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HUMANITARIAN
LEADERSHIP

Transformation in the aid and development sector?

Funding models and finance



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As a part of the Grand Bargain commitments, signatories had agreed to direct 25% of international humanitarian assistance to local and national actors by 2020, which includes, among other commitments, “more un-earmarked money and increased multi-year funding to support greater predictability and continuity in humanitarian response”.¹ Well past the deadline, this target is far from being achieved. Indeed, according to data published in the [Global Humanitarian Assistance Report 2020](#), “absolute volumes [of humanitarian assistance funding] sent directly to local and national actors also dropped significantly in 2019, down 30% from 2016 when the Grand Bargain target was set”.²

Nevertheless, new types of financing and funding models have been established, or are emerging, both inside and outside the sector, which can encourage innovation and new ways of thinking about financing in the humanitarian sector.

¹ See Grand Bargain, InterAgency Standing Committee (IASC). Accessible at: <https://interagencystandingcommittee.org/grand-bargain>

² [Global Humanitarian Assistance Report 2020](#), Development Initiatives (2020), p. 47

Case study 1: [Start Network](#)

First established in 2010, the Start Network is a global network made up of over 55 members ranging from international organisations to national NGOs with the aim to “transform humanitarian action through innovation, fast funding, early action, and localisation”.

Financing programmes include:

- [The Start Fund](#): a fund that is collectively managed by NGOs to provide rapid response financing for small to medium scale crises that are underfunded.
- [Start Fund Bangladesh](#): modelled on the Start Fund, this fund aims to provide rapid response funding to NGOs at all levels working in Bangladesh. The fund is seeking to enhance coordination mechanisms, increase representation of local and national agencies in decision-making, and strengthen systems through which agencies can access and manage funds.
- [Start Fund Covid 19](#): this fund seeks to address neglected or underfunded aspects of the crises by enabling Start Network members to anticipate and respond to virus related crises in low-income countries through access to rapid response funding for small to medium responses.
- [Anticipation and Risk Financing](#): This system of quantifying risks in advance, pre-planning and pre-costing crises response, and pre-positioning funds according to pre-agreed protocols, can allow humanitarian actors to better prepare for an anticipated disaster or crises so they can act early to mitigate the predicted impact.




Case study 2: **Humanitarian and Emergency Funds**

- [Humanitarian Innovation Fund](#), Enhancing Learning and Research for Humanitarians. The Humanitarian Innovation Fund (HIF) seeks to “improve outcomes for people affected by humanitarian crises”. Established in 2011 as a grant-making programme, HIF seeks to “inform a more detailed understanding of what successful innovation looks like and what it can achieve for the humanitarian community”, presenting its collection of funded projects on its website.

Read about HIF’s programme strategy [here](#), and a 2017 external evaluation [here](#) that includes three case studies on its involvement with the WFP’s mobile Vulnerability Analysis and Mapping (mVAM): Mobile Voice Technology for Food Security Data, the IFRC’s Improving Menstrual Hygiene Management in Emergencies, and Translators Without Borders’ Words of Relief (translation network) projects.

- [Red Cross Disaster Response Emergency Fund](#)
The RCRC Movement’s Disaster Relief Emergency Fund (DREF) aims to “support rapid and effective response to emergencies and crises”. It is available to all 190 of its National Societies of the International Federation of Red Cross and Red Crescent (IFRC), where Funds are collected through an annual appeal. In working towards its “rapid and effective” response function, the DREF’s requests are “reviewed on a case-by-case basis and money can be authorised and released within 24 hours”. It comprises two facilities: (1) the “loan facility”, which is intended to provide start-up funds for IFRC members responding to large-scale disasters, and (2) the “grant facility”, which offers funding for National Societies responding to “small-and medium-scale disasters and health emergencies when no international appeal will be launched or when support from other actors is not anticipated”.

The [Forecast-based Action](#) (FbA) is intended to complement the DREF as a mechanism to provide grants for RCRC member societies that have established “Forecast-based Early Action Protocols” (EAP) to access grants and loans, for small-scale emergencies and large scale emergency response, respectively.

