

Panel 2.4: Funding Policies and Practices

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Abbreviations:

CAP = Consolidated Appeals Process
DFID = Department for International Development
FA = United Nations Flash Appeal
GHD = Good Humanitarian Donorship
NGO = non-governmental organization
UN = United Nations
WHO = World Health Organization

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Abstract

This is a summary of the presentations and discussion of Funding Policies and Practices of the Conference, *Health Aspects of the Tsunami Disaster in Asia*, convened by the World Health Organization (WHO) in Phuket, Thailand, 04–06 May 2005. The topics discussed included issues related to funding policies and practices as pertain to the responses to the damage created by the Tsunami. It is presented in the following major sections: (1) issues from the perspectives of (a) donors, and (b) recipients; (2) coordination; (3) conclusions; (4) the size of the response; (5) measuring the Consolidated Appeals Process (CAP) as a financial instrument; (6) other issues; (7) lessons learned; and (8) recommendations. Topics discussed in the other issues section include: (1) data; (2) sustainability; (3) capacity building; (4) unspecified funding; and (5) links to aid for development. Subsections of the lessons learned session include: (1) examining the WHO from the donor perspective; and (2) donor community practices.

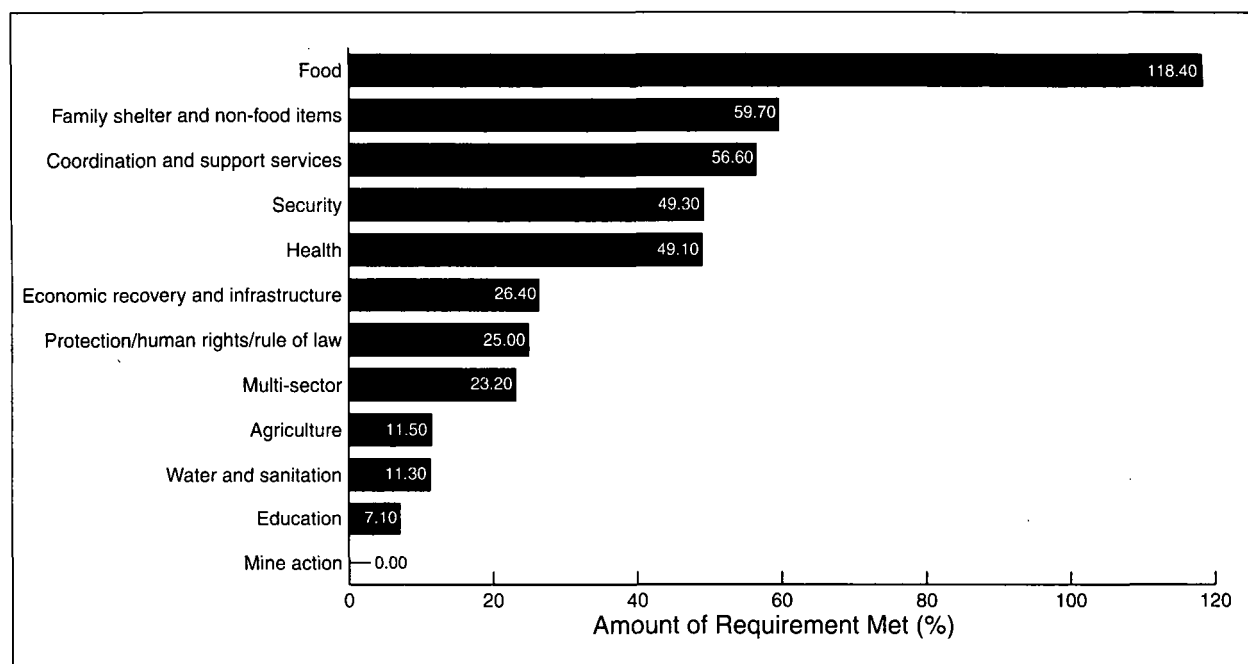
Procacci P, Mookerjee A, German T, O'Dwyer M, Eppel G: Funding policies and practices. *Prehosp Disast Med* 2005;20(6):408–411.

Background

The 26 December 2004 Tsunami caused massive damage and destruction. Following the Tsunami, the governments of the affected countries immediately sprang into action and launched a massive relief effort that was supported by the United Nations and other development agencies, as well as by local non-governmental organizations (NGOs). A rapid assessment was completed, which culminated in the launching of the UN Flash Appeal (FA) on 06 January 2005.

