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SCHR



InterAction

**ENHANCING THE EFFECTIVENESS OF HUMANITARIAN ACTION
A DIALOGUE BETWEEN UN AND NON-UN HUMANITARIAN ORGANIZATIONS**

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Background Paper 4:

**Summary Paper on the Financing and Partnerships
between UN and non-UN Humanitarian Organizations**

Introduction:

Recent years have seen a growth in the levels of humanitarian financing. Most of the increases in humanitarian finance are associated with specific events. The situation in Iraq and Afghanistan led to massive increases in funding. Following on, the response to the Tsunami led to a massive increase in the availability of private and governmental flows of humanitarian assistance, although it remains unclear as to whether these will be sustained. Various studies seem to suggest that private and voluntary flows of humanitarian assistance are increasing, along with the numbers of organizations engaged in humanitarian assistance. New groupings such as those emerging from various national Diasporas are becoming engaged as both sources of humanitarian finance and as providers of humanitarian assistance. In this context, there are a number of concerns about the current humanitarian financing environment that affect the relationship between the UN and non-UN humanitarian organizations. These may range from concern over the dysfunctionality caused by competition to the frustration of not being able to provide direct financing for local NGOs. This paper, which summarises an OCHA commissioned analysis¹ of humanitarian financing, seeks to provide a general overview of some of the key financial issues and concerns that impact on both the UN and non-UN organizations. The lack of a fully functional overall humanitarian financial monitoring system has limited the ability to provide a comprehensive analysis of the situation. This summary therefore draws on information provided by the three major UN humanitarian organizations and a representative sample of non-UN organizations.

¹ OCHA commissioned Development Initiatives to undertake a rapid survey of non-UN and UN partners' financial relationships and concerns. This drew on Development Initiatives publications and studies of humanitarian financing as well as interviews with key respondents from both UN and non-UN organizations.



Humanitarian finance: How humanitarian funding is allocated between UN and non-UN agencies.

Figure 1 below shows the amounts of humanitarian aid given by eight donors² to NGOs, three UN agencies (UNHCR, WFP and UNICEF³) and the Red Cross (ICRC and IFRC). This shows that, with \$733.3 million, the three UN agencies received almost the same amount of funding as NGOs (\$756.4 million). ICRC and IFRC together received about half this amount - \$314.6 million. In percentage terms, the UN agencies received 41% of donor funding while NGOs received 42% and the Red Cross movement received 17%.

