

# The long tail of COVID-19

Impacts on the sustainability and resource mobilisation of National Red Cross and Red Crescent Societies in the Asia Pacific region





Mongolian Red Cross volunteers visited people who were isolated and alone due to COVID-19 lockdowns and movement restrictions. IFRC



Red Cross acknowledges the Traditional Owners of this land, their ancestors and Elders, past and present.

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Cover photo: Myanmar Red Cross volunteers supported food distribution for thousands of families facing severe food shortages in June 2021. Myanmar Red Cross Society

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# Executive Summary

## About this report

The aims of this research were to: assess the financial impacts of the COVID-19 pandemic on National Red Cross and Red Crescent Societies (NS) and local civil society organisations (CSOs) in the Asia Pacific region; build an evidence base for advocacy around the impact of COVID-19 on National Society sustainability; and identify models of flexible and localised funding and partnerships that are supporting the response to COVID-19 and other disasters.

The research took place over several months in 2021 and 2022, involving a literature review; key informant interviews; preparation of country case studies for six focus countries (Federated States of Micronesia, Fiji, Indonesia, Mongolia, Myanmar and Vanuatu); and analysis and report preparation.

**There were also some unexpected positive outcomes from the switch to greater online engagement, including opportunities to diversify fundraising and accelerate the development of online training, such as first aid.**

## Key findings

### **The pandemic had a significant impact across nearly all aspects of NS operations.**

Many NS reported struggling to retain staff and volunteers due to a combination of health concerns, low pay and job insecurity, while at the same time experiencing increased demand for services and expanding into new roles to help address the health crisis. This was compounded by the challenges of adapting to changing government restrictions and transitioning to remote operations.

### **International funding, although plentiful, has not contributed to sustainability.**

Many NS received substantial international funding to support their COVID-19 response efforts, and some were able to strengthen or develop new partnerships and scale up their response efforts. Overall however, the inflexibility of COVID-19 funding meant that some NS were unable to spend funding within the designated timeframes or to successfully repurpose it to fill other critical funding gaps. As such, international resources did not contribute to the financial sustainability of NS.

### **Economic pressures caused by the pandemic curtailed opportunities for domestic fundraising.**

To make up for these shortfalls, many NS sought opportunities to commence or expand their domestic fundraising efforts, through the commercialisation of services such as first aid training or through property rental, public events and retail activities. There were also some unexpected positive outcomes from the switch to greater online engagement, including opportunities to diversify fundraising and accelerate the development of online training, such as first aid.

However, these efforts were significantly curtailed by the impacts of the pandemic on staffing levels and health restrictions, as well as the economic impacts on households and businesses which reduced the level of public donations. There were also concerns about accepting too much government funding, so as not to increase the risks, real or perceived, of compromising independence.

## **Organisations struggled to cover their core costs.**

A critical aspect of NS sustainability is the coverage of core costs to finance essential overheads and maintain core staffing levels to remain viable. While international project funding often includes a contribution towards the indirect costs of project implementation, NS are required to meet any shortfalls through domestic fundraising. The pandemic has therefore had a significant and detrimental impact on the ability of NS to cover their core costs, which has reduced opportunities for organisational growth and sometimes led NS to make cost-saving decisions which create legal or financial risks.

## **Numerous barriers stand in the way of achieving sustainability, high among which is a lack of commitment to localisation.**

Despite global international commitments to localisation, organisations at the front-line of the pandemic response are still unable to cover their basic operating costs and face boom-and-bust cycles of international funding which do not ultimately enable them to grow and address the increasing demands of the humanitarian landscape and economic climate.

For the most part, international donors have remained steadfast in their approach to restrictive earmarking, minimising their own risks through high levels of monitoring and reporting, and caps on the coverage of overheads. Conversely, NS have struggled to achieve high standards of transparency in their accounting and financial management practices, partly due to a lack of capacity, but also a reluctance to be scrutinised by their international partners.

## **Localisation requires mutual trust, which remains lacking.**

A lack of trust in two directions appears to lie at the heart of the lack of commitment to localisation. Local organisations expressed frustration at the lack of autonomy and the inflexibility of international support to re-purpose resources to meet higher priorities or to cover core costs. International partners on the other hand, needed assurances that their resources would be used to meet certain external funding requirements and meet the accountability standards expected in their own domestic contexts or by their back-donors.

## **Despite the challenges, the pandemic offers opportunities to reset partnerships and further organisational growth and sustainability.**

The nature and scale of the pandemic have necessitated some shifts in the way local and international partners engage. Travel restrictions limited the frequency of international deployments and partner visits, which by necessity provided greater space for NS to implement projects and make decisions according to their own priorities and capacities, particularly during other disasters requiring emergency response.

Where strategic or technical assistance has been required, NS have reached out to their partners in a more meaningful way and with greater frequency, through the convenience of online communications. The overall result has been a more locally-led approach to capacity development based on assessment of needs, which is likely to be more sustainable in the longer term and is certainly more cost efficient.

International partners for their part have been required to allow greater flexibility in the use of resources, and to tolerate higher levels of financial risk, given the many uncertainties generated by the pandemic. These risks can be mitigated in the longer term by contributing to the overall growth and capacity development of NS, in particular through:

- improving the stability and predictability of financial support;
- supporting NS-led priorities;
- contributing to the coverage of core costs to relieve some of the pressure on staffing and the delivery of critical services.

These efforts should be combined with targeted, tailored capacity building support in financial management, planning and accountability, based on the specific needs of each NS.



Micronesia Red Cross volunteers conducting COVID-19 awareness in remote communities across Pohnpei. Micronesia Red Cross Society

## Key recommendations towards greater sustainability

This report makes a number of recommendations for improving the sustainability of NS and CSOs in the wake of the COVID-19 pandemic, which include the following:

- Accelerating the process and commitment to localisation, including building local capacities to manage projects and respond to emergencies. International donors should adopt a more consultative and responsive approach which supports the priorities of local organisations and contributes to building mutual trust.
- International funding should be provided on a more flexible basis, in particular to enable local organisations to cover their core costs and service capacities. This should include introducing faster and more efficient procedures to repurpose funds.
- International donors should consider multi-year funding arrangements to enable NS to offer more competitive salaries, reduce staff turnover and build capacity in service delivery and resource mobilisation.
- Local organisations should be supported to increase their capacities in financial management, planning and accountability.
- Local organisations should be supported to develop capacity in fundraising and income generating activities, with seed funding provided where necessary. This would enable NS to cover more of their core costs and ultimately benefit donors.
- The challenges of committing to greater localisation should be identified and addressed for each specific context, rather than deeming it a strategic failure.
- Examples of more cooperation, consultation and local participation in planning and management with resulting increases in efficiency should be publicised throughout the donor community and promoted as best practice.

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## Acronyms

<b>ADB</b>	Asian Development Bank
<b>ARC</b>	Australian Red Cross
<b>CCFS</b>	Core Cost and Financial Sustainability Initiative (Australian Red Cross)
<b>CSO</b>	Civil Society Organisation
<b>DFAT</b>	Department of Foreign Affairs and Trade (Australian Government)
<b>FSM</b>	Federated States of Micronesia
<b>GDP</b>	Gross Domestic Product
<b>ICRC</b>	International Committee of the Red Cross
<b>IFRC</b>	International Federation of Red Cross and Red Crescent Societies
<b>KII</b>	Key Informant Interview
<b>NS</b>	National Societies
<b>RCRC</b>	Red Cross Red and Red Crescent
<b>UN</b>	United Nations

## Key terms

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<b>Core Costs</b>	In this report, ‘core costs’ are operational costs, i.e., NS’ day-to-day running expenditure, including staff salaries and overheads, rental of premises, office equipment, transport and communications, volunteer allowances and all other miscellaneous expenses. Some of these expenses are incurred in relation to projects, others relate to day-to-day operations.
<b>Localisation</b>	Localisation means increasing international investment and respect for the role of local actors, with the goal of increasing the reach, effectiveness and accountability of humanitarian action. (Source: IFRC)
<b>Sustainability</b>	Used throughout this report in a simple business sense, referring only to the adequacy of finances and resources in the long term, i.e. the capacity of NS and other CSOs to maintain and support operations and service delivery continuously over time.
<b>Back Donors</b>	Government agencies, intergovernmental organisations, e.g. USAID, DFAT, ASEAN, and private and other donors to intermediary donors.
<b>Intermediary role</b>	‘Where an organisation, network or mechanism acts as an intermediary between donors and local implementing organisations through provision of funding or other support. This includes international intermediaries such as the United Nations (UN) or international non-governmental organisations (INGOs), national organisations, pooled funding and network mechanisms’ (Source: HAG et al.).
<b>Currency</b>	All currency in this report is Australian dollars, converted at a 3-year average exchange rate of USD 1.00 =0.70 AUD.