The total amount of money raised by the FA was [US]\$977,000,000, of which, \$121,000,000 was earmarked for health. This represents 12.5% of the total amount raised using this process. The World Health Organization (WHO) component of \$66.7 million (including \$3 million for water and sanitation for Indonesia) was 52% of the total designated for the health sector. Within the Southeast Asia Region, the three most affected countries, Indonesia, Sri Lanka, and the Maldives (received \$33 million, \$12.5 million, and \$6 million, respectively), accounted for 81% of funds designated for the WHO.

The international monetary response also has been remarkable. According to a mid-term review of the FA, about 80% of the total was funded, but as a whole, less than half has been allocated to the health sector. At various forums, the UN has voiced its concern about converting pledges to cash, which has helped the collection process. But even as efforts continue to meet the challenges posed by the unprecedented scope of this disaster, during the first four months of the crisis, some issues identified by the donors and the recipient countries must be addressed, at both the policy and operational levels. These issues include: (1) the donor's perspectives; (2) the recipient's perspectives; and (3) the organizational capacity to manage the funds.



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Figure 1—Inside the Consolidated Appeals Process showing the percent of requirements met per sector

Donor's perspectives

Time is of the essence during such emergencies, and the effectiveness of the responses correlates directly with the timelines of the responses. The time gap between the onset of the disaster and aid inflow, in most cases, makes the critical difference between life and death for millions of people. To determine whether the aid provided was effective, the first question is: Was the response immediate?

What is needed at the time of emergencies is general funding to the greatest extent possible. Policy-makers must make it easier for operational managers to deliver the assistance to the affected population more successfully. This requires a certain degree of autonomy and flexibility that must be provided to the fund managers so that they can use the funds in the situations and for projects that require priority attention. "Tied funding" restricts such need-based deployments of aid in an efficient manner. How much of the available funding was unspecified, and what degree of autonomy existed to facilitate the discretionary use of the available funds?

During this crisis, a new phenomenon emerged, perhaps for the first time in Southeast Asia—a Member State within the Region (India) emerged as a major donor to help neighboring countries affected by the Tsunami. This has had major net incremental consequences for the funding pool—it not only freed funds that otherwise would have gone to India, but India also contributed additional resources. What implications does this have for the diversion of bilateral funding to under-funded, multi-lateral channels? How is this going to affect future funding policies?

Recipient's perspectives

From the perspectives of the recipients, there are two key issues: (1) capacity to absorb aid; and (2) organizational effectiveness in managing the funds.

Capacity to absorb aid—The ongoing crisis has emphasized the issue of whether recipient countries had the capacity to handle large volumes of funds. Instances are known in which medical supplies have been left unattended at the airport for logistical reasons. Does the aid-handling capacity of the country correspond to the funding requirements and inflow? More specifically, does the country and/or organization to which the funding is directed have the necessary systems and infrastructure in place to deal with the quantum of funds provided?

Organizational capacity to manage the funds—This issue stems from the fact that what was done at the country level was a rapid needs assessment. As countries head into the rehabilitation phase, their needs also are evolving. The situation is quite fluid as countries come to terms with the real extent of the losses. How would the changing needs be articulated, and what mechanism would ensure that funding policies and practices are dynamic enough to respond to these needs?

Coordination

To bring together the supply (donors) and the demand (recipient) sides of the equation requires massive coordination. Despite best efforts directed at coordination, increasingly it is recognized as the weakest point process during the crisis. During such crises, not only internal and external coordination is required, but also coordination is required between the policy and practice and across all sectors and agencies. Was the need for coordination understated or underestimated? Would it be a sound strategy to invest a small amount for resource coordination?

