We recognise that the anti-money laundering, counter-terror financing (AML/CTF) legislations can create some obstacles to the transfer of funds. It is important to seek ways to reduce these barriers so that humanitarian aid workers are able to deliver aid in some of the most volatile and crisis-affected parts of the world.

We believe that a solution would be for a legitimate authority—for instance the Bank for International Settlements or the Federal Reserve Bank—to take a role in the supervision of humanitarian aid money transfers, allowing them to move without undue impediment.

Companies with direct relevance to key sectors for humanitarian response could contribute directly by providing assets or staff with expertise or both. One example of this is the United Nations High Commissioner for Refugees’ (UNHCR) partnership with a global furniture company to create the Better Shelter, a more durable,
solar-powered temporary home. In addition it should be possible to tap into the expertise of large utility companies in sectors like water, electricity and telecommunications to help provide basic services for people in need, particularly for those living in refugee or IDP camps.

We encourage companies, with the skills and capacity that are directly applicable to humanitarian situations, to involve their staff to use their abilities to contribute to delivering life-saving assistance. With the majority of current humanitarian crises falling into the protracted category, there needs to be greater effort put into seeking out economic models—including participation by for-profit organisations that will bring to bear the full force of private sector involvement and create sustainability.

The **insurance industry** is waking up to the opportunities for bringing its risk financing products to developing as well as least-developed countries. Demand for technical assistance to develop risk financing strategies and tailored financing products is growing rapidly among developing country governments, particularly in middle- and lower-middle-income countries. Risk financing is also a major growth area for multilateral development banks.

Various direct and indirect insurance tools are available in order to be prepared financially for natural disasters. They range from sovereign risk financing (helping governments develop financial resilience), to agricultural insurance (helping to protect the livelihoods of farmers and pastoralists) and social protection (building safety net programmes that are adaptable to disaster scenarios). All of these applications are directly relevant to leveraging financing for crisis response and more of these strategies are being applied in both middle- and low-income settings, especially for protecting against natural disaster risks.

Well-designed insurance policies can work as a market-based incentive to promote risk awareness prevention and mitigation: disaster risk insurance, beyond risk sharing, can be operational at all levels of the risk management cycle, from risk identification and risk modelling to risk transfer and recovery.

We are pleased to see that these tools are being taken up, for instance with the African Risk Capacity (ARC), a specialised agency of the African Union (AU), which aims to build the financial capacity of governments to meet post-disaster financing needs and can also fund humanitarian actions. Another example is the Caribbean Catastrophe Risk Insurance Facility (CCRIF), a regional risk pooling facility that provides insurance coverage against earthquakes, tropical cyclones and excessive rainfall for Caribbean states and Central American states. The World Food Programme (WFP) helped develop the Africa Risk View, a parametric tool to trigger cash payouts from the pool for early response to emerging food security crises. In the wake of the Ebola crisis AU member states have also requested that ARC develop insurance for outbreaks and epidemics of disease.

The recently launched Group of Seven (G7) Initiative on climate risk insurance (InsuResilience) also has as an objective to increase by up to 400 million the number of people in the most vulnerable countries who have access to direct or indirect insurance coverage against the negative impact of climate change-related hazards by 2020. While the initiative focuses primarily on insurance instruments, it is to be complemented with innovative and non-traditional approaches in order to reach the poor and most vulnerable.

We recommend replicating this type of use of risk financing so that disaster-prone countries have preparedness mechanisms in place. This would create increased liquidity for early action, rather than relying on post-crisis ‘relief-itemised’ assistance.

### Islamic social finance for humanitarian action

Islamic social finance is an under-explored territory. The Islamic Development Bank’s (IDB) research institute, has estimated that the market value of *waqf* (endowment) property in India alone could be as much as US$ 24 billion. Similarly, IDB’s research on *zakat* (mandatory alms-giving) in 2015 conservatively estimates between US$ 232 billion and US$ 560 billion circulating annually. This was expected, given that the Islamic world’s economy is valued at US$ 15.9 trillion, just behind the United States and the European Union. Yet there is no coordination mechanism or an independent and autonomous body to help channel these funds effectively at the global level for humanitarian action.

Of the ongoing humanitarian crises in the world today, 90 per cent occur in Organisation of Islamic Cooperation member states. Thirty one out of the 33 active conflicts today occur in Muslim-majority countries. Various Islamic financial institutions are working to address the issue of how *waqf*, *zakat* and other...
Deepen and broaden the resource base for humanitarian action

Instruments such as sukuk bonds (which are similar to social impact bonds) can be channelled effectively and efficiently to meet humanitarian needs. This will not be easy, given the scale of coordination and harmonisation that is required. But the very real potential is there for Islamic finance to provide solutions to the global humanitarian financing problem. Just one per cent of zakat would make an enormous difference to the scale of the global funding deficit for the year 2015.

A good example is the award-winning Global Alliance for Vaccines and Immunisation (GAVI) Matching Fund, issued by the International Finance Facility for Immunisation (IFFIm) and supported by various governments, the Bill Gates Foundation and the World Bank, which is a unique vaccine social sukuk programme launched last year at the World Economic Forum in Davos. The inaugural sukuk raised US$ 500 million in November 2014, followed by a second US$ 200 million issue in September 2015, which was 1.6 times oversubscribed (65 per cent of investors came from the Middle East, 18 per cent from Asia and 17 percent Europe). The sukuk structure made it possible for Islamic investors to participate and is a new way of mobilising resources that can be applied to increasing sustainable humanitarian financing, using capital market instruments to reach non-traditional donors or investors.