 **Case study 3: Local Works program**
- Facilitating Financial Sustainability,
USAID

As a part the USAID's Local Works program, which has the goal of “enabling local communities to drive their own development”, the Facilitating Financial Sustainability (FFS) program was launched in 2017 in efforts “to develop and test ways” that different humanitarian actors “can work together to improve the factors that drive local organisations' financial sustainability in different development contexts”.

The programme is jointly implemented by three organisations, LINC, Peace Direct, and the Foundation Center. Together the consortium published a 3-part research series ([Funder Approaches to CSO Sustainability, Understanding Factors Driving CSO Financial Sustainability, Facilitating Financial Sustainability: Synthesis Report](#)) that looks at the implementation of the programmes, the financial sustainability approaches of the CSOs in the participating countries (Bosnia and Herzegovina, Colombia, Democratic Republic of Congo, Mexico, Philippines, and Uganda) and draws out learnings from its implementation in the six countries.

 **Case study 4: Seed and grant funding for start-ups and social enterprise**

- [African Visionary Fund](#)
The African Visionary Fund is a pooled fund ‘seeded’ by a group of several predominantly US-based foundations. The group recently committed USD \$1 million flexible funding in the form of “multi-year general operating support grants” to six African-led organisations.
- [Ashoka](#)
Ashoka seeks to support social entrepreneurs to “learn from the patterns in their innovations” and “mobilise a global community that embraces new frameworks to build an ‘everyone’s a changemaker’ world”. Through its Ashoka Fellows programme, the organisation seeks to support entrepreneurs to champion their new ideas and provides start-up seed funding to implement their business ideas in their country contexts. Read the organisation’s Theory of Change [here](#).
- [Impact Investment Fund](#), Save the Children Australia
Save the Children Australia’s Impact Investment Fund (IIF) offers loans and equity investments with the aim to help start-ups and social enterprises grow, with a focus around opportunities initiatives in EdTech, Fintech and E-health. The Fund provides “flexible finance” from AUD\$100K to \$1M and invests in both not-for-profit and for-profit organisations and enterprises.

Case study 5: Philanthropic initiatives

- [Global Fund for Community Foundations](#)

The Global Fund for Community Foundation is an organisation that has worked in the global philanthropy field since 2006, with a small team headquartered in Johannesburg with a focus of “growing community philanthropy globally as a central pillar of people-led development”.

The foundation seeks to do this through offering small grants to community philanthropy organisations, developing research and learning that “deepens the evidence base for community philanthropy” and by working with individual funders in efforts to strengthen and sustain programme investments.

- [Trust-based Philanthropy Project](#)

In 2018, several philanthropy foundations and their leaders joined forces to establish The Whitman Institute (TWI) and to spearhead the Trust-Based Philanthropy Project. The TWI considers that “efforts to create social, political, and economic equity will be more successful if funders proactively work to alleviate power imbalances in the sector by embedding trust, dialogue, and relationship-building in its practices with grantees”.

TWI’s Trust-Based Philanthropy Project outlines six key guiding principles that that can help put “trust-based values into action”. The [Trust-Based Philanthropy Project blog](#) also features grant makers who share their own challenges, questions, and experiences spanning a range of topics, from what it takes to build an internal culture of trust, to one foundation’s trust-based approach to ‘spending down’.

- [PeaceNexus](#)

PeaceNexus is a private foundation, headquartered in Switzerland, that works with local partners active in fragile states to address specific conflict risks and aims to contribute to social cohesion and peacebuilding initiatives. It works in West Africa, Central Asia, South-east Asia, and the Western Balkans.

Case study 6: Humanitarian investing by the corporate sector and high net worth individuals

- Humanitarian and Resilience Investing (HRI) is “aimed at leveraging private capital in a way that directly benefits vulnerable people and fragile communities”. This report by the World Economic Forum and GIB Asset Management [Unlocking Humanitarian and Resilience investing through Better Data](#) contends that “the private sector has a key role to play in investing in the sustainable recovery and resilience of vulnerable communities”. The report notes that “the lack of sufficient, decision-ready data” is a key barrier to private sector investment and identifies ways of overcoming this barrier that can support HRI. The authors recommend the private sector should work with humanitarian and development agencies, as well as data providers, to meet the needs of data investors in this area.