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# 1. Background

## 1.1 About this report

This report presents the findings from research undertaken by Humanitarian & Development Consulting Pty Ltd for Australian Red Cross (ARC).

**The purpose of this research is to investigate the financial impacts of the COVID-19 pandemic on National Red Cross and Red Crescent Societies (NS) and local civil society organisations (CSOs) in the Asia Pacific region and build an evidence base for advocacy around the impact of COVID-19 on National Society sustainability.**

The two main aims are:

- to assess how the pandemic has impacted the financial sustainability of NS and local CSOs in the focus countries; and
- to explore the partnership and financing models emerging to address these impacts.

The research was a desk study conducted between September 2021 and July 2022. The Research Team was supported by the ARC project Steering Committee via email and online meetings.

ARC selected six focus countries across the Asia Pacific region to use as a basis for the comparative analysis:



## Research questions

1. What are the current and projected financial impacts of the pandemic on the countries and on the regions?
2. How has the COVID-19 pandemic impacted on operations and staff and volunteer capacity of NS and other CSOs?
3. How has the pandemic impacted the overall financial sustainability and resource mobilisation of partner NS?
4. How has the pandemic specifically impacted domestic resource mobilisation opportunities for NS and other CSOs?
5. How has the pandemic impacted foreign/international resource mobilisation opportunities for NS and other CSOs?
6. What are the trends and experiences with bilateral, multilateral and philanthropic funding and partnerships in relation to CSOs in response to the impacts of COVID-19 in the Asia Pacific region?
7. What, if any, new partnership and financing models are emerging to address the impacts/challenges?

The research process involved several research stages as shown below.



### Literature review

- Secondary reports and data sources
- Macro-economic data from Asia and Pacific regions
- Financial data of National Societies in the six focus countries



### Key informant interviews

- 18 KIIs (group and individual)



### Preparation of country case studies



### Analysis and report preparation

The Key Informant Interviews (KIIs) were conducted online using communication software. They comprised: nine discussions with individuals or groups of people from NS in 12 different countries; five discussions with one or more personnel from IFRC head or regional offices; two discussions with personnel from ARC; one discussion with the Director of a Pacific CSO; and one discussion with a representative from the Australian Council for International Development (ACFID).

## 1.2 Study Limitations

While the main purpose of this research was to assess how the pandemic is impacting NS and CSO finances, conducting research when Red Cross and Red Crescent (RCRC) NS and other CSOs were under extreme pressure to respond to the pandemic brought unavoidable limitations. These include:

- it was often difficult and time consuming to contact key personnel in country and international organisations;
- it was often difficult to schedule appointments for KIIs with busy personnel;
- the above constraints made it impractical to contact a large number of organisations, so the main focus of this research was narrowed to Red Cross NS, with only incidental mention of other CSOs;
- it was not possible to speak directly with personnel at Myanmar Red Cross Society because of the current political situation in Myanmar. All information on Myanmar in this report is derived from secondary sources and discussions with IFRC personnel administering programs in Myanmar;
- the six focus countries and most other countries referred to in this report were selected by ARC. All are in the Asia Pacific region, so the findings of this study may not reflect the experiences of NS in other regions of the world.

**The COVID-19 pandemic has had a major negative economic impact almost everywhere in the world, but the impact on developing economies and vulnerable groups has been disproportionately severe.**

## 1.3 Overview of the financial impacts of COVID-19 in Asia and the Pacific region

The COVID-19 pandemic has had a major negative economic impact almost everywhere in the world, but the impact on developing economies and vulnerable groups has been disproportionately severe. This section presents the main findings of a literature review of the impact of the pandemic (see [Annex 1](#) for a more detailed summary).

- In Asia, the economic and social impacts of the pandemic are widely regarded as greater than those of the 2008 Global Financial Crisis, because of restrictions on movement and declines in the Chinese economy.
- All Pacific economies have been seriously impacted by the pandemic. Border restrictions brought the tourist industry to a standstill and restricted opportunities for seasonal and contract work in Pacific Rim countries.



A Vanuatu Red Cross volunteer providing critical information about COVID-19 vaccines to a community member. Vanuatu Red Cross Society



The Indonesian Red Cross Blitar branch supported the Government of Indonesia in accelerating the COVID-19 vaccine rate in order to curb the pandemic. Indonesian Red Cross Society

While expectations of economic recovery across the Asia Pacific region have been largely positive, its timing remains uncertain as new variants of COVID-19 cause further waves of morbidity and mortality, and the long-term effectiveness of COVID vaccines is not yet known. Improving COVID-19 vaccination rates could expedite economic recovery but are not a panacea.

Furthermore, the health of an economy is not the best measure of the realities on the ground, particularly for the most vulnerable. Increasing poverty gaps mean a slower recovery for many, and the long tail of COVID-19 cannot be gauged accurately from commonly used statistical data and technical reports. In countries with large percentages of the labour force engaged in informal economic activities, it can take years for the benefits of sustained, vigorous growth in Gross Domestic Product (GDP) to trickle down to those without formal wage employment, while there is no guarantee that these groups will ever benefit from growth in GDP.

The pandemic had a far-reaching impact on humanitarian organisations across the Asia Pacific region. Local organisations such as NS and CSOs are able to play a key role in the provision of front-line services to address COVID-19 because they are able to reach into local communities. In recognition

of this, many received substantial contributions from domestic and international sources. However, the uncertainty of the current environment and the increased demand on their services, including the provision of longer-term livelihood support, has taken a heavy toll on human resource capacities and in many cases, has placed severe limitations on the ability to attract sustainable funding.

Donor assistance to developing countries reached very high levels during the pandemic. Some funding has addressed the health aspects of the pandemic while other funding has been directed to economic recovery. For example, The World Bank and the Asian Development Bank (ADB) continue to direct a large part of their assistance towards building economic resilience, while most United Nations (UN) agencies tend to focus on health-related assistance, including vaccines (see [Annex 2](#) for details of the donor response). Such high levels of donor funding are unlikely to continue indefinitely, however, and funding of the humanitarian aspects of the COVID-19 response is likely to end or be substantially reduced long before the humanitarian needs, in particular those relating to livelihoods, have been fully addressed.

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## 2. Impact of the pandemic on National Society sustainability

The pandemic has impacted virtually all aspects of NS operations, including staff and volunteer availability and security, communications and deployment, as well as local and international funding. This section is drawn mainly from Key Informant Interviews. It aims to capture some of the main issues, challenges and successes arising from the pandemic and their impact on NS sustainability.

The country-level research is summarised in [Annex 3](#).

### 2.1 Impact on staff and volunteers

**Demands and expectations about the important services provided by NS have increased significantly during the pandemic.**

All NS informants expressed appreciation of this enhancement of their profile and greater recognition of the importance of the ongoing contribution to health made by NS. Their work during the pandemic has increased community trust, and informants expect this to be a long-term effect. NS are increasingly seen as the 'go-to' humanitarian organisations providing critical support to communities and government health services.

**The increased role of NS during the pandemic has had direct and costly impacts on NS human resources.** Illness, COVID-19 restrictions, general economic hardship and increased family responsibilities have reduced the availability of regular staff and volunteers. The resulting shortages of staff and volunteers have restricted NS capacity to provide services, while shortages of skilled regular staff have limited the capacity of NS to train new staff and volunteers.

In 2021 the Indonesian Red Cross Society responded to some 4,000 incidents, ranging from house fires to earthquakes and floods that affected thousands of people. The policy of the society is that a disaster team must be on the ground within six hours.

**Burnout and mental stress** were high, especially among women. Informants from the International Federation of Red Cross and Red Crescent Societies (IFRC) said: 'COVID-19 fatigue' has become a major concern that needs to be addressed wherever NS are active as well as among staff in donor agencies.

**Many NS have lost staff due to job insecurity and low salaries.** Despite widespread recognition and appreciation of the importance of NS, NS cannot depend on secure funding for the services they provide. Lack of security of core funding means that most RCRC NS regular staff are on short-term contracts of one to three years. One small NS reported that all its staff, including the Secretary-General, were on one-year contracts. At the same time, staff salaries tend to be at the lower end of local salary scales, even though NS jobs can be extremely demanding. Although most RC staff and volunteers are dedicated to their work with high levels of commitment, inevitably lack of job security and poor remuneration mean that RCRC NS are uncompetitive in the jobs market. The majority of informants said their NS had lost some skilled staff to more secure and better paid employment during the pandemic.

One third to half of staff and volunteers in Mongolia contracted COVID-19 ...

## Indonesia

*'Indonesians are very friendly people, they can't stop helping, so they are exposed to a lot of danger.'* (Indonesian RCS informant)

During the pandemic in Indonesia 50+ staff at headquarters and many Indonesian RCS volunteers were infected with COVID-19, and up to 50% of those housed in tents while responding to the earthquake in West Sulawesi.

