Busting the myths

Is Investing in Strong, Institutionalised, Capabilities of National Crisis Responders a Good Use of Humanitarian Funds?

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Stop this argument once and for all

It is not the responsibility of international relief agencies to build stronger and sustainable local and national capacities for crisis management. Such investment diverts much needed financial resources away from already underfunded responses to people in acute need. Which is where private donors and taxpayers want to see their money go to.

Is investing in organisational and institutional capacities of national crisis-responders good use of relief money?

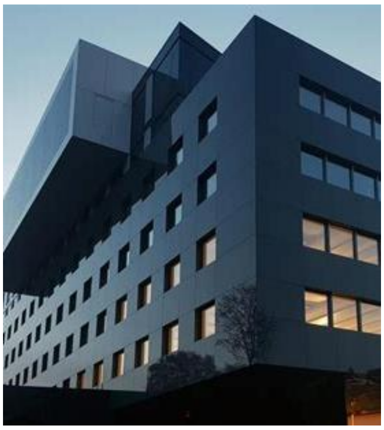
For 26 years, international aid agencies have been promising to build on local capacities and to work together with local actors in a spirit of partnership. It has not really happened, at least not among those agencies that shape how the international relief system works. Following the 2016 World Humanitarian Summit, some very specific promises were made in its Grand Bargain outcome document: That more of the globally available humanitarian funding would be channeled to local actors and more multi-year investment made in their institutional capacities, including for preparedness, response, and coordination.

Five years later however, we now periodically hear an argument, from people working for or strongly associated with donor institutions, including donor institutions that have formally signed up to the Grand Bargain, that goes firmly against that commitment. The argument is this*: Private donors and taxpayers give money on the understanding that it will support people in acute or prolonged distress, not to invest in local (governmental and/or non-governmental) assistance-providing institutions. Moreover, most relief operations in the world tend to be underfunded: putting money into institution-building of local responders will reduce even more the amount that reaches the needy.*

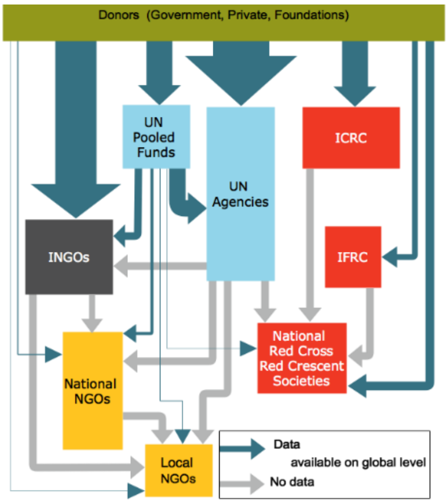
Not everybody makes this argument or takes it seriously. But it keeps popping up, and therefore plants seeds of doubt about the wisdom of investing in organisational and collective capabilities of national/local agencies. Let us examine it – in a conclusive manner.

The cost of the international relief industry

This argument is perplexing for what it refuses to see and admit: the massive cost of internationally managed and -delivered relief assistance. The simplest way to portray this is with some images.



The first cost is the large number of international organisations, all of which need to have their global headquarters. While many bilateral donors have been cutting back on their own operating costs, many international relief agencies have adopted a private sector growth logic: They want to expand. They need modern and fully equipped headquarters, best in central locations for easy networking with those who matter. Some build or buy their own global headquarters. All of this is expensive. So too are the salaries of quite a few of the Executive Directors (now commonly called CEOs to indicate the disappearance of the difference between charitable and for-profit organisations): Quite a number of such salaries (and associated costs) run up to several hundred thousand dollars per year; at least one, as was revealed in the press recently, is paid no less than £ 700.000 a year (the 'charity' offers unpaid internships at its global headquarters).



Larger scale networking between international aid agencies (who after all are the ones holding the resources and power) also means a constant stream of smaller meetings, larger conferences, aid fairs etc. (The COVID-pandemic which shifted everything online has been a major cost-saver, and democratised many of the events, in the sense that people now could participate that before could not afford the travel or get a visum.)

Many of these international aid agencies have offices in different aid-recipient countries. Some of these offices are small and provide modest working conditions, others are again large, well-equipped, in prime locations and paying high rents given the limited supply of such desirable office space.

In addition, the global institutional support infrastructure for the ongoing development of the international relief sector (training centers and university courses; research institutes; interagency standing committees etc.) is overwhelmingly based in aid-giving countries who have good national crisis-management capabilities. This too carries a cost - and most easily benefits international agencies.