- [PeaceNexus’ Peace Investment Fund](#)

PeaceNexus invests in companies via its Peace Investment Fund, which aims to generate financial performance and a net-positive contribution to building peace by investing in “leading listed global companies” active in fragile states. The Fund only invests in companies that have a net positive impact according to its assessment methodology, [Peacebuilding Business Index](#) (PBBC). The PBBC methodology, along with environmental, social, and governance measures are then combined and assessed by PeaceNexus to produce an index of the top 300 most impactful corporations—the peacebuilding business index.

- [SunFunder](#)

SunFunder, a solar finance company, seeks to support financing for solar enterprises working in emerging and frontier markets, with the objective of offering investors diversified funding opportunities and investment returns. It has previously partnered with investors including development finance institutions, impact investors, philanthropic foundations, and high net worth individuals. The company also notes how it has supplied loans to solar companies and projects in more than [20 countries](#), particularly in Africa and India, totalling over USD\$135 million.

- [InFrontier](#)

InFrontier is a private equity investment firm that “seeks to generate commercial returns by investing in market leaders that have the potential to shape whole sectors of the economy”. The company has investment teams situated in the UK, Afghanistan, and Uzbekistan, and emphasises the use of its “blended financing model” as a way to “establish an equity investment mechanism at a reasonable scale in certain fragile markets”. See examples of portfolio investments [here](#).

- High-net worth individuals

There has been an increasing trend of ultra-high net worth individuals in the field of philanthropic giving, which comes both with its benefits and challenges. This [post describes](#) the “rise of the mega-donors”. These ultra-high net worth individuals are increasingly giving in the philanthropic field—and are “launching formal philanthropic structures to put their money to work for social outcomes—which don’t always look like they used to”. It also looks at what this growing number of billionaires could mean for fundraising in the sector. Similarly, this piece provides some [examples and good practices](#) for non-profits engaging ultra-high net worth individuals as donors.

In this article on [Why High-Net Worth Donors Are Poised For Impact-First Investing](#), along with the report [Back to the Frontier: Investing that Puts Impact First](#), the author proposes how and why high-net worth individuals are “in a unique position to champion impact-first investing”, and posits that “they have the means and discretionary power to declare impact a priority”. It also offers examples of themes, sectors, and geographies for impact-first investing.

Case study 7: Alternative funding mechanism—Crowdfunding

As a result of the humanitarian response funding gap between requirements and resources, donation seekers have been examining the emerging alternative funding mechanism of [crowdfunding](#) as a potential supplement. The benefit of crowdfunding includes the ability to transfer funds directly and immediately to a disaster zone, adding complementarity to more “traditional funding systems”, which can be slow-moving and bureaucratically cumbersome.

For example, during the 2015 Nepal earthquake response, a six-day crowdfunding appeal raised over USD\$100,000 through online platform Indiegogo, with the funds going directly to support local NGOs responding in the country. Nepali open data activists sought ways to appeal to stakeholders in the crowdsourcing appeal such as sharing data that has been compiled to identify those most in need. In addition, a number of initiatives created post-quake maps that were, among other uses, employed by relief agencies to ensure fiscal accountability for aid money through transparency portals. (Read the more detailed case study [here](#).)

Research, reports & policy papers:

- [The Future of Aid: Global Public Investment](#), Routledge, Glennie, J. (Nov. 2020). The author calls for “a wholesale restructuring of the aid project” and “a totally new approach fit for the challenges of the 21st century”—the so-called Global Public Investment.
- [Crowdfunding Models, Strategies, and Choices Between Them](#), Shneor R. In: Shneor R., Zhao L., Flåtten BT. (eds) *Advances in Crowdfunding*, Palgrave Macmillan, Cham (Aug. 2020). This book chapter presents a “detailed typology of crowdfunding models”, outlines several frameworks that have been developed, as well as potential implications for its use in practice, with the aim to assist potential fundraisers in selecting a model.
- [New Donors of Development Assistance: Theorizing the Future of the OECD Aid Apparatus](#), *Reconsidering Development*, Jackson, J T. 6(1) (2019). This paper explores the role new donors—such as non-OECD nations, like Brazil, Russia, India, China, and South Africa (BRICS) and other rising economies—“are likely to play within the global political economy in the coming decades”, noting how these new forms of donors are “expanding the foreign aid funding pie.”
- [Humanitarian Investing—Mobilizing Capital to Overcome Fragility](#), WEC and Boston Consulting Group (BCG) (Sept. 2019). This report notes that there are several challenges preventing the humanitarian investing market from growing, including the “insufficient number of truly investable opportunities” and the “lack of organisational capacity among many actors in the space”. The paper proposes ways to overcome these challenges, with schemes such as bringing in donor capital from existing and new facilities and funds to de-risk humanitarian investments and activating market catalysts to build deal pipelines.
- [Radical Flexibility: Strategic Funding for the Age of Local Activism](#), Peace Direct & Kantowitz, R. (Feb. 2019). In this report, the authors look at challenges with the current funding paradigm and outline