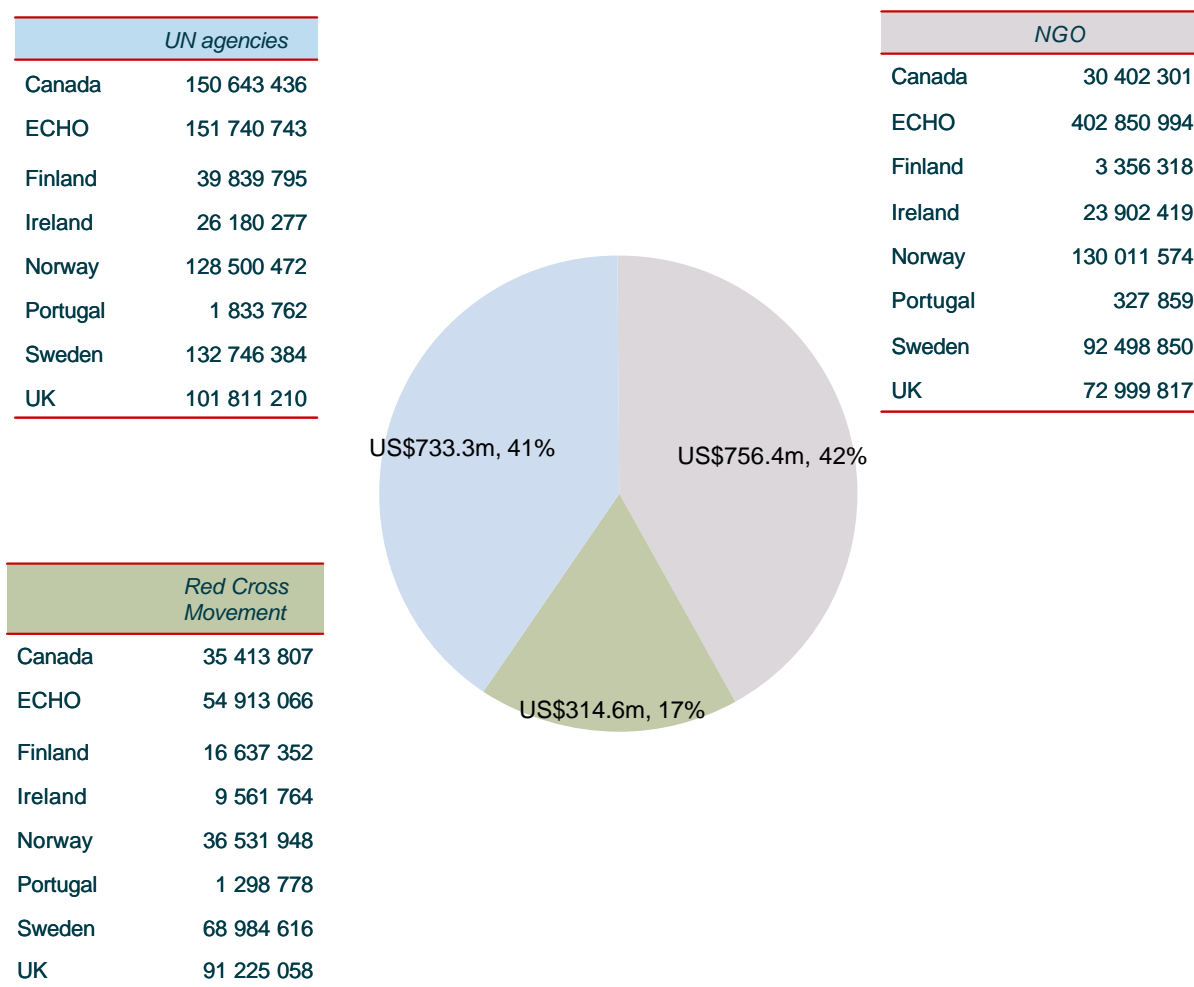


Figure 1: Donor Funding through UN agencies, NGOs and Red Cross.

Source: Donor governments; UN and Red Cross annual reports.

² Canada, ECHO, Finland, Ireland, Norway, Portugal, Sweden and the UK. The donors were chosen purely on the basis of availability of data and represent a high proportion of overall humanitarian funding.

³ This is based on humanitarian funding only to UNICEF though it covers total contributions to UNHCR and WFP since these are the main humanitarian agencies.



The tables in Figure 1 show the contributions of each of the eight donors to the three groups of organizations in 2004. These show that ECHO provided substantially more funding to NGOs (66%) than to the UN agencies (approximately 25%) and the Red Cross (9%). Canada, on the other hand, gave much more funding for the three UN agencies (69.5%) while it provided approximately the same amounts for NGOs and the Red Cross. Finland, too, provided about 66.5% of funding to the three UN agencies. However, it gave a further 28% to the Red Cross and only 5.5% to NGOs.

NGO interviewees suggest that donor funding decisions as to whether to fund through UN one channel over another are based not on performance but more on ideological preferences about the channel (some donors are more committed to multilateral agencies and others more to NGOs) and historical practice (so that the percentages of ECHO funds to these three channels has remained fairly constant over the years).

UN expenditure through NGOs

Establishing flows of humanitarian assistance between UN agencies and NGOs is difficult as neither UN agencies nor NGOs distinguish between humanitarian and other funding. The figures presented below are therefore an indication of the scale of the relationship. Figures 2 and 3 below show funding to UNHCR and WFP⁴, their program expenditure and how much of this was spent through NGOs. Figure 2 demonstrates that 29.2% of UNHCR's total country expenditure was channelled through both national (\$101.5 million) and international (\$148 million) NGOs. This amount of approximately \$250 million was channelled through 146 international NGO and 461 national NGO partners.

Figure 3 highlights the fact that less than 2% of WFP's operational expenditure⁵ was spent through international NGOs. However, this is likely to be a substantial underestimation since WFP was only able to provide data on funding to international NGOs that had handled over 600 MT of food for it in 2005. WFP lists 2,010 national NGO partners in 2005 but did not have data on how much it spent through these partners.

These figures highlight the fact that, although UNHCR and WFP are not channelling the majority of their operational expenditure through NGOs, although they do have funding relationships with very large numbers of organizations.

⁴ Data for UNICEF expenditure through NGOs was unavailable.

⁵ Figure 3 shows that WFP's income in 2004 was slightly lower than operational expenditure. These figures were obtained from WFP's annual report and income data published on its website.

