



# EFFECTIVENESS

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## Transparency and efficiency

Improving the efficiency and effectiveness of humanitarian action is essential to better meet needs. At a time when available resources are failing to meet urgent humanitarian requirements within appeals (Chapter 3), it's inevitable that questions are being asked about how to improve the impact of financing.<sup>1</sup>

Previous chapters have highlighted areas of reform that could improve the efficiency and effectiveness of complementary efforts in crisis situations. These include enhanced engagement between humanitarian and development actors to understand and respond to the risks and needs of vulnerable populations (Chapter 1); putting to best use the resources provided beyond international humanitarian assistance in vulnerable and fragile contexts (Chapter 2); and multi-year planning and funding for a more predictable and cost-efficient response to protracted crises (Chapter 5).

A scale up in cash programming has the potential to further improve the quality of humanitarian response and reduce costs. Providing people with money instead of goods enables them to choose how best to spend it to meet their needs and can stimulate the local economy. An estimated US\$1.3 billion to US\$1.9 billion was invested in cash-related

programmes in 2015 – between 4.4% and 6.9% of total international humanitarian assistance that year – though a lack of data prevents a more accurate estimate.

Flexible financing through unearmarked contributions to humanitarian organisations brings a number of effectiveness benefits. However, the proportion of funding that the leading humanitarian UN agencies received in the form of fully unearmarked contributions from government donors decreased from 24% in 2012 to 16% in 2014. Unearmarked funding for non-governmental organisations (NGOs) represented 8% of the overall funding that they received in 2014 – a slight increase from 7% in 2010 – but still a long way from the donor commitment to provide 30% of unearmarked or 'softly earmarked' funding by 2020.

Effectiveness can also be improved through more transparent and traceable funding. Allowing all actors to follow funding, earmarked or not, through the system could highlight potential cost savings along the way and make the overall response more accountable to populations in need. Increased and improved publication of data to the International Aid Transparency Initiative (IATI) Standard is crucial to achieving this.

## Cash programming

Humanitarian agencies are increasingly providing cash or vouchers as a means of assisting vulnerable populations in crisis situations.<sup>2</sup> While cash and voucher programming has been implemented for some time, including in Somalia and Ethiopia, the response to the Syria crisis in particular has accelerated their use. This is the case for interventions both inside Syria, where direct cash and voucher distribution are supplemented by partnerships with local businesses and e-voucher systems;<sup>3</sup> and in neighbouring countries, where in some cases cash-based programmes are linked to national safety net programmes benefitting both refugee and host populations.<sup>4</sup>

Cash transfers cover a variety of modalities, including the distribution of physical money, vouchers (both paper and electronic), bank transfers and debit cards. Evidence has shown that cash and voucher programming can bring a number of important benefits. These include giving greater choice and dignity to affected people, particularly in the case of unconditional cash transfers; supporting local markets; increasing the speed of getting assistance to people in need; reducing the cost of delivery; and potentially improving the transparency and accountability of the response, particularly through the use of digital payments.<sup>5</sup>

The extent to which cash transfers are already implemented in humanitarian response, either as stand-alone activities or as part of wider programming, is unclear. Cash and voucher programmes can cut across a number of sectors and are not 'tagged' as cash in financial reporting systems, making it difficult to accurately track how much funding is provided in this way. A recent High Level Panel on Humanitarian Cash Transfers put the estimate in the region of US\$1.2 billion to US\$1.5 billion in 2014.<sup>6</sup>

An approximate figure for humanitarian cash and voucher programming in 2015 can be derived from a number of different sources. These include: data extracted from project descriptions in the UN Office for the Coordination of Humanitarian Affairs (OCHA)'s

Financial Tracking Service (FTS); project budgets recorded in the Cash Atlas;<sup>7</sup> and expenditure on cash provided by the World Food Programme (WFP) – the implementer of the largest amount of cash and voucher programming globally. Comparing available data from these sources suggests that somewhere in the range of US\$1.3 billion and US\$1.9 billion was delivered in the form of cash and voucher programming in 2015 – between 4.4% and 6.9% of total international humanitarian assistance that year.<sup>8</sup> However, the actual amount is likely to be higher.