## Mongolia

One third to half of staff and volunteers in Mongolia contracted COVID-19, while informants from Mongolia RCS said staff and volunteers were working up to 15 hours a day, seven days a week, because of staff shortages and extra workloads during the double emergency of extreme cold weather and the pandemic.



6,000 Myanmar Red Cross volunteers joined the effort to protect their communities from COVID-19. Myanmar Red Cross Society

## 2.2 Impact of remote working

**Fewer international deployments has increased local disaster response capacities.** Because of COVID-19-related border restrictions, several countries that experienced natural disasters during the pandemic managed the disaster response with remote online technical support rather than the usual on-the-ground surge support. Informants in Fiji, Indonesia and Vanuatu said this was a generally positive experience that has enhanced their capacity and allowed them to make greater use of local resources and expertise. They said that since the pandemic, local staff have been taking a more active role in planning responses, identifying needs and mobilising local resources. However, some NS, e.g. Micronesia Red Cross Society (RCS), which has only six salaried staff spread across four island groups, found it very difficult to cope with additional workloads that would normally be shared by international delegates.

**Increased use of online communication has increased and improved engagement with international partners.** Almost all informants mentioned that a positive outcome of the pandemic has been increased use of online communications. This has brought both direct and indirect benefits, including successful online fundraising and the introduction or planned introduction of online commercial first aid training. Other direct benefits include more frequent contact between intermediary donors and NS and savings on travel costs and time as well as reduced environmental impacts. Another less obvious benefit is that greater use of online surge support is helping to change the relationship between donors and NS.

Informants said they greatly appreciate more frequent communication with donors and other humanitarian actors through online meetings and improved access to technical advice, as well as the very substantial savings they are making in travel costs and time away from the office. Several also mentioned that, as a result of more contact and familiarity with their partners through online communication, they felt increasingly confident to express their opinions and take a more active part in planning. This effect appears to have been particularly important in the Pacific, where key informants highlighted the importance of person-to-person contact in working relationships.

## 2.3 Impact on international funding

**NS received substantial earmarked funding for the COVID-19 response and projects but needed more funding flexibility.** The COVID-19 pandemic brought large inflows of international project funding to NS for COVID-19 preparedness and hygiene, and to support vaccination campaigns and humanitarian emergencies. Informants pointed out, however, that virtually all this funding has been earmarked for specific purposes, and the NS staffing constraints discussed above have made it difficult to spend these funds within the required time frame. While informants from smaller NS were more likely to regard the process of applying to repurpose unspent funds as burdensome because of staffing constraints, almost all informants mentioned delays associated with repurposing funds. NS informants from several countries cited instances of approvals to repurpose funds not being received until after they were needed or too late for the funds to be used to maximum benefit.

**Opportunities for National Societies to apply new approaches for sustainable funding have been limited.** NS recognise that pandemic funding is unlikely to be sustained in the long-term and the nominal end date is approaching. In response to this they have been thinking about new approaches for their future financial sustainability, but implementation of new strategies and new partnering relationships have been limited by the human resource and financial constraints discussed above. Among only a few examples of major new/stronger international partnerships is a new Mongolian RCS partnership with an international mining company and Myanmar RCS developing stronger relationships with donor NS.

### Fiji

Fiji RCS had insufficient budgeted project funds for building supplies for cyclone recovery. By the time approval had been obtained to repurpose other funding, Fiji was experiencing a severe shortage of building materials, and Fiji RCS was unable to obtain materials that had been readily available when the need for them had first become apparent.

## 2.4 Impact on local funding

**Efforts to fundraise locally were significantly constrained by the pandemic.** In many instances, NS experienced a reduction in locally generated revenue as a direct consequence of the COVID-19 pandemic. The main reasons were:

- reduced donations from the private sector because of financial hardship;
- closure of income-generating cafes and retail outlets because of COVID-19 regulations;
- curtailment of other face-to-face fundraising activities such as first aid training;
- reduced income from rental premises because tenants faced financial hardship;
- cancellation of major funding events e.g. Fiji's Red Cross Ball and Cook Islands' RCS market stall, because of COVID-19 regulations.

### **National Societies remain cautious about accepting too much government funding.**

Despite loss of local revenue during the pandemic, NS informants emphasise that independence is a core principle of the International Red Cross and Red Crescent Movement (the Movement). Although most NS respondents said they would like more financial support from governments, they also said this should not result in any the loss of independence. One NS contacted has not sought any government assistance because they believe any level of government support could compromise their independence.

**Mongolia Red Cross Society informants said 38% of the money for its COVID-19 response has been generated locally.**

**Increased local fundraising has yet to materialise.** All NS consulted have thought about and are planning other ways of raising funds. Some of the planned initiatives mentioned were:

- increased commercialisation of first aid training, both face-to-face and online;
- construction of new premises with additional space for renting to tenants;
- more retail activity, e.g. at local markets and cafes.

These plans all rely on securing personnel and development capital. The majority of NS contacted said they wished or intended to employ professional fundraisers, possibly in partnership with other CSOs to minimise cost, and said they had asked their major donors to fund positions for professional fundraisers and provide seed funding for other income generating and fundraising initiatives.<sup>1</sup>

Several NS mentioned new partnering/sponsorship arrangements with businesses, but as yet there is not much evidence of new partnering with other CSOs or major donors to support core costs.

### **Mongolia**

Mongolia RCS was able to offset a deficit in core funding with online training and an online 'Live Aid'-style concert organised by the Red Cross Youth Movement on Independence Day. The tele-concert was a particularly successful fundraiser, publicising MRCS' work and raising the society's profile, as well as attracting many donations on the day. This publicity led to ongoing donations from new supporters, including Rio Tinto and local corporations. MRCS informants said 38% of the money for its COVID-19 response has been generated locally.

<sup>1</sup> Recognising these issues at the time, ARC, with DFAT support, funded four new Resource Mobilisation Officers in the Pacific in 2021. A small, flexible seed fund was made available to Pacific NS to undertake specific initiatives while also building local capacity to apply for larger (and less flexible) seed funding. Additional business capacity development initiatives and support have been implemented in parallel.



**NS in Indonesia and Mongolia said they have been struggling to cover core costs during the pandemic and most said reserves have declined. At the time of interview Mongolia RCS had sufficient reserves to cover costs for only three months.**

Mongolian Red Cross personnel prepare to deliver crucial services, including psychosocial support, to those who have found themselves isolated and alone due to lock-downs and movement restrictions. IFRC

Data provided by Indonesia RCS indicates the percentage of expenditure for general management (excluding staff salaries) has tended to increase during the pandemic, from 29% in 2019 to 39–40% in 2020 and 2021.

## 2.5 Impact on core costs

**Project administration costs are short term and inadequate for covering core costs.** In most cases, projects supported by international donors include a 5-15% loading for indirect costs. Indirect costs are costs that cannot be specifically traced to a project or service and are usually common or joint costs. They could be fixed or variable in nature e.g. the salary cost of finance or logistics teams supporting various projects (same amount every month) is fixed in nature whereas the cost of running those offices (e.g. electricity) is variable in nature. (IFRC 2016).<sup>2</sup> NS meet the balance of core costs from other sources. Informants from all the Pacific NS contacted and NS in Indonesia and Mongolia said they have been struggling to cover core costs during the pandemic and most said reserves have declined. At the time of interview Mongolia RCS had sufficient reserves to cover costs for only three months. It was not possible to speak directly with informants at Myanmar NS, but IFRC and other donors working in Myanmar said Myanmar RCS had received more untied funding during the civil emergency and had greater flexibility in the way it used funds.

**Capacity of NS to cover the balance of core costs is largely dependent on local resource mobilisation and has suffered during the pandemic.** Many NS rely on local fundraising initiatives as their main source of income to cover the balance of core costs not covered by projects. The pandemic has increased pressure on human resources and reduced opportunities for local fundraising efforts. For example, Vanuatu RCS informants had several ideas for new fundraising strategies, but said lack of seed funding and human resource constraints have prevented significant implementation. VRCS first aid training had to be curtailed during the pandemic because skilled staff were burdened with other responsibilities, and now, because of new competition from a private organisation, the society fears it has been squeezed out of the market for first aid training.

### Indonesia

Data provided by Indonesia RCS indicate that while the loading for project overheads has remained at around 5-10%, the percentage of expenditure for general management (excluding staff salaries) has tended to increase during the pandemic, from 29% in 2019 to 39-40% in 2020 and 2021. This means greater reliance on local funding to make up the difference at a time when fundraising is becoming more difficult.

**The increased strain on core costs is driving high risk decisions.** Pandemic-related shortfalls in core funding are forcing NS to continue using obsolete office equipment and defer payments whenever possible. For example, some informants mentioned that finance personnel may feel under pressure to defer payments into staff lump sum pension funds because there are insufficient funds available to pay for current expenses.

<sup>2</sup> Section 3.b below discusses how the percentages for project overheads are determined and the challenges NS face in calculating core costs and negotiating increases.