In October 2015 in Lima, the World Bank and the IDB announced a strategic partnership agreement to significantly scale up joint work and investment across the 56 member countries of both organisations across Asia, Africa, Europe and South America. This involves co-financing work to reach US$ 9 billion over the next 3 years, financed mainly through Socially Responsible Investment (SRI) sukuk.

The issuance of an inaugural humanitarian sukuk (social impact bond) programme would pave the way towards mobilising resources that could be applied to increasing sustainable humanitarian financing, using innovative capital market instruments to reach non-traditional donors. The long-term nature of sukuk financing would also contribute to a more predictable and sustainable multi-year source of funding.

Maybank Islamic (Malaysia) has already started to move forward with the initial work towards the issuance of a humanitarian sukuk as well as holding pilot project discussions with humanitarian organisations.

Individual giving: tapping into a wealth of private generosity

The suffering of people as a result of famines, tsunamis, earthquakes and floods has always opened hearts and wallets, even children’s pocket money jars. The potential of individual donations to international humanitarian response is growing. Funding by individuals, foundations and companies has grown from 16 per cent of recorded humanitarian aid in 2006 to 24 per cent in 2014 (with giving by individuals accounting for nearly 80 per cent of private funding). From 2006 to 2014, an estimated US$ 41.7 billion was raised in private contributions. Some humanitarian organisations depend largely on individual generosity: Médecins sans Frontières, for example, receives 89 per cent of its income from 5.7 million individual donors.

However, private fundraising can be costly, and is also very competitive. Leading humanitarian NGOs spend 13 per cent or more of their annual revenues in raising private money. National associations of the United Nations Children’s Fund (UNICEF) spend on average a dollar for every four they bring in through private fundraising. This ratio has become the benchmark for other UN agencies to pursue. Crucially, private giving is much higher for natural disasters than for man-made crises. World Vision Australia, for example, raised more in one week for the Nepal Earthquake than it managed to raise in four years for its Syria response.

Given that the humanitarian funding gap is due largely to the big increase in needs created by conflicts, it is important to find ways of raising private donations for humanitarian response in conflict situations.

It will also be useful to scale up private fundraising through partnerships between humanitarian organisations, the private sector and the media. This model has already been used in eight countries (Belgium, Canada, Germany, Italy, the Netherlands, Sweden, Switzerland and the United Kingdom), leading to the establishment of the global Emergency Appeals Alliance (EAA) in 2013. Together, the collective annual turnover of the various agencies represented in the EAA in 2010 was €3 billion.

A joint appeal for Syria made in 2012 by the United Kingdom’s Disaster Emergencies Committee—a member of the EAA which brings together 13 of the UK’s leading charities in times of acute crisis—raised £25 million, a doubling of resources versus the individual efforts
of the humanitarian organisations in the previous year. These efforts could be replicated more widely – and where possible, UN agencies should join or emulate this model.

The role of the media has been central to these partnerships, and to private giving in general. Beyond the big headline crises, the media has huge potential to focus attention and facilitate fundraising for forgotten or underfunded crises. In this context, a coordinated fundraising approach by humanitarian organisations could tap into the vast advertising budgets of global companies (some of which spend more in a single year on advertising than the UN is able to raise through its combined humanitarian aid appeals) to help reach potential individual donors. In 2014, the USA’s Ad Council donated more than US$1.6 billion in free advertising to non-profit causes. There is an opportunity to scale up collective fundraising to increase individual contributions.

Other sources of new funding

We looked at a number of other mechanisms for generating income for humanitarian action. Some of these are well-established; others remain speculative. Taken together, they represent a potentially significant source of funding to complement more conventional funding flows:

We see real opportunities in partnerships with enlightened large corporations with high volume transactions who are willing to pilot optional micro-levies in support of humanitarian action with their customers. We have taken the initiative to write directly to the CEOs of several large corporations to explore the potential for voluntary levies through their businesses. We hope that some will rise to the challenge and bring good news with them to the WHS. The private sector already does so much, and given the direction and encouragement it will do so much more.

Finally, we looked at other avenues for tapping into potential sources of funding. We learned that lotteries in some countries already raise substantial funds for development action. We believe this experience needs to be examined for its potential to fund humanitarian assistance. Similarly, the idea of using assets frozen under UN sanctions regimes deserves attention, as well as drawing on interest from dormant accounts. We recognise the challenges involved in utilising such sources of funding (and where frozen assets are concerned, the probable need for authorisation by the UN Security Council)—but we feel they are worth mentioning here for further reflection.

The panel recommends:

1. Establish an international solidarity levy mechanism to support the health welfare of displaced people.
2. Intensify funding from new donors by ensuring that their contributions receive appropriate recognition in the key tracking systems for humanitarian funding.
3. Engage the private sector to commit resources for in-kind response, with the UN Global Compact creating opportunities to tap into assets, skills and capabilities.
4. Develop and promote more risk financing tools for disaster-prone countries.
5. Unleash the full potential of Islamic Social Finance.
6. Develop international media platforms for more systematic and predictable individual giving.
4. Improve delivery: a Grand Bargain on efficiency

We are failing collectively to meet the rising needs of people affected by natural and man-made disasters around the world. Without significant improvements in the way aid is mobilised and delivered, money cannot be put to optimal use and new funds will be difficult to raise. The panel recognises that efforts are needed from both donors and aid organisations and that the only way forward is for the two sides to take the leap together.