several good practice strategies for supporting local actors drawn from research and interviews. The paper proposes new approaches to funding local peacebuilders, including “community-driven philanthropy” and ways to develop “innovative finance tools” for complex settings and grant-giving that is based on “radical flexibility and collective action”.

- [New financing partnerships for humanitarian impact](#), HPG ODI & Numbers for Good (Jan. 2019). This report explores the opportunities for and limitations of innovative financing, looks at the different innovative financing mechanisms and how they can be applied to different challenges and makes recommendations regarding ways to increase investment, and where to invest.

- [Foreign aid preferences and perceptions in donor countries](#), *Journal of Comparative Economics*, Science Direct, 47(3), Kaufmann, D, McGuirk, E & Vicente, P. (Sept. 2019). This article presents survey data and key analysis findings on foreign aid preferences and perceptions in 24 donor countries from 2005 to 2008.

- [Start Network and Localisation: Current Situations and Future Directions](#), Start Network, Patel, S. & Van Brabant, K. (April 2017). This report provides the key findings of a baseline review that was conducted on the Start Fund’s current contribution to the localisation agenda and outlines recommendations on how to advance the agenda.

- [Financial Flows and Tax Havens: Combining to Limit the Lives of Billions of People](#), Global Financial Integrity (GFI) & Centre for Applied Research, Norwegian School of Economics (Dec. 2015). This study posits “that developing countries have served as net-creditors to the rest of the world, with tax havens playing a major role in the flight of unrecorded capital”. It details the research that underpin these findings, summarising that “since 1980 developing countries lost USD\$16.3 trillion dollars through broad leakages in the balance of payments, trade mis-invoicing and recorded financial transfers”.

- [Crowdfunding for Emergencies](#), OCHA Policy and Studies Series (2015). This policy paper explores how crowdfunding has and can be used in the humanitarian sphere, looks at existing types of crowdfunding models and frameworks, providing analysis on existing platforms. The paper also offers recommendations and outlines several approaches to addressing the risks of using such models.

Conceptual frameworks, guides, resources & practical tools:

- [Funding Locally-Led Peacebuilding: Guiding Principles and Strategies for Funders](#), Peace and Security Funders' Group. This report outlines key barriers and opportunities for funding local organisations and offers several guiding principles for funding locally-led peacebuilding initiatives.

- [New Philanthropy Capital](#) presents some good practice and guidance for philanthropists and foundations on how to operate and support charities vis-à-vis the COVID-19 crisis.

- [Guidelines for effective philanthropic engagement](#) were developed to assist foundations to optimise the impact of philanthropic contribution to development efforts, including through collaboration with governments and other stakeholders and ways of working together at the global, regional, and national levels.

- [Donor Finder: Curated list of progressive donors supporting activists, CSOs and small, informal civil society groups](#), Civicus (July 2021). This tool compiles a list of donors that have been supporting activists and different forms of civil society, both large and small, by offering funding and other resources.

- [Engaging donors on crowdfunding platform in Disaster Relief Operations using gamification: A Civic Voluntary Model approach](#), *Science Direct Journal* (Oct. 2020). This study seeks to build understanding on opportunities for using gamification “as a tool for understanding the behaviour of donors on crowdfunding platforms”, with the aim “to better

attract and sustain donations in support of disaster relief operations”. The findings validate that gamification “positively impacts the behaviour of donors, which then leads to higher participation in crowdfunding channels”.