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# 3. Pathways to financial sustainability: Barriers and opportunities

This section identifies some of the key barriers to greater localisation and sustainability. It also identifies some unique opportunities the pandemic provides to challenge long-held attitudes, and makes recommendations for further strengthening NS sustainability.

## 3.1 Barriers

### A. Slow delivery on localisation

**Despite increased funding, NS are struggling to cover their basic overheads and core costs.** As described in previous sections, the pandemic has brought large inflows of earmarked funding for COVID-19 related projects and raised the profile of NS, highlighting the critical role they play as auxiliary to humanitarian services. At the same time, it has reduced NS capacity for local fundraising, overburdened their human resources and driven some NS staff and volunteers to seek more secure and better paid employment. Informants from all NS contacted for this study reported staff losses to more secure employment or increased family responsibilities. Loss of trained staff means capacity to train replacement staff and volunteers has been reduced at a time when it is most needed.

**It is widely recognised that increased localisation could place NS and CSOs on a more secure footing.** The Movement and most other leading donors generally agree, and have committed to the 2016 Grand Bargain i.e. ‘a unique agreement between some of the largest donors and humanitarian organisations who have committed to get more means into the hands of people in need and to improve the effectiveness and efficiency of the humanitarian action’. ([IASC, 2022](#)).

All informants interviewed for this study, including informants from IFRC and other donor organisations, strongly supported more localisation of funding and more flexibility for NS. That is, NS want donors to give more untied funding and allow them more discretion over how funds should be spent, while donors are considering how localisation might be achieved and the implications (see, for example [IFRC, 2017](#)).

**Despite apparent commitment to localisation, there is little evidence of change in the way pandemic funding has been channelled to RCRC NS.** The present study found only a few instances of donors making significant progress towards greater flexibility of donations, one of which was the Australian Government Department of Foreign Affairs and Trade (DFAT)<sup>3</sup> and ARC. Informants in Asian and Pacific NS highlighted Australia’s more flexible approach to funding. For example, Mongolia RCS informants appreciate being able to discuss with ARC what assistance is needed most, and then being able to use Australian funds to support these areas. ARC also funds capacity building, e.g. in financial management for Pacific financial managers. By far the bulk of donor funding available to NS during the pandemic

<sup>3</sup> As an example, at the onset of the pandemic DFAT, having already committed to contributing to the core costs of some NS, increased this contribution in 2020 and 2021 as part of the COVID-19 funding it directed through ARC.

has been earmarked for specific projects. This appears to be due to a combination of factors, including donor requirements, constraints on IFRC and other intermediaries, competing donor priorities and expectations about what countries need. A key constraint is that most donors to NS, as well as most other multilateral donors, are themselves downstream distributors of donations, and must comply with the requirements of the multilaterals, governments and others who donate to them. This includes maintaining high standards of accountability and prioritising and distributing funds in line with donor expectations. Almost inevitably, this means prioritising disaster response over capacity building or paying for the day-to-day running costs of NS.

## **B. Project overheads are no longer fit for purpose**

**Funding continues to follow the ‘traditional’ model of 5-10% project overhead costs.** The financial challenges faced by NS in the past few years are not only a result of the direct impacts of the pandemic; they also derive in part from the manner in which NS finances are structured. Donors adopt the practice of attaching to each tranche of an earmarked project funding a percentage loading for overhead costs during project implementation. In the spirit of the volunteer nature of the Movement, loadings are rarely based on actual costings, but are percentages that have been negotiated early in the partnership and are *‘what each donor or partner defines as a reasonable, justifiable and permitted overhead cost’* ([The Wolf Group 2017](#): 5). It is widely assumed that NS staff and volunteers will raise the additional funds they need to meet their day-to-day running costs. This practice has led NS finances to be viewed by both donors and societies as being made up of two separate components, earmarked funding and core costs. Occasionally some donors may choose to give untied funds or pay for special activities such as innovation or capacity building, but otherwise their contributions to NS core costs are mainly the loadings for implementation of earmarked project funding.

A group of informants from a small Pacific NS expressed the practical implications of insufficient localisation, summarised below:

*‘There’s so much funding available, but we can’t access it. They (the donors) make so much fuss over small things... We have to do so much paperwork to repurpose funds because donors ask so many questions. They don’t understand that we are short staffed and we don’t have time for this. They expect too much detail... We feel we are always arguing to get what we need. We know what needs to be done and what’s needed but we can’t get the money to do it. We give them a master plan, but they still do things their own way. They like to tie funds to specific activities, they don’t want to give us money to spend on what we know we need... **We don’t have enough autonomy**’.*

**All informants interviewed for this study, including informants from IFRC and other donor organisations, strongly supported more localisation of funding and more flexibility for NS.**



Almost all NS contacted said they were struggling to pay staff salaries and office running expenses and fund capacity building for staff and volunteers.

**This model does not account for the changing economic climate.** In recent years the global economic situation has tightened, living costs have increased, civil unrest and conflicts have had widespread impacts and disasters have become more frequent. Even before the pandemic, these events were tending to increase local costs of implementing projects and NS workloads. Research for this report found the pandemic has exacerbated this trend with a massive negative impact on local fundraising and human resource capacity in the focus countries. Almost all NS contacted said they were struggling to pay staff salaries and office running expenses and fund capacity building for staff and volunteers. Only Myanmar RCS appears to have had sufficient core funding during the pandemic, largely because the uncertainty caused by civil unrest in conjunction with the pandemic and later, a flood emergency, made it very difficult to anticipate needs and priorities, so many donors provided more flexible funding. This illustrates both the importance and potential effectiveness of moving away from fixed project costs especially given the current climate of economic and political uncertainties.

**Although project loadings are becoming insufficient, NS find it difficult to negotiate higher percentages.** Informants in one small Pacific RC perceive donors as reluctant to increase percentages, while others said their existing staff are too overburdened and/or do not have the skills to undertake negotiations. Informants in Indonesia and Mongolia said they have been trying to convince global partners to increase project loadings, but they need professionals to conduct funding negotiations. Indonesian informants also pointed out that recruitment of skilled professional negotiators requires competitive salaries that they are unable to offer.

A report on localisation of NS points out that the **debate about the 'right' amount of overhead costs is not new.**

*'A key lesson from the debate is that there is no ideal rate for overheads, nor is the solution dependent on organisations receiving restricted or unrestricted overhead funding' (The Wolf Group 2017: 5).*

In 2019, ARC established Core Cost and Financial Sustainability initiative (CCFS) to improve the future financial sustainability of the Pacific NS. The initiative has two goals: 1. By 2021 all Pacific NS can define and calculate their core cost; 2. By 2023 the NS is improving long-term financial sustainability by steadily increasing resource mobilisation income to cover more of their annual core cost.

CCFS provides participating NS with unearmarked funding contributions toward their core cost gap. NS experience relief from the treadmill pursuit of chasing funds to cover their core costs. Resource mobilisation work concurrently supports the development of local unearmarked income streams. This reduces the sway of earmarked donor funding over the priority setting and agency of Pacific NS, helping them move away from project dependency and become stronger, more responsive and accountable local actors.

The initiative has harmonised reporting by accepting audited financial statements and annual plans as compliance requirements to receive funds. Annual plans and audited financial statements are pre-existing accountability requirements that NS need to produce under local legislation and governance statutes and are a key requirement for Annual General Meetings. NS are assisted through peer-to-peer networking such as the Finance Managers Network and Finance Practitioners Group to become compliant with these requirements.



Fiji Red Cross volunteers assist the Ministry of Health Blood Drive team with registrations and data entry at CWM Hospital, Suva. Fiji Red Cross Society

### C. Cumbersome processes for repurposing funds

**Flexibility of funding to meet changing needs is vital but difficult to implement.** Informants from donor agencies are well aware of the pressure on NS and said their organisations are willing to assist wherever they can, including by allowing NS to repurpose unspent funds. While NS are grateful for this concession, from their perspective repurposing is a cumbersome process that often does not provide funds when needed. It takes time and human resources to apply to repurpose funds, both in increasingly short supply among NS, and any delay in obtaining approval may mean that opportunities are lost. Although the paperwork involved may be the minimum necessary and accountability is obviously essential, NS are quick to perceive any additional donor requirements as burdensome and excessive when their human resources are already under pressure.

### D. Narrow view of financial management and accountability

**Audited financial reports alone do not give the full picture.** While NS financial officers keep track of day-to-day finances, an annual audited financial report is the principal tool used by donors to monitor accountability. Audited reports are complex documents, prepared by professional auditors to international standards and in accordance with local practices in each country. They account in detail for actual income and expenditure and tend to be dense and difficult for those without training in accountancy to interpret. Rarely do financial reports provide NS with a simple picture of their core costs in a given year.<sup>4</sup>

<sup>4</sup> There are, however, examples of well-prepared and structured Audited Financial Reports which do provide NS with a simple view of their core costs. Generally, Audited Financial Reports across a number of years communicate the NS's ongoing commitment to transparency and accountability and provide income and expenditure benchmarks to assist monitoring of indirect cost and core cost ratios.