Five countries fund nearly two thirds of global humanitarian finance provided by governments. Six UN agencies receive and manage half of it. Giving, receiving and channelling funds is concentrated in the hands of a few ‘giants’. We would like to see the major donors and aid organisations set an example for others to follow by working even closer together to drive down costs. Greater efficiency will create a virtuous circle by drawing in more funding and more participants in responding to humanitarian crises. A reformed system which demonstrates improvements will be in better shape to challenge the detractors who argue that it is losing relevance and question its value.

In other words, we need a Grand Bargain between the big donors and organisations in humanitarian aid, a Grand Bargain that does away with inefficiencies and embraces best practices in humanitarian action, on both sides of the fence. We need these few giants to look past self-interest and towards building the humanitarian system of tomorrow, creating a win-win situation for donors, UN and non-UN agencies, taxpayers and, above all, affected populations.

It is for the sake of the millions of people desperately in need around the world that we need greater efficiency: by putting them squarely in the centre of a reform agenda we will revitalise humanitarian endeavour and fight back against the growing cynicism surrounding perceptions of a self-serving bureaucracy.

In a time of global austerity we are not simply asking donors to give more but to give better, by being more flexible, and for aid organisations to reciprocate with greater cost-consciousness and transparency. Humanitarian aid must be disbursed with a minimum of bureaucracy as directly as possible to affected people. The chain of humanitarian financial transactions must be shortened. Funding intermediaries—or ‘fundermediaries’—pass funds from government donors to UN agencies, which then continues down the chain to a variety of implementing partners on the ground including national and international NGOs, civil society associations and host government entities. We need fewer links in the humanitarian funding chain, with a clearer view of what value each layer is adding along the way.

The success of such a Grand Bargain will depend upon the impact of joint investments and efforts by donors and aid organisations. We recognise that implementation will involve significant challenges and sometimes the sacrifice of individual interests for the greater common good. But the time has never been more right for change and we believe that the WHS is the starting point for ending the excuses and delivering the political will to make it happen. We want donors and operational organisations to step forward together hand in hand.

What humanitarian aid organisations and donors can do together

Commit to more financial transparency

Transparent and usable data is a prerequisite for increasing efficiency and effectiveness. The more we know about how money is channelled through the global humanitarian system, the better equipped we are to allocate resources effectively and measure results. For donors to provide more flexible and predictable funding they need reliable, real-time, prioritised, comparable and open data on the needs that they are being asked to finance and the results produced by their funding. Several transparency initiatives and activities have been initiated relating to humanitarian aid data and information but these employ different definitions, timelines, objectives and technical systems. The Financial Tracking Service (FTS), man-
Too important to fail—addressing the humanitarian financing gap

aged by UN OCHA, provides data on humanitarian aid financing. However, the voluntary nature of submitting information means that it produces an incomplete picture.

Humanitarian organisations, including the UN, are often criticised for failing to provide sufficient transparency on the costs of delivering assistance and the number of employees. These perceptions undermine their ability to attract greater public support.

The panel is concerned that it is currently not possible to track funding or to ‘follow the money’ on its journey from donors to people in need. According to a 2015 Oxfam study, “beyond WFP and UNHCR... other agencies do not systematically collect data on the volume or share of their expenditure that partner organisations implement and UN and DAC humanitarian funding tracking systems do not include reporting beyond the first-level recipient.”

Aid organisations as well as donors need to commit to providing timely reporting to a global common data platform and donors should require all their partners to do the same, adhering to the International Aid Transparency Initiative (IATI) standard. Agencies and donors who understand the benefits of transparency are launching their own individual platforms, but this is not an optimal solution. The panel believes that a specific time-bound commitment by the international community to provide open and transparent data, including on transaction costs, published on a single global platform—with IATI compatible data at its core—could help reduce transaction costs and increase effectiveness.

Annual independent transparency assessments to be carried out by an external entity or independent civil society partner can also contribute toward more transparency. Both recipients of funds and donors should subject themselves to such assessments instead of peer review systems which can be subject to vested interests.

Support more cash-based assistance

Giving cash directly to people caught up in humanitarian crises empowers them to make their own choices about their priorities. Yet only six per cent of all humanitarian aid is currently provided through cash or vouchers. Wherever the circumstances permit, cash consistently emerges as more efficient than ‘in-kind’ aid such as food, tents, water and medicine. A 2014 analysis of an Ethiopia WFP programme found that giving cash at the same monetary value as the distributed food cost 25-30 per cent less to implement.

Cash programming not only allows donors and aid organisations to tackle some of the inefficiencies of traditional in-kind assistance, but digital and mobile money mechanisms are making delivery faster, more secure and more transparent. From a gender perspective, cash or vouchers can provide additional safety and autonomy for women as they are easier to hide and transport, compared with bags of flour or rice. Women should be consulted on the design of such programmes and the mode of distribution. Cash is more likely than in-kind to cover affected populations’ prioritised needs. A 2014 study found that 70 per cent of a sample group of Syrian refugees in Iraq traded the in-kind assistance they received for cash.