Cash and voucher-based programming may not be suitable in every context, but in settings where it is appropriate, there is a groundswell of support for a significant scale up. The UN Secretary-General, in his report for the World Humanitarian Summit (WHS), recommended that cash be the preferred and default mode of operation.<sup>9</sup> Others are calling for a 'cash revolution', whereby humanitarian response providers begin to automatically and instinctively ask themselves 'why not cash?'<sup>10</sup> While 'Grand Bargain' commitments on humanitarian financing announced at the WHS do not go so far as to set a collective target for cash-based programming, they do convey the general aims of increasing cash programming beyond current levels and more routine use of cash alongside other forms of assistance.<sup>11</sup>

Along with this increase must come better data on the extent to which cash is used within humanitarian action and in what form (cash versus vouchers for example), as well as its links to national social protection systems.<sup>12</sup> Not only will this facilitate learning on the efficiency and effectiveness of cash-based programming compared with other humanitarian programming modalities, it can also provide evidence of cash as a potential bridge between humanitarian response and longer-term efforts to strengthen national and local coping mechanisms in fragile contexts.<sup>13</sup>

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## Case study: World Food Programme's cash and voucher programming

WFP's cash and voucher programme of work has grown from US\$10 million in 2009 to US\$681 million in 2015, making WFP the implementer of the largest amount of 'cash-based transfers' (the catch-all term used by WFP to refer to a range of cash and voucher modalities<sup>14</sup>) globally. Even taking into account the US\$163 million decrease between 2014 and 2015, which was due to funding shortfalls in 2015 for WFP's relief operations for Syrian refugees, this represents an increase of more than 6000% since 2009. In 2015,

WFP reached nearly 9.6 million people with its cash-based transfers.<sup>15</sup>

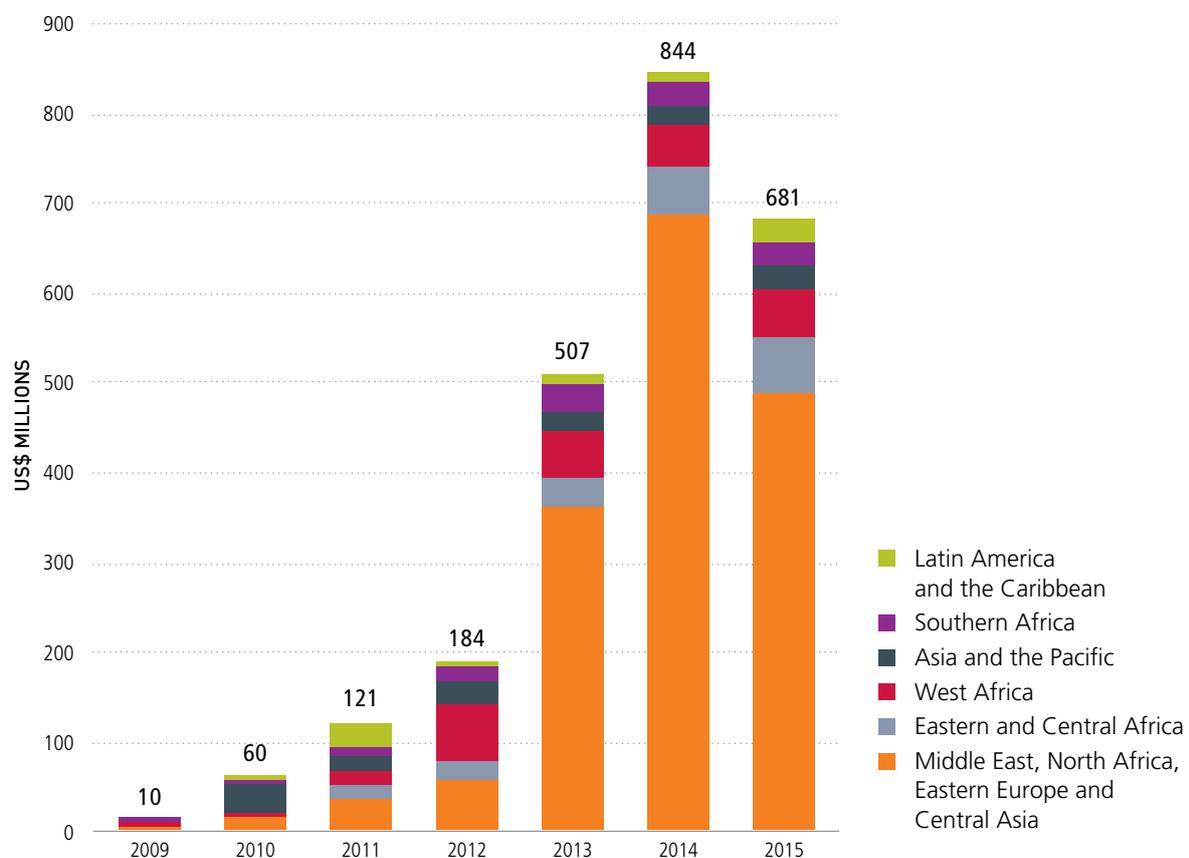
WFP's response to the Syria crisis has undoubtedly catalysed the rapid increase in the use of cash-transfer mechanisms. Spending on cash-based transfers coordinated by the regional bureau for the Middle East, North Africa, Eastern Europe and Central Asia region increased from US\$36.5 million in 2011 to US\$489 million in 2015. Programmes targeted at Syrian refugees accounted for almost half of WFP's global spend on cash-based