**Different NS needs require different approaches to capacity building. Some NS need to build capacity in planning and managing field operations, while others need more technical expertise.**

**Donors do not have a clear view of NS finances.**

While all major donors employ accountants, they may not see any need to delve into NS financial statements to the extent necessary to separate core costs and liabilities from other funding. Donors are therefore unlikely to be aware of the true state of NS finances. The difficulty of determining actual core costs is compounded when the financial managers employed by smaller NS have limited expertise, and because of the non-standard approaches and tools customarily used to manage NS finances. An added complication is that some NS may be reluctant to share too much detail about their finances. The limitations of auditors' reports as planning documents and a basis for negotiations between donors and NS have been recognised by ARC and a few other donors who have taken steps to improve transparency (ARC 2021), but more widespread awareness of the importance of more transparency in NS financial management is needed.

*'The key challenges associated with using financial statements to estimate core cost components relate to the varying information presented in the statements together with differing practices of charging core expenses to projects and vice versa' (ARC 2021).*

**Lack of support to further develop financial management capacities.**

Training staff and volunteers to support health awareness and emergency humanitarian assistance is an ongoing activity of all NS that has always been recognised and supported by international donors. Because of the traditional donor/NS relationship, however, less support has been given to building capacity in skills that would allow NS to function more autonomously, for example training in financial planning, management and technical expertise.

**Capacity building needs are highly varied.**

Different NS needs require different approaches to capacity building. Some NS need to build capacity in planning and managing field operations, while others need more technical expertise. Sometimes more training of existing staff is required, sometimes NS need support to create new positions, or seed funding to create a new income stream, e.g. a rental property, a café or an online training facility. Most NS informants said they need to increase capacity in fundraising, including by employing professional fundraisers. Pacific NS said they had asked IFRC for assistance in this area.

**Fiji**

**A Fijian audit firm is conducting a Project Partners' Program to build CSO capacity in financial management.** Informants said their procedures will be reviewed and strengthened with a view to persuading donors to fund them directly rather than channelling funding through donors such as IFRC. This initiative is encouraged and supported by IFRC.

## E. The critical role of trust in

### partnerships is lacking

**Trust is a key ingredient for greater localisation and sustainability.** Most of the issues raised so far in this section are well known to many throughout the Movement, in both the donor and NS communities, and there is plenty of evidence that both donors and NS want to see increased localisation and sustainability at the local level. So why has there been so little real progress towards funding NS in a way that facilitates greater sustainability? What has been missing seems to be a catalyst to facilitate change, and both NS and donors interviewed for this study believe this catalyst is a change in the relationship between donors and NS, i.e. more trust.

**Trust is lacking for both NS and their partners.** Donors are likely to hesitate to trust NS with more autonomy, worrying that increased flexibility may reduce accountability. On the other hand, NS accustomed to receiving discreet amounts of earmarked funding for projects of a fixed duration have tended to doubt the willingness of donors to provide ongoing flexible funding for sustainability. This lack of trust on both sides is widely recognised, and was frequently mentioned by informants for this study, both those representing donors and those representing NS.

**Equal partnership is the foundation of trust, but this has historically been absent.** The main obstacle to increased trust on both sides derives from the relationship that has evolved between donors and NS, where NS tend to be perceived as the implementers of projects to donors' specifications, rather than as equal partners. Donors have tended to think that NS cannot manage without their active participation and direction, while NS have tended to stand back and allow donors to take the lead.

### Indonesia

Informants from Indonesia RCS said

*'The donor approach of supporting local people on-the-ground is very effective, but external management is cumbersome. It is much better for donors to invest more trust in local teams on the ground instead of trying to manage everything. Locals know what is needed and they can manage more efficiently. Accountability must be considered, of course, but more delegation on the ground is essential. **What is needed is more delegation and more trust.'***

An informant from a large donor organisation said it is not so much a lack of trust but a 'colonial' mindset, that informs donor and NS interactions:

*'We don't ask (our partners) "what is your system and how would you like do things"? We don't give them time to think. We put in strong requirements that they can't manage. This is starting to change, but not very much yet. Countries still expect international organisations to do things their own way.'*

**It is much better for donors to invest more trust in local teams on the ground instead of trying to manage everything. Locals know what is needed and they can manage more efficiently.**

— Informant from Indonesia RCS

## 3.2 Opportunities

### A. The pandemic offers opportunities

#### to develop trust.

**A notable impact of the pandemic is that it appears to be facilitating increased trust.**

Responses to the pandemic have demonstrated that NS can work more independently, while some donors are becoming more relaxed about repurposing and/or providing flexible funding. This can be seen in the way Myanmar's response to the pandemic and civil emergency has been funded and managed. Pandemic-related constraints and the civil emergency in Myanmar left no alternative but to adopt different approaches. Similarly, Fiji RCS and Vanuatu RCS responded to cyclone emergencies with very little on-the-ground surge support. In each case they were successful, and the experience provided valuable lessons for all involved. This included demonstrating that although the old way of managing responses has proved efficient and effective in the past, it is not necessarily the only strategy, or even the best way of doing things.

**Fiji RCS and Vanuatu RCS mounted effective responses to Cyclone Harold with mainly online support.**

Their personnel were able to mobilise more assistance from local communities than would have been likely in an operation run mainly by internationals. This suggests that building local capacity and reducing on-the-ground surge support could potentially improve disaster responses and increase value for money. NS are clearly capable of taking a more active role in planning and management. This should provide an incentive for donors to invest more in developing local capacity and moving towards more equal partnerships with NS (See [ARC\\_2020](#) for an analysis of Fiji and Vanuatu NS responses to Cyclone Harold).



Vanuatu Red Cross volunteers travel to remote island communities to assist with COVID-19 vaccinations. Vanuatu Red Cross Society

### Recommendations

- ✓ The RCRC should use the opportunities provided by the pandemic to accelerate the process of localisation.
- ✓ Localisation should include building local capacity to plan and manage emergency responses and pre-positioning of local staff.



Mongolian Red Cross volunteers visit vulnerable community members affected by COVID-19 lockdowns and movement restrictions. IFRC

## B. Creating the right conditions

**Building trust requires a combination of flexibility and capacity building.** The relative success of the pandemic response and the examples of increased localisation it has produced does not mean an overnight or a universal change in funding practices is occurring throughout the Movement. As one informant commented:

*IFRC is very proud of their achievement during the pandemic. It has benefitted all NS throughout the world, and released funding very quickly to meet a huge spike in demand for RC services. At the same time, they have had to look at how to make it easier and how to release funds without losing transparency and accountability, and there has been a massive rethink on how to manage this... COVID-19 has triggered a review of how effectively IFRC supports NS, how to simplify procurement while maintaining the necessary transparency and accountability requirements and speed up processing so NS can respond more promptly.*

It will be a challenge for all partners to address multiple needs and, almost simultaneously, put in place new systems. For example, the case of Myanmar has demonstrated that the flow of donor funding had to be adapted to suit Myanmar RCS capacity to manage and disperse funds. An IFRC informant commented:

*'It's not that donors to Myanmar don't want to give more, but the combined effects of the cash situation and instability means that Myanmar RCS has to demonstrate to donors that they can still reach outer areas. Funding can change quickly, and NS are not geared up to handle it. Workforce planning needs a regular flow of funds, but we have to ensure that NS are not overwhelmed. It's about getting flows right, not just about the volume of funding.'*

As discussed above, ARC was mentioned by several informants as being the ideal donor because, although a relatively small player, ARC is willing to consult with NS and accept their recommendations on funding priorities. This has been facilitated by close ARC/DFAT collaboration which has enabled more practical commitment to localisation than many other donors are currently able to achieve.

### Recommendations

- ✓ ARC, DFAT and other donors who are adopting a more consultative and responsive approach to funding NS need to continue to inform and encourage other donors to adopt this approach as best practice.
- ✓ Host governments should be encouraged to play a more active role in taking forward the localisation agenda with their international development partners in support of their country's NS.



Vanuatu Red Cross volunteers teach children handwashing tips. Vanuatu Red Cross Society

## C. Increased transparency rewarded

### by flexibility of funding

**More transparency in financial reporting is also needed, and simpler and speedier mechanisms for NS to repurpose funds.** Back donors, multilaterals and the Movement must all be persuaded to accept more flexibility in how their donations are spent. Other needs will become evident as localisation progresses. Both donors and NS should expect and be prepared to deal with occasional failures and problems so small setbacks do not impede progress to more localisation and sustainability.

### Recommendations

- ✓ Part of the process of localisation should be for international donors and intermediaries to take a more flexible approach to funding, especially where NS are experiencing shortfalls in local funding and core costs.
- ✓ As far as possible, financial reporting procedures should be simplified and made more transparent.
- ✓ The process for NS to apply to repurpose unspent funds should be simplified as much as is possible without loss of accountability.