We want to see donors and aid organisations working together to offer more choices to people in need, by providing the most appropriate form of assistance: in-kind, or cash, or a combination of both. Cash-based programming requires a solid understanding of how local economies function and improved interaction with local markets to facilitate its response to increased and changing demands. Cash should not be seen as a substitute for robust field presences and engagement by humanitarian organisations; the concept of Protection by Presence remains more valid than ever at a time when 80 per cent of humanitarian needs are in complex emergencies. While cash does not work in all circumstances, in the appropriate setting it increases the relevance of aid for recipients and liberates time and resources for aid agencies.

In some countries different organisations provide different pre-paid cards to the same people. Efforts are under way to remedy this. WFP is working with a global credit card company to develop a single card which could be used by multiple agencies. In 2015, UNICEF launched a cash transfer programme in Jordan which uses pre-existing WFP electronic cards and in Lebanon this approach is being implemented with a consortium of six NGOs. Cash-based programming has been identified by an Inter-Agency Standing Committee (IASC) study as a potentially significant untapped resource to improve cost-efficiency and effectiveness. The panel agrees that the real potential for substantial
cost-efficiency gains may lie in a radical shift towards harmonised, large-scale, cash-based responses. As with most initiatives to optimise the use of scarce resources, it requires closer collaboration between donors, organisations and private sector partners.

In line with the expert recommendations made by the High-Level Panel on Humanitarian Cash Transfers, we call for the use of unconditional and predictable cash in humanitarian settings to be rapidly scaled up. When supporting humanitarian crises, we would like donors to show more flexibility in cash-based programming. In return we expect aid organisations and cash providers to accelerate coordination among themselves so that all cash support in a crisis is provided through the same modality, such as a single debit card.

More support to national first responders

In the global consultations of the WHS one message made itself heard more loudly than all the others: a call for the localisation of aid. Based on the limited data available, only 0.2 per cent of international humanitarian assistance was reported as channelled directly to local organisations in 2014.56 We know the bulk of humanitarian work is implemented by civil society organisations subcontracted by UN agencies, but the current lack of tracking of all the links in the financial transaction chain does not allow us to know exactly how much. Local NGOs are often excluded from accessing the existing humanitarian financing mechanisms directly — sometimes the reasons are legitimate and other times they are not. Yet, partnering with national NGOs and civil society organisations is essential to promoting cost-effectiveness changes throughout the humanitarian aid ecosystem.

Humanitarian funding from governments is channelled to national or local implementing partners via ‘fundermediaries’ such as UN agencies or international NGOs for a variety of reasons. In complex crisis settings the mere political environment requires careful selection of partners to ensure accountability to the humanitarian principle of neutrality. Perceived lack of capacity or strict rules and regulations may make national NGOs ineligible to directly receive and manage funds.

We are also aware of the challenges faced by large government donors in processing a multitude of small grants to national or local NGOs. Not surprisingly, they end up channelling funding via the UN and international NGOs who can assure that adequate capacity, risk management systems and humanitarian policies are in place. This is why the panel welcomes efforts to strengthen the capacity of smaller and local civil society organisations to manage funds and navigate the complexities of the humanitarian system, including proposals for new NGO-led pooled funding mechanisms.

The panel recognises and supports solid commitments made by international NGOs such as those outlined in the ‘Charter for Change.’ In addition to adapting their working practices in order for national NGOs to assume a greater role in humanitarian responses, they have made a tangible commitment to pass on at least 20 per cent of their humanitarian funding to national NGOs by 2020. We need more concrete commitments like these if we are to see real change. These efforts will help strengthen the capacities of national NGOs and assist in channelling funding and knowledge to them so they can contribute to improved responses, preparedness, and early warning initiatives.

A shared approach to partner assessments would contribute to an improved response time by reducing duplications. International aid organisations need to find efficient ways to regularly share information with each other about their experiences and work with local and national agencies. If a national NGO has undergone a rigorous assessment and been pre-certified by an international NGO or agency, there is no need for others to conduct repeated screening of the same national NGO. Also, an accurate tool listing these NGOs by their expertise and capacity would enable potential partners to quickly select their implementing partner. At the onset of emergencies, having such information available would greatly save scarce resources and time.

UN-managed country-based pooled funds (CBPFs) are an optimal solution for donors who are unable to fund directly or assess local implementing partners. During 2015, 17 per cent of approximately US$ 500 million managed by the 18 active CBPFs has been channelled to national NGOs.57 That means about US$ 85 million was allocated in 2014 — almost twice the amount reported as provided directly to national NGOs globally. This is an encouraging trend. The UN should increase the funds’ nimbleness and speed for processing allocations further, especially for national NGOs. In addition to a greater use of CBPFs, the panel also sees the importance of
creating more funding tools that would advance efforts towards localising aid.

The panel believes that investing in the capacity and involvement of local actors will not just lead to short-term efficiency gains but also promote local ownership, strengthen local civil society more generally, and increase that society’s capacity to manage future shocks. We need to move beyond debates about whether international or local partners are better. Both need to be strong in a functioning ecosystem, but this can only happen if donors and international organisations take concrete steps to develop funding mechanisms that promote localisation.

**How donor governments can accelerate efficiency**

**Commit to less earmarking**

In 2014, 20 donors provided 95 per cent of all international government contributions of global humanitarian aid funding. Furthermore, these donors have significantly increased the size of their contributions in recent years in response to the escalating needs. But demand is outpacing the donors’ generosity. As most have reached or are reaching their maximum giving potential the panel counts on donors to increase the quality of the funding they provide.