transfers in 2015 and around 70% of its spend in this region.<sup>16</sup>

Before 2012, cash, in the form of physical money, was WFP's dominant modality of cash-transfer programming. By 2015, however, around 80% of WFP's cash-based transfers were provided in the form of vouchers, again driven by the Middle East, North Africa, Eastern Europe and Central Asia region where vouchers accounted for 97% of its regional cash programming between 2013 and 2015.

FIGURE 7.1

### Total transfer values to beneficiaries of the World Food Programme's cash and voucher programme by region, 2009–2015



Source: World Food Programme (WFP)

Notes: Data is broken down by WFP regional bureau and consists of combined cash and voucher transfer value to beneficiaries only, excluding additional costs. Data is in current prices.

# Flexible funding

Flexibility of humanitarian financing, including through reduced earmarking of funding, is a core element of the Good Humanitarian Donorship principles agreed by member donors in 2003.<sup>17</sup> Publications in the run-up to the World Humanitarian Summit went so far as to describe flexible funding as the ‘lifeblood of humanitarian operations’.<sup>18</sup> Commitments to reduce earmarking of donor contributions through the Grand Bargain – which calls for a target of 30% of unearmarked or softly earmarked humanitarian contributions by 2020 – state that flexible funding could facilitate swifter responses to urgent needs, strengthen accountability to affected and refugee-hosting states, and reduce grant-specific administration costs and reporting requirements.<sup>19</sup>

Earmarking refers to conditions placed on donor contributions stipulating how the funds may be spent. In practice, earmarking is applied in varying degrees: ranging from fully unearmarked contributions to tightly earmarked funding, specifying in detail the location, activities or commodities

for which funds are intended. In between these two extremes are varying degrees of ‘soft earmarking’ that may stipulate, for example, general thematic or regional priorities.<sup>20</sup>

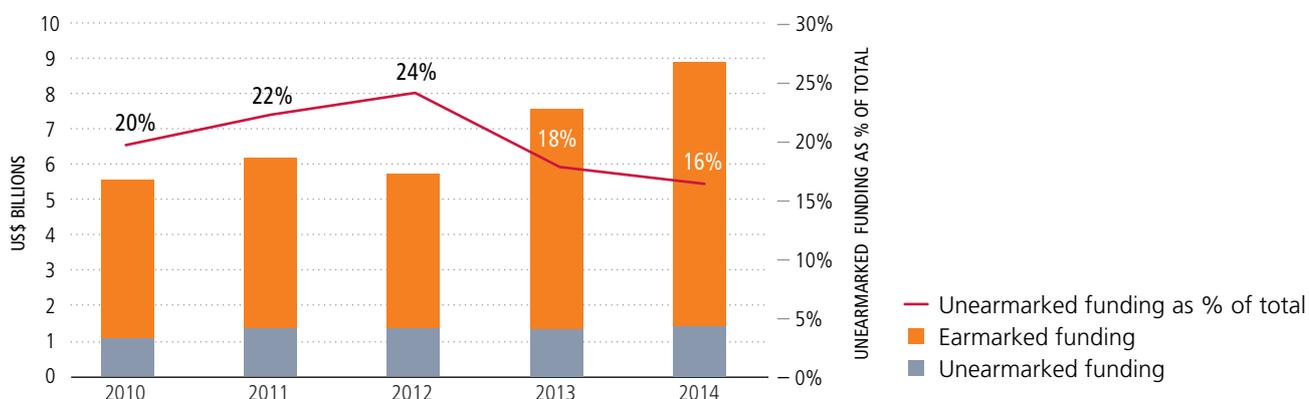
Despite strong commitments otherwise, fully unearmarked funding provided to the leading humanitarian UN agencies – UN High Commissioner for Refugees, UN Relief and Works Agency for Palestine Refugees in the Near East, WFP, UNICEF, Food and Agriculture Organization and UN OCHA – as a proportion of the total they receive has decreased in recent years. While overall contributions to these six UN agencies increased from US\$5.7 billion in 2012 to US\$8.9 billion in 2014, this increase was driven almost entirely through rises in earmarked funding. Consequently the proportion of the funding that they received in the form of fully unearmarked contributions from government donors decreased from 24% (US\$1.4 billion) in 2012 to 16% (US\$1.5 billion) in 2014.