Fiji Red Cross volunteers travel to communities affected by Tropical Cyclone Cody in January 2022. Fiji Red Cross Society

## D. Capacity building is central

It is crucial that international donors recognise that capacity building is an investment in sustainability. This is especially evident in a changing world where on-the-ground support and management by donors could become increasingly difficult in the future and there are clear advantages and economies to be made by increasing localisation. For example, an IFRC informant commented:

*'The Myanmar RCS team is top-notch. IFRC and other donor assistance in the past to build their capacity has really paid off, as they already had people who knew how to plan and implement a response, including the necessary training.'*

Publicising the role of capacity building in enabling Myanmar RCS's response to the dual COVID-19 and civil emergencies could encourage donors to invest more in building capacity in other NS.

**Capacity building must be appropriate.** This includes learning more about what each NS needs to improve sustainability and helping them to acquire the necessary capacity. Capacity building should be based on an assessment of the particular needs of each NS and ensure the right mix of personnel as well as providing generic training in the skills and various roles required by any NS. This should include building capacity to manage and disburse funding to facilitate increased localisation. Most NS will also need to increase their capacity in local fundraising, including by employing professional fundraisers.

### Fiji

Informants from Fiji RCS stressed the importance of fitting people into appropriate roles to suit their skills and forecasting skill requirements to suit future directions. They said the pandemic and increasing localisation of FRCS have highlighted the importance of asking 'capacity building for what?', i.e. ensuring the training provided is appropriate and relevant to the role of each staff member. FRCS has recently embarked on a new program of selecting branch executives and recruiting new personnel with specific skills, including communications and public health.

Fiji RCS informants also pointed out that there has been no assessment of the society's existing capacity, including unused capacity. In the absence of this key information, capacity development relates mainly to immediate needs, e.g. logistics and disaster response, and there has been no real human resource planning. IFRC has been asked to assist with measuring capacity and identifying gaps so FRCS can undertake workforce planning. Informants believe the society needs a staff position of temporary advisor for monitoring and evaluation, to prepare a strategy for more relevant, planned human resource development and capacity building.

### Recommendations

- ✓ Donors should prioritise the development of appropriate NS capacity based on a needs-assessment. Capacity development may include fundraising, financial management and other skills as well as investment in fundraising assets such as training facilities and rental premises, employing professional fundraisers and providing any necessary seed funding for fundraising initiatives. Initiatives such as partnering with chambers of commerce and private companies to secure

training contracts, develop commercial skills and arranging secondments to NS should also be encouraged.

- ✓ Back donors to multilateral agencies and the Movement need to be made aware that capacity building and localisation will ultimately benefit donors, and funding is needed to increase the long-term efficiency and sustainability of NS. This could be achieved through greater exposure to other country contexts and regular media briefs about NS activities.

## Recommendations

- ✓ Donors need to learn from any problems encountered during the process of localisation and find ways to manage them rather than treating them as strategic failures.
- ✓ Examples of more cooperation, consultation and local participation in planning and management with resulting increases in efficiency should be publicised throughout the donor community and promoted as best practice.

## 3.3 Conclusions

**These findings highlight the importance of accelerating the shift to more stable funding arrangements for NS, as set out in the objectives of the Grand Bargain:** Core commitments of Grand Bargain 2.0 specify supporting local responders; multi-year, collaborative and flexible planning and multi-year funding; and reduced earmarking. ([IASC 2021](#)) Placing NS on a more secure financial footing would improve their ability to retain staff, enable them to build and develop capacity in service delivery and fundraising, and allow them to play a greater and more equal role as partners in planning, management and implementation. Such a shift away from the traditional relationship between donors and NS would bring substantial benefits in efficiency and increased capacity at the local level and in delivering humanitarian aid in crises.

**Increased localisation will bring substantial benefits in efficiency of RCRC emergency responses.** An increased role for NS in planning and implementation of disaster responses will bring substantial savings on travel and accommodation of international staff, while local NS staff and volunteers are able to utilise community connections to enable greater mobilisation of local resources and personnel. The shift to online communication during the pandemic is already facilitating better communication and more consultation between donors and NS, paving the way for increased localisation of funding. This will bring improved responses to emergencies and other needs, with corresponding benefits to communities.

**Specific training and capacity building are needed to enable more localisation.** Staff and volunteers need specific training to manage responses to humanitarian needs with reduced on-the-ground support. Donors need to recognise that the additional short-term funding required to build this capacity is an investment in sustainability and localisation that will pay off in the form of greater efficiency. It is crucial for donors to base capacity building on assessments of needs and work with each NS to determine their particular priorities, and not assume 'one size fits all'.

**The key ingredients in this transition will continue to be trust, a spirit of goodwill and cooperation on all sides.** With sufficient trust and good will, the opportunity to localise provided by the pandemic will enable the Movement as a whole to transition to even greater effectiveness.



The Indonesian Red Cross has been supporting the Government of Indonesia in accelerating the COVID-19 vaccine rate to curb the pandemic.  
Indonesian Red Cross Society

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# ANNEX 1: Economic and social impacts of the pandemic

This Annex provides a high-level overview of the key economic and social trends since the onset of the COVID-19 pandemic across Asia and the Pacific region. It also considers the overall impact on NS and civil society organisations.

## Asia

### Economic impact of the pandemic

The COVID-19 pandemic has had a major negative economic impact almost everywhere in the world, but the impact on developing economies and vulnerable groups has been disproportionately severe. The most vulnerable groups, especially women and those living below the poverty line, had their situation exacerbated, resulting in even wider global inequities ([United Nations, 2020a](#)).

**In Asia the economic and social impacts of the pandemic are widely regarded as greater than those of the 2008 Global Financial Crisis.** Subsequent waves of COVID-19 have caused a series of economic shocks with border restrictions and limited movements of people and goods. While extreme poverty appeared to be declining from the mid-1990s until 2019, COVID-19 combined with the increasing challenges of climate change have reversed this trend, bringing sharp increases in extreme poverty at the household level. At the same time, policy measures to mitigate income loss have caused major increases in national debt. ([The World Bank 2022a](#)).

**The health of China's economy has a major influence on Asian economies.** China is a major export destination and source of imports for most Asian countries as well as much of the world. Despite its size and general resilience, China's GDP shrank by 6.8% in the first quarter of 2020 compared with the previous year, the first contraction in the Chinese economy since 1976 ([IFC, 2020](#)).

### Indonesia

Indonesia has one of the strongest economies in Asia and until 2019 was making substantial progress in reducing poverty and improving living conditions. In 2020 the pandemic caused the economy to contract for the first time since the 1998 Asian Financial Crisis. 1.8 million became unemployed and 2.8 million fell back into poverty, most in urban areas where they were unable to turn to subsistence agriculture to sustain livelihoods. Indonesia had enough resources to respond with a strong program of social assistance that tripled public expenditure compared with 2019, but successive waves of COVID-19 have continued to slow economic recovery and poverty reduction ([The World Bank 2021a](#); [The World Bank 2021b](#); [ADB 2022a](#)).



The wealth of the world's 10 richest men has doubled since the pandemic began while the incomes of 99% of humanity are worse off because of COVID-19

## Prospects for

### post-COVID-19 recovery

The timing of economic recovery is uncertain as new variants of COVID-19 cause further waves of morbidity and mortality, and the long-term effectiveness of COVID vaccines is not yet known. Added to this is recent instability arising from the armed conflict in Ukraine. It is estimated that the combined effect of the pandemic and the conflict in Ukraine will cause an additional 75 million to 95 million people to live in extreme poverty in 2022 ([The World Bank 2021b](#)). These events, plus the impact of climate- and weather-related disasters, are causing the leading economic forecasters to continually revise their predictions of when Asian economies can expect to rebound and return to strong growth ([The World Bank 2022a](#); [ADB 2022b](#)).

Increasing poverty gaps mean a slower recovery for many, but the long tail of COVID-19 cannot be gauged accurately from commonly used statistical data and technical reports.

### Economic recovery, what does it really mean?

The state of health of an economy is not the best measure of the realities on the ground, particularly for the most vulnerable. Economic health is measured in terms of trade, commerce and goods and services, but not day-to-day living conditions. It is widely recognised that the COVID-19 pandemic has impacted disproportionately on disadvantaged and marginalised groups. Oxfam points out that because of the way economies are structured, the wealth of the world's 10 richest men has doubled since the pandemic began while the incomes of 99% of humanity are worse off because of COVID-19 ([Oxfam 2022](#)). Poor and marginalised groups tend to need the most humanitarian assistance, to be most vulnerable to natural disasters and pandemics, and are most likely to depend on others for support or on informal economic activity. This means they are the last to benefit from growth in GDP.