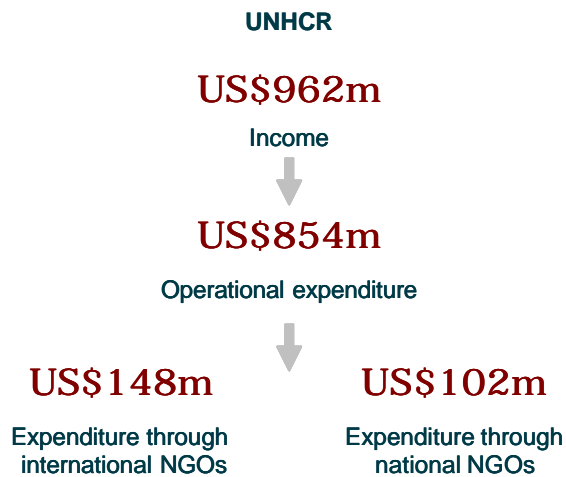


Figure 2:
UNHCR funding and proportion of funding through NGOs [Source: UNHCR Global Report 2004 and UNHCR Fundraising Department]

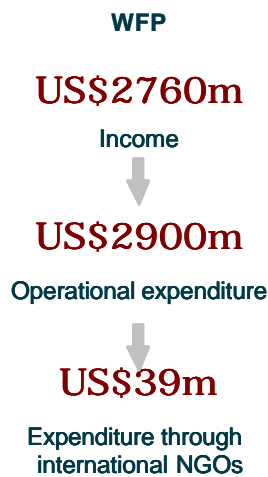


Figure 3:
WFP funding and proportion of funding through NGOs [Source: WFP Annual Report 2004 and WFP External Relations Department]

The value of UN funding to NGOs

The table below shows the total income of six NGOs (five international and one national) and the income that they received from UN agencies in 2004⁶ in order to get an indication of whether UN agencies were significant donors. It shows that, of a total income of \$1.3 billion, the six NGOs received about 2.4% from the UN. However, there was considerable variation between the NGOs, with the International Rescue Committee receiving the highest proportion of its income from UN agencies (11%) and Mercy Malaysia, a national NGO, receiving the smallest proportion (0.6%).

Table 1 suggests that, with some exceptions, UN agencies are not a significant source of income for NGOs. However, this finding should be qualified in two ways. Firstly, NGOs and UN agencies engage in ways that are not purely financial and this is not reflected in the data below.

⁶ Unfortunately, it was not possible to obtain data from more NGOs, particularly national NGOs. Although it would have been helpful to consider humanitarian income only, most NGOs do not separate their income into humanitarian and development. Therefore, Table 1 is based on each NGO's total income and total income from UN agencies.



Secondly, often it is not the size of a grant that determines its importance and usefulness but characteristics like its purpose, timing and the terms of the grant. So, even if UN agencies are not providing significant sums of money to NGOs, the activities they are funding and other characteristics may make the funding more significant than the numbers suggest.

Table 1: NGO income from UN agencies in 2004			
NGOs	Total Income	UN agencies	% share
Action Contre La Faim	52,021,721	1,435,064	2.76
CARE USA	567,236,000	8,249,000	1.45
International Rescue Committee	155,862,000	17,297,000	11.10
Mercy Malaysia	6,477,111	39,508	0.61
Oxfam GB	339,747,114	2,932,014	0.86
Save the Children UK	241,198,461	2,743,002	1.14
TOTAL	1,362,542,406	32,695,588	2.40

Source: NGO Annual Reports

This section briefly mapped financial relationships between donors and their funding channels as well as the financial engagement between UN agencies and NGOs. The preceding analysis would tend to suggest that the issue of competition between the UN and non UN agencies may be an issue of perception between the two and is not based on the apparent reality that historical and political factors are the main predeterminants in the allocation of resources. Secondly, the evidence suggests that while UN agencies engage and interact with a large number of international and national NGOs they are not major donors to NGOs. This raises the issue as to whether there should be higher funding flows between the UN and non UN partners and under what terms should these flows be increased.

NGO perspectives on relationships and funding agreements

Interviews undertaken as part of the study sought to provide some insight and perspectives on the main areas of concern over funding issues. These focus on two sets of issues: funding relationships with UN agencies, competition and the opportunities for collaboration between UN agencies.

Funding agreements and relationships

When discussing funding relationships, interviewees (particularly from national NGOs) emphasised that it was important to establish principles and a framework for relationships before focusing on the mechanics of funding agreements. Therefore, this section is divided into two parts, one focusing on NGO comments on relationships more broadly and the second on suggestions for changes to funding agreements.

Ingredients for successful partnerships

National NGOs reported that, while there was a lot of rhetoric around capacity building, they were treated merely as implementers in their funding relationships with UN agencies and international NGOs. They also believed that UN agencies and international NGOs were mistrustful of them and that their supposed lack of capacity to handle finances was used as an excuse for not empowering them.