Unearmarked funding to NGOs and the International Red Cross Red Crescent Movement also accounts for a small proportion of their total funding; however, they have experienced some modest gains. In 2014, unearmarked funding for NGOs represented 8% of the overall funding they received that year – a slight increase from their 7% of unearmarked funding in 2010. Much of this unearmarked funding is likely to be attributable to partnership arrangements with donors.<sup>21</sup>

Unearmarked funding is by its very nature less easy to track and attribute to specific crises or projects in current financing reporting platforms. However, this need not be a barrier to traceability and transparency. Publishing good quality data to the IATI Standard, and specifically reporting spending in relation to particular activities, should still allow expenditure of unearmarked or less earmarked funding to be tracked further down the chain.

FIGURE 7.2

## Earmarked and unearmarked international humanitarian assistance from governments to six UN agencies, 2010–2014



Source: Development Initiatives based on OECD Development Assistance Committee (DAC), UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking Service, UN Central Emergency Response Fund data

Notes: The calculation is composed of earmarked and unearmarked humanitarian assistance given by governments to the UN High Commissioner for Refugees, UN Relief and Works Agency for Palestine Refugees in the Near East, World Food Programme, UNICEF, Food and Agriculture Organization (FAO) and UN OCHA. Unearmarked humanitarian contributions for FAO and UN OCHA from DAC governments are not included for 2010 due to a lack of available data. See *Methodology and definitions* for more details. Data is in constant 2014 prices.

# Transparency

Transparency of financing is a fundamental part of improving the efficiency, effectiveness and accountability of crisis prevention and response. Knowing how much funding is provided – and more importantly, how much of that assistance is received by the people affected – is a prerequisite for prioritising reforms in humanitarian financing and tracking their progress, as well as ensuring better value for money and accountability to donors and recipients. Reporting to the IATI Standard provides the opportunity to strengthen the transparency of humanitarian assistance.

Our report, *Better information for a better response: The basics of humanitarian transparency*,<sup>22</sup> sets out the '3Ts' for transparent information flows:

- **Traceability:** being able to 'follow the money' through the transaction chain from donor to crises-affected people
- **Totality:** reflecting all relevant resource flows including and beyond humanitarian assistance, bridging the humanitarian and development reporting divide
- **Timeliness:** real-time data on available resources to ensure an up-to-date picture in fast-moving humanitarian settings.<sup>23</sup>

Traceability of funding is particularly important for improving the efficiency of humanitarian action. Different constituencies have their own reasons for demanding more traceability in humanitarian funding. Donors, for example, are keen to see how efficiently their contributions are being spent; responding organisations want to improve their decision-making processes based on the best-available information; and civil society organisations need better data in order to advocate for more equitable access to resources for local and national

actors. Most importantly, access to information is a key part of making humanitarian action accountable to affected people – allowing people to know how much assistance is being provided in response to their needs and whether it is reaching them in the most efficient and effective way possible.

As outlined in Chapter 6, current reporting practices focus on tracking funding going into the system but not thereafter, when the assistance passes through sometimes complex and lengthy transaction chains of implementers and sub-grantee organisations before finally reaching the intended beneficiaries.