The combined recurrent operating cost of the global infrastructure of, and mostly for, international aid agencies is very high – and largely paid for by aid money from taxpayers and private donations.

Now have a major sudden onset crisis in the world, and large numbers of international aid agencies fly in thousands of staff, expanding their existing offices or setting up new ones. When in the autumn of 2017, some 700.000 Rohingya refugees fled systematic persecution in Myanmar to Cox's Bazar district in Bangladesh, the tiny handful of international agencies working there with earlier refugees expanded rapidly to well over a hundred. All needed office space, accommodation for international staff, conference facilities, warehousing perhaps, vehicles and local staff to drive them, insurance, fuel etc. Localised inflation is an inevitable effect. The cost per month, simply for the basic operational presence of so many agencies runs in the millions of dollars. The large numbers also massively increase the cost of coordination: there were so many interagency meetings that several staff from each agency could spend their whole working week going from one to the other - without ever coming near a person-in-need.

Subcontracting is a major feature of the international relief industry, as another picture shows. With less staff, donor agencies prefer to give large envelopes to a big agency (UN, private contractor, or a big INGO) who then will handle further sub-granting, while the donors only have one interlocutor to deal with (and hold to account). It often does not stop with one intermediary: further layers of sub-contracting and sub-granting may occur. Of course, each intermediary has its management costs, that need to be covered.

Most international aid agencies claim to do 'capacity-building' of local agencies. This generally happens in an utterly cost-ineffective manner. Most of it is done bilaterally, by individual international agencies to their local 'partners'. Coordination around the capacity-support offer between different internationals working with the same local actor is often lacking, leading to overlap in supply, and failure to build on what other international agencies have provided before. Each also mobilises their own resource persons. Would it not be infinitely more cost-effective to support or even set up a national or sub-national resource center, staffed with national resource persons, that would provide its support-services to a wide spectrum of national actors, thereby itself becoming part of the national humanitarian infrastructure?

Worse, while national and local agencies capacities are strengthened with one hand, their capabilities are undermined with the other hand. One of the major and commonly shared struggles of generally under- and irregularly funded national and local agencies is to *retain* their capacity in the form of experienced and talented staff. These are constantly leaving to work for international agencies who offer much larger salaries and better benefits. Rather than being internal mentors in their national/local organisations, they now 'build the capacity' of their replacements in the local agency, at much higher cost.

A final consideration: many crisis situations in the world today are recurrent or prolonged. Failure to invest in sustainable and capable national and local organisations means that for every new peak in a chronic crisis, expensive international capacities must be mobilised again. How many more times will we fly in large numbers into the Philippines, Haiti, Jordan, Mozambique, South Sudan etc.?

Is there a business case for investing in national and local institutional capabilities?

To our knowledge no one has ever done the numbers. There is no comprehensive management audit of a collective crisis response. Value-for-money evaluations do not look at this from a larger system perspective. (Perhaps better so, as the findings are likely to be embarrassing.) But you do not need to be an experienced economist or an investor, to immediately feel that this does not look like a sensible way of doing business – from an economic point of view.

> Questioning the value of investing in national and local institutional capabilities and leaving the expensive functioning of the international relief business out of the picture is not a blind spot in a large landscape – this is tunnel vision which turns the whole larger landscape in a blind spot.

The argument put forward therefore seems bizarre from an economic point of view. But it makes perfect sense from a political economy point of view. Avoiding investing in sustainable and capable national institutions sustains the justification for international aid agencies flying around the world and engaging with national/local actors as sub-contractors or at best 'implementing partners' (whose capacity must be built).

There is a long-standing pattern in general human history of narrow elites practicing exclusionary politics and -economics. The international relief sector, sadly, has many of those characteristics. In 2015, the then IRIN network (now The New Humanitarian) calculated the Gini Coefficient (a measure of inequality) for the humanitarian sector. Conclusion: If this sector were a country, it would be one of the most unequal in the world.[i] National and local actors from aid-recipient countries struggle to have seats at the major decision-tables in the sector and when they do, often discover that their views carry little weight. They are useful as a cheaper labour force and on-demand subcontractors. But they should not become so capable and organised that they can take over most responsibilities and roles from international agencies, who then would only deploy their expertise on demand of national and local actors and must demonstrate that their value offer is worth the money.

The international relief industry may keep up its resistance to investing effectively in national and local institutional capabilities. But let us not use a flawed economic argument for it, disguised under the misleading moral argument that people-in-need must come first.

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[i] IRIN 2015: *The Humanitarian Economy. Where is all the money going?* http://newirin.irinnews.org/the-humanitarian-economy