Several UN humanitarian agencies have seen an increase in earmarking in the past decade. In 2013, 81 per cent of government funding provided to the main six UN agencies was earmarked, a drastic increase compared to 15 per cent a decade earlier.59

We set an initial target for donors to remove earmarks for 30 per cent of their funds provided to humanitarian agencies by 2020.

Flexible funding is one of the guiding principles of the Good Humanitarian Donorship (GHD) initiative, which recognises that by working together members stimulate principled donor behaviour and, by extension, improve humanitarian action.60 Unfortunately, despite this forum of government donors, the majority of financial contributions are still earmarked, with donors specifying how funds must be used for particular sectors, projects or geographical areas. There are varying levels of earmarking ranging from completely unrestricted, provided for the overall mandate of an organisation (often referred to as “core” resources), to tightly earmarked (for example specifying use of funds for a particular project within a particular district).

The level of tightening by donors is on the rise at a time when the humanitarian ecosystem requires speed and agility to respond to global crises without heavy earmarking weighing it down. Support to funding mechanisms such as the Central Emergency Response Fund (CERF) are also welcomed as a means to provide fast and predictable as well as flexible funding to UN agencies. CERF resources are not earmarked for specific countries or crises and are deployed quickly wherever needs are greatest whether a crisis is sudden or protracted and whether it is in the news or not.61

Flexible funds are the lifeblood of any humanitarian operation. Access to a sufficient level of readily available flexible funds shortens reaction times to sudden-onset crises, as it allows humanitarian organisations to have in place their own internal pre-financing or loan facilities. With flexible resources organisations are able to prioritise the use of funds to respond to the most urgent needs of affected people instead of being restricted to implement responses pre-determined by earmarking. Flexible funds also contribute to a more balanced distribution of resources, including to neglected crises that do not benefit from attracting other sources of funding generated from media attention.

**Commit to more multi-year funding**

In order to gain maximum impact and save costs donors need to provide multi-year funding. WFP has estimated that more multi-year financing would cut its costs by approximately a third through improved procurement possibilities.62 Multi-year funding also fosters medium-term planning between the humanitarian and development sectors. The panel is convinced that there is money to be saved by simply moving beyond planning and responding to crises on an annual basis. Given that organisations are shifting toward more multi-year planning, donors must find ways to adjust their own internal mechanisms to fund these in return. Donors and organisations need to find a way to work together on this critical change in order to respond more efficiently to the needs of affected people.
Harmonise and simplify reporting requirements

Without documented results donors struggle to justify to their citizens and parliaments continuing to fund humanitarian aid organisations. As a result they impose customised reporting formats and systems on the implementing partners to which they contribute. These organisations complain that reporting creates a substantial administrative burden in terms of staff time and resources at many levels. Quantifying and documenting the costs of meeting these donor reporting requirements has been a challenge for the panel. Organisations have not been able to provide data in monetary terms, with some citing donor confidentiality as a reason.

Some organisations provided data on the quantity of reports. Anecdotally, a WHO officer working for the Ebola response told us that, out of a hundred grants received, more than fifty required customised technical and financial reporting. Members of the panel met with several international and national NGOs working in Turkey who expressed concerns regarding how much time they were spending in the office—instead of serving Syrian refugees—as a result of the increasing reporting requirements which result in greater administrative burdens.

Donors must agree to using the standard reports developed by aid organisations whenever possible or work together to harmonise reporting requirements amongst the donor community. Efforts to reduce heavy or customised reporting have been under way for years by the GHD but with limited results. Donors agreeing to a set of minimum standardised reporting requirements as well as operational and financial indicators will not only save time and resources—for all organisations both international and national—but also increase transparency and comparability among implementing partners. This will enable donors to make informed decisions and allocate funds to the most efficient response efforts.

How humanitarian aid organisations can make the best use of existing funds

Reduce duplication and management costs

Cutting down overhead and management costs is crucial to ensuring that the maximum proportion of humanitarian funding is used to deliver directly to people in need. As nearly half of international humanitarian assistance from government donors is channelled via UN humanitarian agencies, we count on them to accelerate their efforts towards achieving greater efficiency. Various efforts by the UN’s High-Level Committee on Management show significant savings in time and cost. For example, UN offices in Geneva have reduced costs by approximately US$ 30 million annually by collaborating with UN, NGOs and private sector in procurement and reducing expenses in areas such as travel and utilities.

Humanitarian organisations need to continuously search for ways to adapt to the changing global environment and ensure that technology and innovation helps them to improve. Mobile and communications technology, for example, can streamline the delivery of services such as health and education. A 2012 pilot programme of an international NGO in Kenya showed that sending advance text messages to aid recipients about pending deliveries cut down distribution time from three hours to 30 minutes.

UNICEF in Uganda trains health workers to send real-time reports via SMS instead of filling out lengthy health reports on paper. Taking advantage of technology can significantly cut down the time of transmission of vital information, which helps local governments plan and respond to disease outbreaks, medication supply shortages and malnutrition. Adopting and implementing greener policies also helps cut costs. According to a 2015 report, \textit{Heat, Light and Power for Refugees Saving Lives, Reducing Costs}, humanitarian aid organisations could save millions of dollars (and reduce carbon emissions, deforestation and violence against women and girls) if solar power and other clean energy sources were installed at refugee camps. The panel welcomes greening initiatives that save the planet’s natural resources as well as scarce financial humanitarian resources.