Figure 7.3 provides an example of one such transaction chain, using as its starting point all humanitarian assistance provided by Irish Aid in response to the Nepal earthquake in April 2015 (based on data provided to Development Initiatives by Irish Aid and their Nepal earthquake response grantees). It shows the complexity of funding provided by just one international donor to six international NGOs, which is then passed to second- and in some cases third-level recipients before being delivered to earthquake-affected communities in the form of vital goods and services.

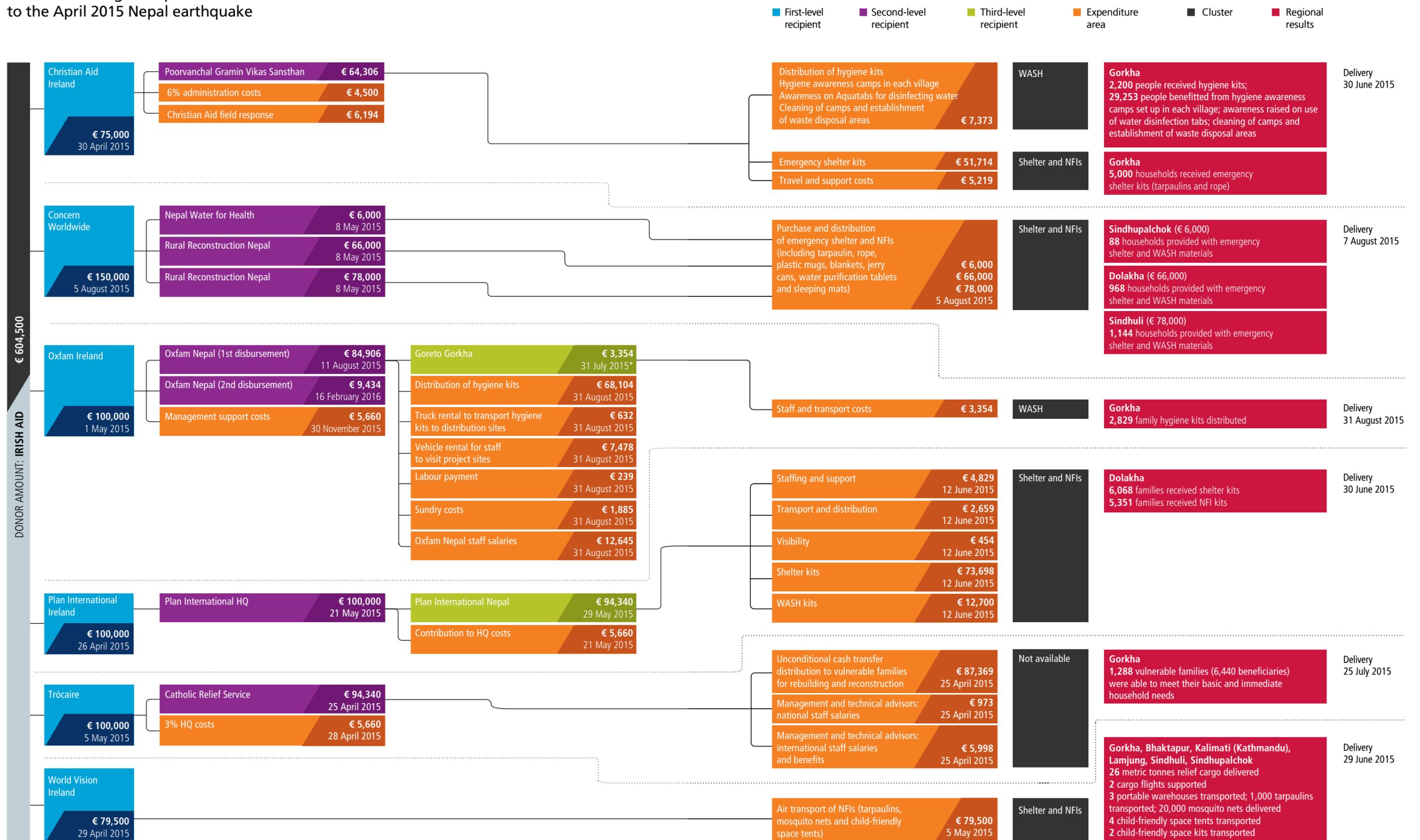
The information for this transaction chain was provided voluntarily by humanitarian agencies in a way that allowed the funds to be traced from donor through to recipient, and demonstrates the quality of data and information that could be made available. However, the ability to scale up this type of detailed and transparent reporting for the entire Nepal earthquake response, or indeed for all crisis responses globally, is far from being a reality. Getting there will demand a critical mass of donors and agencies reporting good quality data to the IATI Standard (see *Better data for a better response*, page 82).