Increasing poverty gaps mean a slower recovery for many, but the long tail of COVID-19 cannot be gauged accurately from commonly used statistical data and technical reports. In countries with large percentages of the labour force engaged in informal economic activities, it can take years for the benefits of sustained, vigorous growth in GDP to benefit those without formal wage employment, while there is no guarantee that these groups will ever benefit from growth in GDP. UNDP Human Development reports and UN Sustainable Development Goal reports indicate little progress in reducing inequality in most developing countries ([UNDP 2020](#); [United Nations 2020](#)).

**NS and CSOs are able to play a key role in the provision of these front-line services to address COVID-19 because they are able to reach into local communities.**

**Improving COVID-19 vaccination rates could expedite economic recovery, but are not a panacea.** First, there is increasing evidence of waning immunity among double vaccinated populations, and, as COVID-19 continues to mutate, further booster doses at intervals of four months or less have become the norm in countries that can afford to deliver them. Second, the vaccines developed so far generally reduce the severity of illness but do not prevent infection or remove the need for precautions such as isolation of infected people. And third, variations in the efficacy of different vaccine formulations mean that relatively high levels of double-dose vaccine coverage in some countries do not necessarily prevent further outbreaks, as evidenced by the outbreak in China at the time of writing ([Our World in Data 2022](#)).

**The pandemic had a far-reaching impact on Asian humanitarian organisations.** NS in Asia have conducted vaccination advocacy to support immunisation programs, provided education in hygiene and COVID-safe practices, maintained blood banks and provided various forms of direct support to isolated and disadvantaged people, including food packages, emergency accommodation and other basic necessities for survival. Other CSOs have provided essential services to address a range of problems exacerbated by the pandemic, including domestic violence, psychological trauma, childhood disadvantage and issues for youth, marginal groups and minorities ([United Nations 2022](#)).

**NS and CSOs are able to play a key role in the provision of these front-line services to address COVID-19 because they are able to reach into local communities.** The staff and volunteers of NS and CSOs usually have in-depth knowledge and personal contacts in local communities. This builds trust in the services they offer and facilitates greater access to communities.

**This increase in demand for their services has taken a heavy toll on the human resource capacities of NS and CSOs.** At the same time, onboarding of new staff and volunteers, and fundraising activities have been hampered in Indonesia, Mongolia and Myanmar. For example, up to 50% of NS staff contracted COVID-19, while others were unable to work because they had to care for family. Volunteers were similarly affected, with some obliged to withdraw their services altogether because of economic pressures and/or other pandemic-related reasons. Loss of staff and volunteers because of economic pressures also occurred in the Pacific, even before there were any cases of COVID-19.

**A need for longer term livelihood support will place strain on diminishing humanitarian resources.** At the time of writing, IFRC COVID-19 funding appeals are scheduled to end in January 2023, with all funds to be spent by June 2023. New variants are still appearing in 2022 and further serious waves of COVID-19 are likely. Even when support for pandemic-related health initiatives is no longer needed, NS will face a massive demand to provide livelihood support for the increase in disadvantaged and marginalised groups. At present, livelihood support is usually a mix of emergency and government funding. NS and donors will need to plan for this transition period and ensure that post pandemic activities are sustainable.



**Up to 50% of NS staff in Indonesia, Mongolia & Myanmar contracted COVID-19**

## The Pacific region

### Economic impact of the pandemic

**All Pacific economies have been seriously impacted by the pandemic.** Border closures restricted shipping and trade and severely limited travel to and from the region. Countries on the Pacific Rim provide the major destinations for Pacific commodities and contract labour as well as being the major sources of imported goods and tourists, and major investors and providers of development assistance. Economic conditions in Pacific countries are therefore even more dependent than most Asian countries on the health of their more developed neighbours, especially China.

**Border restrictions brought the tourist industry to a standstill and restricted opportunities for seasonal and contract work in Pacific Rim countries.** In 2019-2020, some of the world's highest percentage contributions of remittances from diaspora to home country GDP were in Tonga (38%), Samoa (19%) and Marshall Islands (13%), while most other Pacific countries also received significant revenue from remittances. Suspension of seasonal worker programs during the pandemic adversely impacted the employment and earnings of Pacific migrant workers. This means fewer remittances to family in home countries, with major implications for their household incomes and capacity for business development.



Vanuatu Red Cross volunteers teach children handwashing tips. Vanuatu Red Cross Society

## Prospects for

### post-COVID-19 recovery

**Expectations regarding Pacific economic recovery have been continually revised as further waves of COVID-19 occur in countries on the Pacific Rim.** At the time of writing, Pacific countries with the strongest pre-pandemic tourist economies were expected to experience strong economic growth and most others steady growth in the second half of 2022 and 2023 (ADB, 2022a). The possibility that these trends could reverse almost overnight is widely recognised, however, and a general climate of economic uncertainty prevails in the Pacific for the same reasons as described above for Asia. Double-dose vaccine coverage is reaching 70% or higher in smaller Pacific countries, but progress is slower in much of Melanesia ([Our World in Data 2022](#)), while waning immunity and new variants could further delay economic recovery.

As discussed in the box above, there is nearly always a time lag between economic recovery and significant improvement in the situation of the most vulnerable groups. This means NS and CSOs are likely to experience an increased demand for their services for some time to come.

In 2019, tourism and goods and services contributed almost 60% of the GDP of Vanuatu and Palau, around 40% in Fiji and Samoa, and lower but still substantial percentages in most other Pacific nations ([The World Bank 2020](#)).

Australia's own tourism sector, worth \$AUD 60.8 billion in 2019, and that of New Zealand also suffered major losses during the pandemic, partly because of restrictions on travel to Pacific Island countries. As of mid-2022, most Pacific countries were gradually reopening to tourism.

## Impact of the pandemic on NS

**The Pacific has experienced increased demands on humanitarian service delivery and capacity limitations, but driven more by economic than by health needs.** NS in all Pacific countries have performed a critical service by promoting vaccine awareness and COVID-19 preparedness. At the same time, massive economic impacts of border closures have compelled many staff and volunteers to take on additional or more secure paid work, engage in informal trading, spend more time growing their own food and/or engage in other activities to support families. Despite low infection rates in most Pacific countries, NS informants reported reduced availability of staff and volunteers for these reasons.

**In Fiji and Papua New Guinea, significant COVID-19 outbreaks and resulting lockdowns placed additional strains on NS human resource capacities.** For example, lockdowns in Papua New Guinea urban areas helped to contain the spread of COVID-19 but disproportionately impacted poor and disadvantaged groups and produced an upsurge in informal trading to sustain livelihoods ([Kopel 2020](#)). While Papua New Guinea RCS branches were able to maintain face-to-face activity to meet the increased demand for pandemic related services, staff and volunteers who were ill or classified as close contacts, were required to isolate, and others had to withdraw their services to help support family livelihoods. Similarly, major outbreaks of COVID-19 in Fiji in 2021 greatly increased the demand for humanitarian services, including those of Fiji RCS, while at the same time many staff and volunteers were dealing with their own illness and/or restrictions on movement and concurrent economic hardship resulting from border closures.

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# ANNEX 2: International donor responses to the pandemic

This section provides an overview of the extent of funding made available to Asia and the Pacific region in response to the COVID-19 pandemic through multilateral and bilateral channels, government and non-government.

## Multilateral funding for COVID-19-related initiatives

**Donor assistance to developing countries reached very high levels during the pandemic, although exact amounts are hard to determine.** Some funding has addressed the health aspects of the pandemic while other funding has been directed to economic recovery.<sup>5</sup> For example, The World Bank and the Asian Development Bank (ADB) continue to direct a large part of their assistance towards building economic resilience, while most UN agencies tend to focus on health-related assistance, including vaccines.

## ODA for the Asia Pacific region

**The major sources of ODA for the Asia Pacific region** are The World Bank and The World Bank Group<sup>6</sup>, the ADB, UN agencies including WHO, UNICEF and UNDP and bilateral aid from developed countries on the Pacific Rim.

As of December, 2021, **The World Bank** had committed \$215 billion worldwide to address the health, economic and social impacts of the pandemic, of which \$2.5 billion went to the focus countries in this report ([The World Bank 2021b](#); [The World Bank 2022b](#)).

**UN Humanitarian Response** comprises a series of appeals with targets totalling \$18 billion worldwide in 2022, around half already subscribed. Of these appeals only two are reserved for Southeast Asian countries (\$80.8 million for Myanmar and \$167.1 million for Philippines) and none for Pacific Island nations. ([United Nations 2022](#)).

**ADB:** Since the beginning of the pandemic, the ADB has allocated \$18.4 billion to help countries in East and Southeast Asia and the Pacific address the impacts of COVID-19. This includes \$12.3 billion for ADB's Asia Pacific Vaccine Access Facility (APVAX) ([ADB 2021a](#); [ADB 2021b](#)). Other pandemic-related funding has been distributed via numerous country-specific projects.