- [Definitions Paper: IASC Humanitarian Financing Task Team](#), Localisation Marker Working Group, IASC (Jan. 2018). The Localisation Markers Working Group’s overall aim is to help measure direct and indirect funding to local and national actors, and this paper seeks to help build consensus by presenting definitions for: “what is a national or local actor? To whom does the 25% target apply?” and “What does the term ‘as directly as possible’ mean in practice?”

- [Localising the Response: World Humanitarian Summit. Putting Policy into Practice](#), OECD, Fabre, C. (2017). Under its mandate to “monitor the effectiveness of aid and to promote peer learning”, the OECD developed this “Commitments into Action” series. Directed at OECD Development Assistance Committee members and other humanitarian donors, the series aims to support efforts and offer guidance in translating humanitarian policy commitments into practice.

Other interesting reads:

- [Beyond the Grand Bargain: The Humanitarian Financing Model Needs More Radical Change](#), Center for Global Development, Saez, P, & Worden, R. (July 2021). Humanitarian donors and operational agency signatories of the Grand Bargain commitments met in June 2021 to discuss progress of the process, coined the “Grand Bargain 2.0”. This document provides an overview of the new challenges and focus area priorities and presents three ways the sector can “start modernising the humanitarian financing model”.

- [Building resilience through humanitarian investing](#), BCG Beal, D, Brinton, C, & Young, D. (Jan. 2020). This think piece explores how donors, development banks, development finance institutions, and INGOs can play a role in “promoting collaboration among stakeholders, engaging private-sector impact-

oriented investors in the development of a pipeline of investable opportunities, and in de-risking those opportunities”.

- [Four ways funders are supporting NGOs and responding to coronavirus](#), Bond, Vargas Pritchard, Y. (April 2020). This article looks at ways funders are helping to better support NGOs, including increasing flexibility in pre-existing grant agreements and mobilising philanthropists to provide access to emergency funds to CSOs.

- [#ShiftThePower: from hashtag to reality](#), Hodgson J & Knight, B. (Nov. 2019). This post looks at “the growing community philanthropy movement that has emerged over the past two decades” and discusses how “new community-controlled financial institutions can tip the balance of power in favour of local people”.

- [It's not just NGOs tackling humanitarian crises. Banks have a role to play too](#), Maurer, P. International Committee of the Red Cross (ICRC) (May 2017). This post outlines how ICRC has been working in collaboration with public development banks, governments, and private partners, exploring potential new financing models, with the aim of strengthening financial sustainability in humanitarian crises.

Podcasts, conversations & platforms:

- Rethinking Humanitarianism Podcast:
 - [Episode 9—Inside the donor mindset](#) talks with several donors about humanitarian reform priorities from their perspectives, and looks at how “funding policies can be part of the problem”.
 - [Episode 5—Money Talks](#) discusses with development and corporate leaders “how money flows through the humanitarian aid sector” and looks at whether alternative models of funding such as local pooled funds and private sector infrastructure can offer “better value for money and better outcomes for people affected by crises”.
- [Global Fund for Community Foundations](#) writes a blog on “community-led philanthropy” and seeks to facilitate discussion on ways “to move away from top-heavy and top-down systems of international development and philanthropy” that would support “a more equitable paradigm of people-based development”.



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This project was developed in partnership with the [RINGO Project](#), hosted by [Rights CoLab](#). Many thanks to the IKEA Foundation for supporting the initiative.

The RINGO Project is a systems change initiative that seeks to transform global civil society to respond to today's challenges, aimed at reimagining the role of the international non-governmental organisation.

As a part of the project, this thematic series maps various initiatives under key areas that cover decolonisation, finance and funding models, technology, leadership, ways of working, partnerships, and business operating models.

The purpose of this resource is for the use of practitioners in keeping up to date with the evolving discussions in this area, and promoting greater awareness of actions, knowledge-sharing, and collaboration among humanitarian actors of the role of INGOs in spearheading, facilitating, or supporting change in the sector.

The Centre for Humanitarian Leadership is an innovative collaboration between Deakin University and Save the Children that combines good humanitarian practice with academic rigour. Our mission is to lead and influence change within the humanitarian system through critical analysis, transformational and disruptive education and research, and meaningful contributions to policy and practice.

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