Discussion

This panel was qualitatively different from the other panels that participated in the Conference concerning the

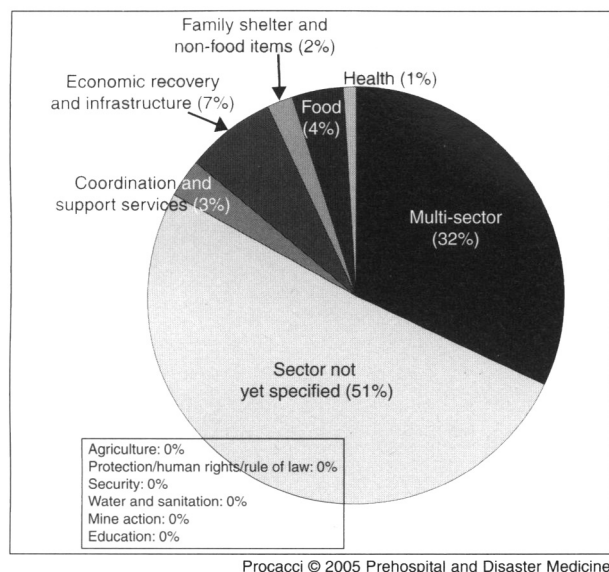


Figure 2—Total contributions by sector both within and outside the Consolidated Appeals Process

technical health issues. The implications and issues raised regarding this broad-based theme reach beyond the Tsunami. Issues are addressed from the perspectives of various players in the humanitarian aid market—i.e., the donors, implementing agencies, recipients, the UN and its specialized agencies, and the multi-laterals.

How big was the Tsunami response?

Although the global response (about [US]\$6.5 billion pledged) to the Tsunami has been perceived as unprecedented, it is at the same level as was pledged for Hurricane Mitch, and only a bit greater than what was pledged for Afghanistan. The total overseas development assistance (ODA) to the Tsunami-affected countries in 2003 was just under [US]\$2.5 billion, so the pledged amount does not look large, as most of it was committed to multi-year spending. Moreover, bilateral donors had the practice of re-announcing pledges, so the addition of inflow of Tsunami funds is suspect.

The Tsunami disaster has gained from the “CNN effect” in which media coverage draws public and political attention to a particular issue. The downside of this effect is that it may distort other global priorities, including adversely affecting equity with other crises and chronic poverty.

Health formed 12% of the requirements in the UN Flash Appeal and according to the mid-term review, it had received [US]\$63.2 million, about half of what it had requested. Some sectors, including food, have been over-funded relative to the needs (Figure 1).

Is the Consolidated Appeals Process (CAP) a strong enough financial instrument?

It is important to note that [US]\$5 of every \$6 pledged to the Tsunami were to address the needs outside of the Consolidated Appeals Process (CAP). Of the total pledges made to Tsunami relief outside of the CAP, only 1% went to health needs (Figure 2). However, there is a large proportion (50%) allocated to unspecified sectors, and it is pos-

sible that health may obtain a part of these multi-sectoral funds. Therefore, it is clear that the CAP was not the donors’ preferred mechanism for the disbursal of funds. As an instrument, the CAP has certain limitations. In its bid to serve as both a fund-raising tool and a needs assessment tool, it is a difficult balance to strike. Moreover, the CAP is a one-time expression of needs, but needs are evolving continuously. Historically, CAPs never have been funded fully, and they are viewed by most donors as extensive wish lists. Traditionally, donors have preferred to place funds through their own accepted channels. Development funding is about people, relationships, and trust. The UN-CAPs do not seem to do this satisfactorily: they do not have the status and credibility for most donors to leave their preferred channels of funding and consistently buy into them.

The current system of collecting needs is based on agency requirements, which then are funded (or not funded) line-by-line. Then, there are various mechanisms for filling the gaps. The idea of a single fund was argued—to or from which donors would make or take contributions and against which allocation would be made in accordance with the needs. More research must be done as this process also has implications for bilateral and multi-lateral funding.

Other issues

Data—One of the main deficiencies noted by the panel was the lack of quality data on aid flows that are relevant to disasters. The generation and maintenance of data are important from the perspectives of: (1) efficiency (which organizations for which needs; when and how funds are earmarked?); (2) equity (which disasters, which people, how much per head, and how much in relation to needs?); (3) adequacy (funding in relation to priority needs?); and (4) resource mobilization (who has given what and where are the shortfalls?).

Sustainability—In relation to humanitarian aid and long-term funding, it was noted that humanitarian aid tends to have a ratchet effect, and political commitment to humanitarian work often translates into a long-term commitment, as was the case with Germany.

Capacity building—The capacity of multi-lateral and specialized international agencies should be built from the core funding provided by agencies such as the Department for International Development (DFID). Standing capacities, including those for external resource coordination, should be availed from the core funding and should not be projected. Another policy issue was that of spreading funding over time. It was noted that, if time is a constraint, money has an inverse effect on capacity building. With little time and more money (the “push effect”), it hampers the natural and organic development within institutions.