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**FIGURE 7.3**  
Irish Aid funding in response to the April 2015 Nepal earthquake



Source: Development Initiatives based on International Aid Transparency Initiative (IATI) Standard data and data provided by Irish Aid, Christian Aid Ireland, Concern Worldwide, Oxfam Ireland, Plan International Ireland, Trócaire and World Vision Ireland

Notes: HQ: head quarters; NFI: non-food items; WASH: water, sanitation and hygiene. \*Funds released to Goreto Gorkha by Oxfam Nepal before funding was received from Oxfam Ireland; results and clusters disaggregated by district where possible.

## Better data for a better response

Those working to tackle the causes and consequences of crises can be hindered by inadequate and unreliable information, which challenges efforts to garner sufficient resources, target affected populations and measure results. Better data can inform a better response.

As well as financing data, better information is needed on the needs and circumstances of people affected by or vulnerable to crises (see Chapter 1). Quality data is often particularly lacking in situations where humanitarian needs are high, existing information on populations is low, and access to them is constrained. However, investment and innovation can contribute to filling urgent information gaps and keeping datasets relevant, inclusive and responsive to sudden deteriorations in already fragile and vulnerable situations.

There is good work already underway in this area. Progress has been made to strengthen the quality and coordination of humanitarian needs assessments,<sup>24</sup> and guidance<sup>25</sup> and commitments are in place to further strengthen assessment processes and their use in strategic decision-making.<sup>26</sup> Humanitarian actors are already capturing and using digital data to inform their knowledge of vulnerable communities – obtained, for example, through social media, satellite imagery, mobile phone records and financial transactions.<sup>27</sup> Guidance on the ethics and practice of using such data within humanitarian action is evolving along with the technology.<sup>28</sup> Sharing of data and enabling users to combine data from different sources is facilitated by initiatives such as the Humanitarian Exchange Language (HXL) and Joined-up Data Standards.<sup>29</sup>

In terms of financing, the IATI Standard offers a tool for improving the quality, availability and transparency of data. The Standard can cover all international funding flows from a broad range of actors, thereby allowing humanitarian assistance to be considered in the context of wider resources.<sup>30</sup> Good quality data published to this level can also allow funding to be traced through

the delivery chain, showing what reaches crisis-affected populations and highlighting the potential for reductions in transaction costs.<sup>31</sup> But realising this potential depends on donors and agencies publishing good quality and timely data. The Grand Bargain launched at the WHS includes a commitment to publish timely, transparent, harmonised and open high-quality data on humanitarian funding by mid-2018, using IATI as the basis of a common standard.<sup>32</sup>

'Markers', such as the Inter-Agency Standing Committee's 'gender marker' and the European Commission's Department of Humanitarian Aid and Civil Protection (ECHO)'s 'gender and age marker' provide some level of visibility for the targeting of international humanitarian assistance to meet the needs of particularly vulnerable groups.<sup>33</sup> Parties to the Grand Bargain have agreed to work with the Inter-Agency Standing Committee to develop and apply a 'localisation marker' that measures direct and indirect funding to local and national NGOs working in crisis environments.<sup>34</sup> Discussions also continue on the best way of measuring how much humanitarian assistance is provided in the form of cash transfers (see *Cash programming*, page 76).<sup>35</sup>

The clear need and demand for better data, combined with today's technological possibilities and the momentum of the open data movement, provide both the motivation and the means to make better quality data a very real possibility. Progress will come through building on existing initiatives and joining up the efforts of national and international partners, including those in the private sector with relevant knowledge and expertise, to collaboratively and persistently bring about change. To achieve better data on financing, success depends on the commitment of all those disbursing or spending aid to report comprehensively and consistently and to use that information to inform their decision-making.

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