Commit to periodic functional reviews on expenditures

Functional reviews are a vital component for assessing the efficiency and effectiveness of any organisation’s work, from managing human resources in headquarters to implementing a project in the field. They not only save costs and inform the direction of necessary reforms but can further strengthen collaboration among organisations when responding to a crisis.
Too important to fail—addressing the humanitarian financing gap

Expenditure reviews are costly at all levels of any organisation and the panel would like to see one agreed and trusted review process. Currently there are multi-donor assessments, such as the Multilateral Organisation Performance Assessment Network (MOPAN), a network of 19 donor countries who assess organisational effectiveness of the major multilateral organisations which they fund. Some of the donors who are members of such multi-donor networks still conduct their own separate and individual assessments.

Only through joint regular reviews can organisations determine whether their current expenditures are properly aligned and ensure that the appropriate agency is performing the requisite functions. The panel calls for these reviews to be conducted with the assistance and expertise of national and internationally renowned financial institutions. The results of these exercises should be publicly available to assure donors and their constituents that their money is being spent wisely. Until a sufficient level of trust is achieved by implementing the various elements of a proposed Grand Bargain for efficiency, the panel recommends periodic functional reviews that would decrease the duplication and overlap which such a Grand Bargain was envisioned to address.

Agree to having a harmonised cost structure

The panel is concerned about the lack of a shared definition between aid organisations on what constitutes ‘overhead’ or direct programme costs. Without harmonisation of cost structures and adherence to common definitions, comparability among is impossible. Making progress toward this is a prerequisite for achieving the goals of financial transparency.

Move to joint and impartial needs assessments

Avoiding duplication when conducting needs assessment is another source of efficiency gains. Currently aid organisations as well as donors often conduct simultaneous, separate needs assessments for the same emergency. This was the case during the 2013 Typhoon Haiyan emergency in the Philippines, when hundreds of assessments were carried out by humanitarian agencies at the same time in the same areas. The intention may have been to demonstrate to donors their abilities to respond quickly, rather than collectively.

Efficiency is only one part of the problem. Organisation-managed needs assessments also lead to a disproportionate focus on the services delivered by their own organisations, rather than an unbiased assessment of what affected people need. This raises questions as to the impartiality and accuracy of individual needs assessments, as well as the compilation of needs assessments used when formulating humanitarian appeals. We believe there is much to be gained by all humanitarian organisations from agreeing to conduct joint needs assessments. This has been carried out in northern Syria and during the Nepal earthquake. Reducing the number of duplicate assessments reduces the number of times the same affected people have to repeat their needs to different surveyors. A common needs assessment would increase donors’ trust in the figures provided to them, figures which are used for making critical funding decisions. Organisations should move from individual to joint needs assessments, pooling existing expertise and openly share needs assessment data and analysis.

Listen more to beneficiaries and include them in decisions that affect them—‘a Participation Revolution’

Access to technology and innovation creates new cultures of community-driven communication which is challenging and transforming the nature of disaster response. Mobile networks, the internet and similar communications technology are connecting the unconnected. Even in the world’s most remote places there may be no running water but there are mobile telephony networks.

However given the digital divide between men and women that persists in many parts of the world, and especially in crisis settings, a woman is still 21 per cent less likely to own a mobile phone than a man in middle- and low-income countries. Access to information is becoming a high priority among those being assisted, and humanitarian responders must be aware of this gender gap when sharing or collecting information from communities.

Humanitarian aid organisations can ensure continuous dialogue with communities, providing them with better information on services and resources while also hearing back from them. During the first two years it was in operation, an inter-agency community feedback call centre in West Darfur received more than a thousand
calls, facilitating tangible improvements in IDP camps which were home to more than 1.4 million people at that time. The panel would like more use of technology in order to listen and learn directly from affected people, including a concerted effort to reach and receive feedback from women who may have lesser access to communications technology.

By harnessing technology when assessing needs and planning aid and cash deliveries, aid organisations can receive information much faster and more reliably and directly from people requiring help rather than solely through traditional survey teams. This is a huge step forward for rapidly obtaining more accurate data on needs, resulting in more cost-effective aid delivery. It also includes the voices of affected people in the decision-making process.

Stronger community engagement is central to effective programme development. Initiatives such as Ground Truth Solutions have shown that the humanitarian system could—indeed should—be leading the way in involving beneficiaries in needs assessments, resource allocation decisions and driving increased accountability. The panel is encouraged by what could be called a ‘Participation Revolution’, which would ensure affected people are at the centre of all responses, but also drive some fundamental improvements in the way that humanitarian interventions are made and accounted for. The panel calls on humanitarian organisations to build better feedback loops towards results-based programming, and to ensure that feedback results in course corrections.

Towards collaborative efficiency

The concept of a Grand Bargain is more than the sum of its parts. We can imagine the global humanitarian system as a house inhabited by a growing family which has had rooms and extensions added to it as needs arose. If we are going to solve the problems of scale, configuration and efficiency we must do more than rearrange the furniture: the foundations are solid but walls need to be knocked down, more light let in and its energy efficiency boosted. In advance of the WHS in Istanbul we want donors and humanitarian aid organisations to show leadership by demonstrating their commitment to remake a house that is fit for everyone and into which everyone can fit.