While trusting national NGOs with more - and more direct - funding may involve fiduciary risk, UN agencies and international NGOs could consider the fact that, while fiduciary risk can be minimised, it can never be entirely removed. Therefore, risk has to be balanced against the objective of building genuine national humanitarian response capacity⁷. The case for doing this is clear since, when a natural disaster or sudden emergency occurs; local communities and organizations are always the first to respond.

An international NGO interviewee pointed out that there are “huge variations” in the approaches of UN agencies to their partners, not only across agencies but even within the same agency. He believed that WFP had developed the basis for successful partnerships by establishing global partnerships with quarterly consultations. Hence, by the time relationships are negotiated at country level, both organizations know and understand each other so it is easy for them to transfer the necessary knowledge to staff at country level. **This points to a need for global framework or partnership agreements, perhaps such as those used by DFID with UN agencies and NGOs.**

Harmonising funding agreements

It is clear from interviews that UN agencies use a wide variety of funding agreements, even within the same organization. This is particularly the case with WFP, which has decentralised operations so that country and regional offices have their own criteria and performance standards (although any difficulties with this are clearly off-set to some degree by WFP’s global partnership arrangements). Similarly, UNICEF does not collect data centrally on how much funding it provides to NGOs. The different UN agencies also have different mandates, which may be an obstacle to harmonisation. Therefore, it is likely to be difficult for UN agencies to harmonise or standardise their funding agreements.

From their perspective, NGOs generally felt that UN proposal and reporting requirements were not onerous (specially compared to some donors like USAID). Instead, timeliness of funding was more of an issue. Nevertheless, they suggested that UN funding agreements could be simplified or harmonised through:

- The use of standard UN contracts and proposal and reporting formats;
- The introduction of funding MoUs to give more predictable, quick funding in humanitarian situations (this is being tried by UNHCR);
- In appropriate cases, providing derogations from requirements for financial reporting, for example. UNICEF has done this in the DRC.

Under Good Humanitarian Donorship, donors who face similar problems with harmonisation are working to standardise reporting requirements for UN agencies. This should feed down to similar standardisation in what is required from NGOs. One NGO also suggested that the proposal and reporting requirements for the Common/Pooled Funds could be a way to test standardisation. In the DRC, OCHA has had several years’ experience with funding NGOs through the Emergency Humanitarian Intervention and Rapid Response Fund mechanisms. Perhaps its experience would be useful for developing the standard formats.

⁷ Donors like DFID have made similar arguments for providing direct budget support.



If UN agencies had more comprehensive information of how much of their programme expenditure is going through NGOs, which NGOs they have funding relationships with and the terms under which funding is provided, this may provide a starting point and an incentive for better funding frameworks and agreements. Currently, UNHCR is the only large UN agency that gathers this information systematically.

Competition and cooperation

When asked whether competition between NGOs and UN agencies was a barrier to joint needs assessments and other forms of cooperation, the NGOs interviewed suggested that there was more competition between UN agencies themselves and between individual NGOs than between UN agencies and NGOs. One reason for this may be that donors tend to have separate pots of money for UN agencies and NGOs.

Interviewees also pointed out that it is difficult not only to get UN agencies and NGOs to work together on programming and coordination issues but also for NGOs to coordinate amongst themselves. This may be due partly to competition for resources and partly to a lack of sufficient financial and human resources for coordination. However, an interviewee argued that, in many cases, NGO staff simply does not know how to coordinate well. Therefore, he suggested that OCHA can play a vital role in facilitation and providing coordination support to NGOs. Also, coordination may not be taken seriously by NGOs because senior management do not regard it as a priority. So, to improve coordination, senior staff within NGOs need to recognise that coordination is part of rendering themselves accountable.

With regard to cooperation with the UN on joint planning, one international NGO believed that NGOs needed more incentive to participate in the CAP because this is resource intensive and most NGOs simply cannot spare the staff time required. The organization suggested that some guarantee of funding (10% perhaps) would offer such an incentive.

Conclusions

The fear of competition should not be seen as a serious impediment to increasing collaboration and engagement or to improving partnerships between UN and non-UN humanitarian organizations. There is scope for harmonisation of partnership arrangements both within UN organizations and between UN organizations. To do so would both deepen the nature of partnership to the country level and improve the quality of partnerships. The issue of building effective partnerships with local and national NGOs needs more attention from both International NGOs and the UN. New approaches are required to better address the issue of direct funding and capacity building of National NGOs and a higher priority should be placed on this area of partnership. There is also considerable scope for harmonising reporting and accounting requirements between UN and non-UN partners, including the establishment of improved and systematic tracking of financial flows. This should be seen as a means for both simplifying and strengthening relationships. Finally, there is a need to recognise that coordination comes with costs attached, but that the investment in coordination by UN and non-UN partners is a critical element of accountability.