5 Multiple and flexible partnerships, jointly funded projects and frequent revisions of totals and extension of projects make it difficult to calculate exact amounts by donor, sub-region and country so totals in this section should be treated as estimates.

6 'The World Bank' refers to two agencies together, The International Bank for Reconstruction and Development (IBRD) and The International Finance Corporation (IFC). 'The World Bank Group' comprises five agencies: The IBRD and IFC plus The International Development Association (IDA), The Multilateral Investment Guarantee Agency (MIGA) and The International Centre for Settlement of Investment Disputes (ICSID).

## Pacific Rim assistance to Asia and the Pacific region

**Australia:** Australia has long been a major bilateral donor to the Pacific region and maintains bilateral relationships with selected countries and regions in East and Southeast Asia. In 2021, total Australian ODA increased by 4.5% to \$4.7 billion, of which \$1.5 billion was pandemic related support to recipients in Asia and the Pacific ([OECD\\_2022](#)).

Australia's Department of Foreign Affairs and Trade (DFAT) has adopted a three-pronged approach to COVID-related assistance to the Southeast Asian and Pacific regions:

- provision of direct economic support,
- support for vaccine procurement and delivery,
- working through multilateral partners to ensure countries are prepared to store and administer vaccines safely.

Australia's pandemic-specific funding to the Asia Pacific region is shown below. Some of this was to fund more than 32 million doses of vaccine for countries in Asia and the Pacific.

### Australia's Pandemic-Related Aid to the Asia Pacific region

PROGRAM	2020-2021 \$ million	2021-2022 \$ million
<b>Support for Vaccine Access in the Pacific and Southeast Asia 'The Regional Vaccine Access and Health Initiative'</b> ((\$523.2m over 3 years, 2020-23)		
Pacific and Timor-Leste	93.8	74.8
Southeast Asia	145.3	87.8
<b>Economic support to the Pacific and Timor-Leste</b> ((\$304.7m over 2 years, 2020-22)	200.0	100.0
<b>Enhanced Partnerships in Southeast Asia</b> ((\$500m over 4 years, 2020-24, DFAT share \$360.6m)	20.2	56.0
<b>Australian support for India</b> ((\$37.1m over 2 years, 2020-2022)	20.4	16.7
<b>TOTAL</b>	<b>479.7</b>	<b>335.3</b>

Source: [DFAT\\_2021](#)



A Vanuatu Red Cross volunteer conducts a handwashing demonstration. Vanuatu Red Cross Society

**New Zealand:** New Zealand is a smaller but important donor to the Pacific region, with small programs elsewhere. In 2019-20, the New Zealand Aid Programme provided \$426 million in bilateral aid to Pacific countries, of which \$NZ 48 million was repurposed to support the Pacific response to COVID-19. New Zealand also contributed around \$190 million to multilateral agency partnerships, Cyclone Harold and to support Samoa through its 2019-2020 measles crisis ([NZMFAT 2021](#)).

**United States:** The US Government Pacific bilateral programs focus on countries in the northern Pacific with which it has current or historical political relationships. As of October, 2021, the US allocated funding for its COVID-19 response to the Pacific region totalled \$60 million ([USAID 2021](#)).

**East Asia donors:** Other major donors during the pandemic include China, Japan, Taiwan and South Korea. China has played a major role in developing and exporting COVID-19 vaccines worldwide especially vaccines that can be stored with normal refrigeration ([BBC 2021](#)). Japan, South Korea and Taiwan are founding members and major donors to the ADB as well as contributors to IFRC and some UN agencies, and they maintain bilateral aid programs with selected developing countries in the Asia Pacific region.

## International humanitarian agencies

**International NGOs:** Most major international NGOs have launched appeals for various forms of support during COVID-19, often focusing on particular countries or regions, e.g. Oxfam on India and Bangladesh, Save the Children on the Middle East, or, like the US-based Charities Aid Foundation (CAF) Global Alliance, networking with a series of regional organisations throughout the world.

**The International Red Cross and Red Crescent Movement:** has played a critical role in supporting NS and providing humanitarian assistance to developing countries globally. IFRC has launched numerous appeals for COVID-19 specific funding in addition to other appeals to address particular disasters. As of May 2022, IFRC had distributed \$543 million in COVID-19 related funding, and was seeking another \$917 million to meet its current appeal targets ([IFRC 2022a](#)). In 2021 the International Committee of the Red Cross (ICRC) launched a separate appeal with a global target of \$3.7 billion to address inequities in vaccine distribution, testing, care, treatment and support ICRC ([ICRC 2022](#)).

# ANNEX 3: Key data from country reviews

	ASIA			PACIFIC		
Country level indicators	Indonesia	Mongolia	Myanmar	FSM	Fiji	Vanuatu
Total population (2021 est.)	274 million	3.4 million	55 million	104,000	902,000	314,000
Total COVID-19 grants & loans <sup>(1)</sup>	1,705 million +	400 million +	454 million +	20 million	26 million +	51 million +
% adults 1 dose/2 doses (16/07/22) <sup>(2)</sup>	12/62	3/65	13/51	0/100	8/69	14/40
<b>Red Cross and Red Crescent National Society data <sup>(3)</sup></b>						
Number of local branches/units	511	703	330	4	18	9
Number of paid staff	6737 (2018)	192 (2020)	716 (2018)	6 (2022)	40 (2020)	41 (2019)
Number of volunteers	384,647 (2018)	44,000 (2020)	6,700 (2018)	470 (2021)	396 (2020)	5,310 (2019)
Total annual income (AUD)	12.3-26.7 million	2.4-4.5 million	13-18 million	500-1,350 thousand	1.8-3.2 million	1.1-2.1 million
% total income from Red Cross Movement <sup>(4)</sup>	73-80%	c. 85%	80-85%	c. 70%	c. 70%	c. 55%
% total income from local fundraising, training etc <sup>(5)</sup>	9-15%	8-11%	<1-11%	2-20%	3-30%	c. 20% (2019)
Government subsidy (% or AUD)	2-5%	2%	(n.d.)	\$96K/year + \$33K COVID grant	None	Variable amounts
<b>Key points mentioned by NS informants</b>						
NS profile enhanced by pandemic	Y	Y	Y	y	Y	Y
Expectations of NS increased by pandemic	Y	Y	Y	Y	Y	Y
Project workload increased by pandemic	Y	Y (+ extreme cold)	Y (+ civil emergency)	Y	Y	Y
Insufficient staff or extreme pressure on staff to manage increased workload	Y	Y	Y	Y	Y	Y
More staff security/higher salaries needed	Y	Y	n.d.	Y	Y	Increased salaries to retain staff
Pandemic reduced local fundraising	Y	Y	Y	Y	Y	Y
Receives significant untied donor funding	Some local	Some local	Y	N	N	N

	ASIA			PACIFIC		
	Indonesia	Mongolia	Myanmar	FSM	Fiji	Vanuatu
Struggling to cover core costs	Y	Y	N	Y	Had reserves	Y
Government needs to provide more support	Y	Y	n.d.	N	Y	Y
Online communication a positive development	Y	Y	Y	Y	Y	Y
Applying to repurpose funds is burdensome	Y	Not mentioned	n.d.	Y	Y	Y
Repurposing approvals arrive too late	Y	Not mentioned	n.d.	Y	Y	Y
NS has plans to expand first aid training	Y	Y	Y	Y	Y	Y
HR constraints and small population limit other fundraising initiatives	Not mentioned	Not mentioned	n.d.	Y	Not mentioned	Y
New fundraising initiatives since pandemic	Y	Y	n.d.	Some planned	Y	Some planned
New business donors or partnerships since pandemic	Y	Y	n.d.	Y	Y	None mentioned
New international donors or donor partnerships since pandemic	Y	Y	Y	None mentioned	None mentioned	None mentioned
Plans to employ or have employed professional fundraiser(s)	y	Y	n.d.	Not mentioned	Y	Y
Developing or have strategic plans including funding	Y (5-year plan)	Y (5-year MOUs)	n.d.	Not mentioned	Y	Not mentioned
Need more regional capacity/pre-positioned trained staff	Not mentioned	Y	Y	Not mentioned	Y	Y
Need more workforce planning	Not mentioned	Y	Y	Not mentioned	Y	Not mentioned
More local management of projects needed	Y	Y		Not mentioned	Y	Y
Donors need to trust local management and/or capacity	Y	Y	Y	Y	Y	Y
Donors need to respect and work with local culture/conventions	Not mentioned	Not mentioned	Y	Y	Y, but do in Fiji	Not mentioned

n.d.= no data

Not mentioned= did not come up during discussions

1 Health related and data relief only, excludes economic support

2 <https://ourworldindata.org/covid-vaccinations/>

3 NS data from annual reports on <https://data.ifrc.org/FDRS/> or supplied by NS informants

4 Excludes UN agencies and other non-RC donors

5 Estimates from <https://data.ifrc.org/FDRS/> and NS annual reports

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