We want government donors and aid organisations to come together and agree to a Grand Bargain. Agreeing to do so will demonstrate a clear commitment to the greater good which outweighs self-interest. From our discussions we know that some donors and organisations are signalling their willingness to lead this process. We rely upon them to translate words on paper into real change for the people they serve.
The panel recommends:

that by the World Humanitarian Summit donors and aid organisations work towards a collective roadmap for stretching available money to reach more people in need.

The main elements of a Grand Bargain are:

For aid organisations and donors to work more closely together towards:

- More financial transparency.
- More support and funding tools to national first responders.
- Scale up use of cash-based programming and more coordination in its delivery.

For aid organisations to commit to:

- Reduce duplication and management costs.
- Periodic functional expenditure reviews.
- More joint and impartial needs assessments.
- A Participation Revolution: listen more to and include beneficiaries in decisions that affect them.

For donors to commit to:

- More multi-year humanitarian funding.
- Less earmarks to humanitarian aid organisations.
- More harmonized and simplified reporting requirements.
Conclusion

In his acceptance speech to the United Nations General Assembly in October 2006 Ban Ki-moon said: “The true measure of success for the United Nations is not how much we promise but how much we deliver for those who need us most”.

We were mindful of his words as we undertook this work. During our research and deliberations we learned a great deal from the experts in a wide range of relevant fields with whom we met and engaged.

We identified some actions which depend upon a global will for transformation, along with other pathways whose construction can start immediately. We are conscious that some elements of our recommendations will appear familiar to those within the humanitarian and development sectors.

This should come as no surprise: reform of humanitarian aid has been discussed at varying degrees of temperature for many years. However, we are convinced that now is the time to seize the opportunity for change.

We believe that a great deal of the value of this report is in creating an engagement platform and that we are at the start of a process. This report should above all be about delivery. We want this to be a living document with the goal of generating a series of actions leading to the delivery of a more robust and sustainable financing system for humanitarian assistance.

Governments, international organisations, the private sector, civil society and private individuals all have roles to play in this process by working together to be better prepared and reducing human vulnerability to natural and man-made disasters. Success will rely upon a consensus of support for a culture-shift away from insularity, reactivity and competition towards anticipation, transparency, research and collaboration. The depth of experience, the skills and the vision are all available.

We need an infusion of trust built upon a belief in our abilities and faith in a common mission to save lives and restore human dignity. Most of all we need the political will to make this happen. The World Humanitarian Summit provides a once-in-a-generation opportunity to make the investment in ensuring that we have a humanitarian aid system that measures up to the challenges which this century will continue to create.
Annex I

Panel Members

Co-Chairs

Ms. Kristalina Georgieva, Bulgaria
Vice President for Budget and Human Resources, the European Commission

HRH Sultan Nazrin Shah, Malaysia
Ruler of Perak, Malaysia

Panelists in alphabetical order

Ms. Hadeel Ibrahim, the United Kingdom
Executive Director, Mo Ibrahim Foundation

Mr. Badr Jafar, the United Arab Emirates
Managing Director, the Crescent Group

Mr. Walt Macnee, Canada
Vice Chairman, MasterCard

Mr. Trevor Manuel, South Africa
Senior Advisor, Rothschild Group

Ms. Linah Mohohlo, Botswana
Governor, Bank of Botswana

Mr. Dhananjayan Sriskandarajah, Sri Lanka
Secretary-General, CIVICUS

Ms. Margot Wallström, Sweden
Minister for Foreign Affairs
Annex II

Panel Secretariat

Ms. Julie Belanger (Head)
Mr. David Sharrock (Principal writer)
Ms. Hiroko Araki
Mr. Tensai Asfaw
Mr. David Matern
Mr. Silvanus Okumu
Ms. Ekaterina Papaioannou
Ms. Lisbeth Pilegaard
Ms. Siti Kamariah Ahmad Subki

Global Humanitarian Assistance Report 2015, p.74. Between 2010 and 2014, local and national NGOs combined received US$243 million—1.6% of the total given directly to NGOs and 0.3% of the total assistance reported to the UN OCHA FTS over the period. Their share of total funding has halved from 0.4% in 2012 to 0.2% in 2014, and their share of the total given to NGOs has almost halved, from 2.3% to 1.2%.

UNHCR, Global Trends—Forced Displacement in 2014, p.5


Assessments on member states provide a reliable source of funding to core UN functions through the UN regular budget. Given the extent to which the cost of humanitarian aid has swollen, a reasonable case may be made for funding part of the bill through assessed contributions. However, the panel is aware that the challenges in the way of achieving this make such a proposal for now unrealisable and for this reason we have decided not to make a recommendation but to draw attention to the potential for future consideration.


Global Humanitarian Assistance Report 2015, p.18

Global Humanitarian Assistance Report 2015, p.52

Crisis Modifier is USAID’s programming tool, which allows for speedy disbursement of funds to implementing organisations as crises occur on the ground by building in emergency response funding into development program grants. While it
Too important to fail—addressing the humanitarian financing gap

is mainly used for drought-cycle management, the tool can be also applied in other contexts, such as conflicts.


