

**62<sup>nd</sup> IASC WORKING GROUP**

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**Issue Paper**

***Financing Improved Humanitarian Response Capacity***

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**Introduction:**

The work currently undertaken in the IASC recognises the need to enhance humanitarian response capacity in a number of different areas of activity. The review process and the work of the cluster groups have started to identify the areas where there is insufficient capacity as well as identifying a number of different approaches that will help to ensure a more predictable and effective response to crises. So far the current discussion has focused on **strengthening existing capacity** and establishing the structures and mechanisms by which this can be achieved. However, it is also clear that some areas will require quite considerable **institutional support and strengthening** and may require that specific agencies will need to consider expanding their capacity and capabilities. For example, UNHCR in accepting the lead responsibility for protection of Internally Displaced People is taking on a significantly increased case load that will presumably make demands on UNHCR's existing capacity. Similarly, there is general recognition that there is inadequate institutional capacity in the area of shelter and that agencies engaged in this area will need to build up their institutional capacity to establish an emergency response capacity within the organisation.

Little work has been undertaken so far in identifying potential new sources of humanitarian capacity, or to **identify the funding constraints** that have inhibited the more predictable deployment of existing capacity. For many NGO's the rapid deployment of capacity entails considerable financial risk. Donor funding regulations and the unpredictability of reimbursement have undoubtedly inhibited smaller NGO's from developing a response capacity, while larger NGO's have limited their exposure to financial risk by not engaging in certain key areas of activity.

This review of the financial and funding implications will therefore seek to identify the cost implications of the current work on strengthening existing capacity, examine the issues involved in institutional support and outline some of the potential options for addressing funding constraints on capacity.

a. **Strengthening existing capacity:**

Four common approaches have so far been identified by the various cluster working groups. These can be summarised as follows:

- **Cluster leadership and coordination:** There is general recognition of the need to establish a designated lead to take responsibility for ensuring that the HC at field level can immediately turn to the designated agency for support in the specific area of activity. However cluster leadership and coordination as currently envisaged goes beyond this in proposing that cluster/sectoral structures should be maintained at both the field and global level. As such, clusters would provide support to agencies and partners involved in cluster activities as well as supporting standard setting and potentially engaging in common training activities.

**Financial Issues:** The majority of clusters have proposed the establishment of a secretariat at headquarters level that would support and service the area of activity. In addition the new clusters structures may also involve increased coordination support in the field. In the case of headquarters secretariat, it is assumed that lead agencies would use their internal capacity for start up of any secretariat support requirements; the ERC would assist sectoral leads to fundraise in their areas. The additional costs of field level coordination will need to be identified at an early stage for possible inclusion in the CAP, presumably as part of the costs of coordination.

- **Surge Capacity / Standby Capacity:** A number of clusters have identified the need for establishing better standby capacity. These range from proposals such as ProCap that would ensure that appropriately qualified personnel with protection skills could be immediately deployed. Similar proposals have been suggested for Water and Sanitation, while other clusters may look in more depth at developing registers.

**Financial Issues:** Developing surge or standby capacities can have considerable and continuing financial implications. The budget identified for ProCap is approximately \$4 million, although recurrent costs will be less. Where standby capacity is being deployed through a variety of different agencies, it will be necessary to identify where the management and accountability should lie and whether they should be seen as an independent common service, with joint financing and shared management.

- **Capacity Building:** As more work is undertaken to establish levels of capacity and develop a better inventory of capacity, there will undoubtedly be proposals to develop capacity through training and other approaches. Indeed the Humanitarian Response Review has already identified “Camp Management” as an area where training should be used to develop and expand the specific skills that are required. There are already a number of independent and agency initiatives in this area. One of the outcomes of the current process could be to seek to rationalize the various initiatives and develop a comprehensive approach to skills development.

**Financial issue:** The potential exists for duplication with a number of bilateral and NGO initiatives in this area.

- **Contingency stocks and Non Food Items:** The lack of key non food items may have a considerable impact on the effectiveness of deployed humanitarian capacity. In the case of Darfur, the availability of fuel efficient stove hindered protection and placed a greater demand on other types of protection. Telecommunications in Indonesia were also hampered by the lack of equipment. As this exercise develops there will hopefully be a better identification of the critical Non Food Items that are required to complement professional capacity.

**Financial Issue:** Donors continue to show reluctance over the financing or holding of contingency stocks. “Just in Time” approaches are generally seen as preferable. A number of existing mechanisms for the holding of contingency stocks already exist, but it is not clear whether these stocks relate to current and future needs or should be more regionally specific. In this instance it may be useful to review existing arrangements as to their appropriateness and identify approaches that are appropriate to the development of a predictable humanitarian response.

**b. Institutional Capacity building.**

In a number of cases the assumption of a lead role will have considerable implications for the agency concerned and will require that they are involved in broader institutional capacity strengthening in order to take on new or expanded responsibilities. This situation does not solely apply to those agencies willing to assume a leading role, but also to agencies where there is a need to increase their capacity to respond rapidly in crises. A number of agencies are potentially affected by these issues and it is likely that their executive boards or their principle donors may take a strong interest or concern over the potential impact of increased engagement and responsibility. The financial issues arising are considerable and thought needs to be given as to the most appropriate strategy that should be adopted towards the donors.

A number of donors have already started to take an interest in the outcomes and implications for them of the HRR. Consideration will need to be given by the IASC as to whether there should be a joint paper outlining the implications of strengthening capacity that is endorsed by the IASC Principals and can serve as a platform for a common approach to the donors, or whether the implications should be treated as a matter of individual concern to the agencies involved.

**c. Addressing funding constraints that inhibit predictable response.**

There is little doubt that the nature and predictability of funding have a significant impact on the capacity to respond immediately and have also had an overall impact on humanitarian capacity. In some cases agencies and NGOs have simply withdrawn from areas of activity that are seen to involve high levels of financial risk. Camp management is a case in point, but there are also other examples in areas of protection that remain consistently under funded by donors. Many smaller NGOs face very specific problems with donor agencies where their cash flow needs are not taken into account by donors and small specialist agencies may find it hard to survive just because of inappropriate or excessive regulation by donor agencies. Yet it is arguably

these smaller specialist agencies that identify, develop and retain many of the humanitarian skills that bigger agencies and NGOs draw on.

To an extent some of these issues could be addressed by new financial mechanisms such as the upgraded CERF or by establishing Emergency Response Funds (ERFs) at country level. However, these will not address all of the problems and it could be useful to undertake a more detailed study that identifies how funding mechanisms and partnership arrangements can be improved to retain and strengthen capacity from the voluntary and private sector.

**Proposal for action by the IASC Working Group:**

- **Identify whether there should be a joint paper agreed by IASC Principals that outlines the financial implications of the current HRR that could be used as a common document to inform donors.**
- **Identify whether a review should be undertaken that examines existing stock holding and contingency stock mechanisms for their appropriateness and their relationship to ensuring a more predictable capacity.**
- **Agree whether a study should be undertaken that identifies how funding mechanisms and partnership arrangements can be improved to retain and strengthen capacity from the voluntary and private sector.**

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