Unspecified funding—The view of the people is that while unspecified donor funding or unearmarked funds provide the necessary flexibility from the recipient’s point of view, unspecified funding is not preferred among donors due to political pressures from legislatures and the media to account for the funds. This process delays the establish-

ment of a more accountable system. The possibility to attract unearmarked funds from donors is linked to the broader issue of UN reform and changes in the UN infrastructure. Presently, a donor's perceptions of the UN include that there is: (1) no clarity of roles and mandates; (2) a lack of cooperation among organizations; (3) "cherry picking"; and (4) agency targeting. Issues of visibility and "turf overlap" are common. This hampers resource mobilization efforts.

Links to aid for development—The preferred option for most major donors, including DFID, is to give budgetary support to aid-dependent countries with an agreed upon poverty alleviation strategy. Disaster planning and preparedness must be integrated into the overall poverty reduction policy. A large number of poor people with varying degrees of vulnerability are affected by disasters. The following questions should form the core for funding proposals for rehabilitation and reconstruction: (1) Who are they?; (2) What is the nature of their vulnerabilities?; and (3) How should these vulnerabilities be resolved? The links to poverty reduction and the Millennium Development Goals (MDGs) are critical to sustain the flow of funds, but the exact amount of flow depends also on the geopolitical realities. The Republic of the Congo is an example.

Lessons Learned

The WHO through the donors' lenses

1. In Indonesia, where there was an abundance of resources, the WHO's capacity to coordinate was tested severely. Tighter control on health sector interventions and more rigorous reporting systems are needed.
2. Donors received inconsistent WHO messages from both the field and from the Headquarters in Geneva, particularly in the case of what actually and immediately was needed.
3. In Sri Lanka, an emergency health action plan was prepared, which ran alongside an existing mechanism, and many of the donors were confused regarding the legitimacy and status of this plan.
4. Within the health response in peripheral areas, donors felt that there was an excessive focus on curative care and not enough on the delivery of public health.
5. The needs and capacity assessments must be done in advance so as to enable rapid deployment of resources.
6. Donors noted that Health Action in Crises at Headquarters (HAC/HQ) appeared well-funded and that adequate capacity existed to respond to the emergency.

Donor community practices

1. Funding must be available quickly, directed to priorities, flexible, and deployed rapidly.
2. Funding should be done with minimal transaction costs—the burden of proposal writing, reporting, and accounting can be reduced considerably with

more harmonization between donors. Standardized proposal writing formats and reporting could be adopted. A coordinated assessment of needs and funding would make funding more comprehensive and less *ad hoc*.

3. Funding should be delivered in ways that do not distort or divert resources and capacities from other areas of work. Funding new crises should not adversely affect meeting the needs of ongoing crises or even a diversion of resources from other areas within the health sector.
4. Funding patterns should not exacerbate existing inequities. The responses should be compatible with relief and rehabilitation equity conforming to existing development patterns within the country and should not lead to islands of "Rolls Royce service".
5. The need to ensure conformity with governance structures embedded in most countries is important. Funding should not create new structures that marginalize, duplicate, or reduce the effectiveness of existing local institutions.

Recommendations

Recommendations relating to the funding policies and practices in health responses to disasters and crises include:

1. The post-Tsunami situation should be used as a laboratory to create mechanisms and structures that increase accountability of both the donors and beneficiaries, and to build a financial monitoring system that will enable generation of data for all stakeholders in a reliable and cost-effective way;
2. Develop a comprehensive understanding of the incentives donors must have in order to provide targeted, unearmarked funding, the constraints they face in providing unearmarked, pooled funding, and how these might be addressed. These may be included as part of a "white paper" that addresses alternative funding mechanisms. This paper should address the emergence of non-traditional donors and the pros and cons associated with multi-lateral funding;
3. Evaluate the Tsunami relief funding against best practices principles—for instance, through the Good Humanitarian Donorship (GHD) initiative. The Development Assistance Committee of the Organization for Economic Cooperation and Development, in principle, has agreed to take an active role in promoting the GHD; and
4. Improve coordination within organizations, across organizations, and between donors.

Summary

Although the outpouring of resources for aid following the Tsunami was remarkable, the management of these funds raises several issues. Substantial work must be invested in these issues both for this disaster and for those that will occur in the future.