25 Global Humanitarian Assistance Report 2015, p.32

26 UNHCR, Global Trends—Forced Displacement in 2014, p.2


30 Sustainable Development Knowledge Platform. Sustainable Development Goal 10: Reduce inequality within and among countries. Goal 10.c: By 2030, reduce to less than 3% the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5%. Available at: https://sustainabledevelopment.un.org/focusddgs.html

31 The panel is not aware of any work being carried out on this for conflict situations and believes that there may be scope to apply similar modelling capacity.

32 ARC offers insurance against severe drought events with a frequency of one every five years to a maximum level of coverage of US$ 50 million per country per season. In January 2015, the ARC Insurance Company Limited paid US$ 25 million in total drought insurance claims to Mauritania, Niger and Senegal to finance early drought interventions agreed in pre-approved contingency plans.

33 G7 Germany. “Think Ahead, Act Together”. Leaders’ Declaration G7 Summit, 7–8 June 2015. Available at: https://www.g7germany.de/Content/EN/_Anlagen/G7/2015-06-08-g7-abschluss-eng_en.pdf?__blob=publicationFile&v=3

34 Insurance coverage should be complemented by the establishment of national and regional contingency (reserve) funds, credit instruments and institutional and local capacity and system building. When scaled up, this would lead to a substantial reduction in international aid requirements for natural disasters. See page 9 on the importance of fiscal space.

35 IDB: Waqf Development & Management, 2012. India Prime Minister’s High-Level Committee on the Social, Economic, and Educational Status of Indian Muslim Community report (Sachar Committee). It is estimated that there are more than 49 million waqf in the country, with a market value of US$ 24 billion.

36 Shirazi, Nasim S., and M. A. Zarka. “Social Tax and Transfers for Reducing Income Inequality and Poverty: A Case for Low and Middle Income Countries”, 2015. Nasim Shirazi N S. “Integrating Zakat and Waqf into the Poverty Reduction Strategy of the IDB Member Countries”, May 2014. IDB latest estimates are calculated based on data as of December 2015 of 56 OIC member countries as per methodology specified in these papers.


42 Information on the financing of Mèdecins Sans Frontières. Available at: http://www.msf.org/our-finances

43 Esslemont, R. “Which aid relief charities spend the most on fundraising?”, 15 July 2015. Available at: http://mobile.reuters.com/article/idUSKCN0PP00F20150715


45 Informal interview with World Vision.


47 “Peggy Conlon, President and CEO, to Retire from The Advertising Council”, Ad Council. Available at: http://www.adcouncil.org/News-Events/News-Release

48 Global Humanitarian Assistance Report 2015. Largest contributors of international humanitarian assistance 2014, p.32-33. The 20 largest donors contributed 95% of all international government contributions in 2014. The five largest donors accounted for around two-thirds of all international humanitarian assistance from governments—61% in 2014. The 20 largest donors are listed below:

1) USA US$ 6bn, 2) UK US$ 2.3bn, 3) EU institutions US$ 2.3bn, 4) Germany US$ 1.2bn, 5) Sweden US$ 933m, 6) Japan US$ 882m, 7) Saudi Arabia US$ 755 m, 8) Canada US$ 747m, 9)Norway US$ 639m, 10) Netherlands US$ 538m, 11)
Denmark US$ 486m, 12) Switzerland US$ 485m, 13) France US$ 462m, 14) Australia US$ 430m, 15) Italy US$ 378m, 16) United Arab Emirates US$ 375m, 17) Kuwait US$ 342m, 18) Belgium US$ 244m, 19) Spain US$ 220m and 20) Finland US$ 187m.

Global Humanitarian Assistance Report 2015, p.68. In 2013, 48% (US$ 7.3 billion) of international humanitarian assistance from government donors was channeled, at least in the first instance, through six UN agencies: WFP, UNHCR, UNICEF, OCHA, UNRWA and FAO. This was a slight increase from their 45% share (US$ 5.7 billion) in 2012.


Global Humanitarian Assistance Report 2015, p. 91

Global Humanitarian Assistance Report 2015, page 74. Between 2010 and 2014, local and national NGOs combined received US$ 243 million—1.6% of the total given directly to NGOs and 0.3% of the total assistance reported to the UN OCHA FTS over the period. Their share of total funding has halved from 0.4% in 2012 to 0.2% in 2014, and their share of the total given to NGOs has almost halved, from 2.3% to 1.2%.

According to information provided as of 14 December 2015, the disbursements stand at US $ 488.6 million. Available at: https://docs.unocha.org/sites/dms/Documents/OCHA%20CBPF%20Allocation%20Contribution%20October%202015.pdf

Global Humanitarian Assistance Report 2015, p.32

Global Humanitarian Assistance Report 2015, p.68

Information about Good Humanitarian Donorship. Available at: http://ghdinitiative.org/

Remarks of the Secretary-General at the High-Level Event marking the 10th anniversary of the CERF, New York 17 December 2015.


The WFP estimates that a higher degree of multi-year financing would cut an organisation’s procurement costs by around 30 per cent.

Based on information provided about the Common Procurement Activities Group during an informal side event that took place in the UN Secretariat in New York hosted by the Permanent Missions of Vietnam and Norway, 15 October 2015; The Role of the United Nations Business Operations in a Post-2015 World.


IRIN global, 16 August 2013. “How technology is transforming emergency preparedness”.


The mission of Ground Truth Solutions is to support humanitarian actors to systematically listen and respond to the voices of affected people. More information available at: http://groundtruthsolutions.org/