

Making Pooled Funding Work for People in Crisis

1 May 2009

Introduction

International humanitarian aid provides relief to tens of millions of people each year: in 2007 to more than 43 million people through UN humanitarian appeals alone. However, it is also often too little, too late, and unpredictable, or inappropriate to the needs of communities, including specific groups such as women and girls. The UN-led reforms since 2005 to improve humanitarian aid have begun – but only begun – to make a difference to this variable performance.

Oxfam International published its analysis of the successes and challenges facing humanitarian action in a major report, *The Right to Survive*, in April 2009. This note now considers one specific recent reform: the development of ‘pooled funds’.¹ This reform has coincided with increased competition for humanitarian resources – at the same time as the need for humanitarian aid is growing.

Donor governments increasingly look to the UN to improve the coordination and leadership of humanitarian aid; many see pooled funds as a promising mechanism to enforce coordination and joint planning and to ease their own administrative burdens. However, in the experience of Oxfam, the overall added value of pooled funds has not been proved conclusively. The problem is that they have been rolled out before fundamental problems have been adequately addressed: problems with fund management, performance of key humanitarian mechanisms and actors, and monitoring, evaluation and assessment.

Based on Oxfam’s experience, this note considers the successes and failures of these funds to date and makes suggestions for their continued improvement. Recognising that pooled funds are here to stay, Oxfam argues for constructive engagement with them to ensure that they are fit for purpose, and proposes that donors not only hold the UN pooled funds to account for their performance, but also ensure *diverse* humanitarian funding in order to enable an effective humanitarian response and to reduce transaction costs.

Pooled funds in practice

UN pooled funds are intended to achieve the following objectives:

- make humanitarian funding more timely and predictable;
- ensure that decisions about the allocation of funds are made closer to the ground – in each affected country;
- empower UN Humanitarian Co-ordinators (HCs) to improve leadership, coordination and joint strategic planning of a diverse group of UN and non-UN humanitarian actors.²

These improvements, it is hoped, will encourage donor governments to increase their humanitarian funding.

As the volume of humanitarian funding channelled through the UN has escalated, so has the number of pooled funds.³ Over the last five years, since funds were established, donors have made the following contributions:

- \$865 million to the three existing UN Common Humanitarian Funds (CHFs): in Sudan and the Central African Republic; and the so called the Pooled Fund (PF) in the Democratic Republic of Congo (DRC).
- \$169.9 million to the Somalia and Ethiopia UN Humanitarian Response Funds (HRFs), as part of an estimated \$201 million in total to the existing ten UN Emergency Response Funds (ERFs) worldwide.
- Outside the UN, donors have also invested \$14 million⁴ in the NGO-led Liberia WASH (Water, Sanitation and Hygiene) Consortium of five organisations⁵, designed to bridge the humanitarian and development phases in this post-conflict situation.

ERFs and HRFs are intended to provide small, rapid, and flexible responses to unforeseen needs, outside a country-wide strategy, prioritising funding to NGOs. They are intended to cover start-up costs, with simple application and allocation procedures to suit their 'rapid response' purpose. The HRF in Ethiopia is currently considering expanding its remit to include disaster-risk reduction.

Conversely, the CHFs and the PF are designed to provide early and predictable funding for meeting critical humanitarian needs identified in the UN's Consolidated Appeal Process (CAP) or a strategic Action Plan. In 2009, the PF in the DRC also allocated funds to early recovery activities, as has the CHF in Sudan. CHF models tend to prioritise UN agencies, although NGOs have participated directly or indirectly as sub-contractors.⁶ CHFs also maintain an emergency reserve to respond to unforeseen emergencies, or are linked to rapid-response mechanisms.

Overall, UN pooled funds have, after a difficult start, considerably improved in terms of the speed at which they allocate and disburse funds, and the transparency of their decision making. Yet there is still considerable variation in their performance and that of some of the UN agencies that act as fund managers.⁷ This has an impact on the delivery of humanitarian aid.

This note explores the strengths and weaknesses of the above funds and the plans to implement a CHF-like pooled fund in Somalia.⁸ The next four sections address the following issues:

- 1 management of the funds, and the efficacy of operating under UN contracts and administration;
- 2 assessing needs and allocating resources;
- 3 monitoring, evaluation, and impact assessment; and
- 4 inclusivity and complementarity of funding mechanisms and funding diversity.

The conclusion presents the main findings and recommendations. An annex provides a more detailed analysis of funds' strengths and weaknesses in five different countries based on our experience.

1. UN agencies as fund managers

The effectiveness of any pooled fund largely depends on how it is structured and managed, and on the skills and personalities of key personnel. Of particular significance are the structure of the board, the decision-making process, and the overall management and administration of the fund.

For example, the strong personality of the UN Humanitarian Coordinator in the DRC has proved crucial to maintaining accountability and quality of service: for example, pooled funding was held back from the World Health Organisation (WHO) because of a failure to complete UN reporting requirements, and from the United Nations Population Fund (UNFPA) for failing to implement projects or ask for no-cost time extensions.

The Sudan CHF, the DRC PF and several HRFs are currently administered by the UN Development Programme (UNDP), and managed by the UN Office for Coordination of Humanitarian Affairs (OCHA). (In Sudan UNDP manages funds disbursed to NGOs but passes all programmatic issues to OCHA).

As Administrative Agent (AA), UNDP serves as the interface between donors and UN organisations, disbursing funds to participating UN organisations, on the basis of an agreed framework of governance, financial rules, and procedures. Management Agents (MAs) contract NGOs or the International Organisation for Migration (IOM) to implement and account for the resources allocated.⁹

UN agencies have displayed distinct shortcomings in their role as MAs and conduits through which pooled funding passes. The problems include significant delays in processing proposals from submission to allocation (for example, OCHA/UNDP in Ethiopia HRF); and significant delays in disbursing funds (CHF Sudan and the DRC PF – in particular during the PF's first year).

Broader concerns have arisen, including the following:

- The majority of smaller or local NGOs are denied access to funds: local NGOs have however been included as sub-contractors to larger international NGOs. Responses to humanitarian emergencies greatly benefit from the unique expertise of local NGOs, beneficiaries, and other partners; local partners increase sustainability, participation/ownership, and capacity building; they can also play important roles in holding aid programmes to account.
- When UN agencies (in general and as recipients of pooled funding) sub-contract NGOs, it has been taken for granted that NGOs pre-fund or supplement partial funding in order to start projects, with no guarantees of future funding or backdating of contracts. This prevents NGOs that lack large funds of their own

from accessing pooled funds. It also complicates, if not negates, further sub-contracting to local NGOs, due to even shorter funding cycles and the unreliability of receiving funding quickly.

- Little or no participation of national or local government. In circumstances where legitimate governments exist, linkages with national or sub-national government are not just appropriate but necessary, for example in terms of funding allocation, coordination, and monitoring and evaluation. However, dealing with governments engaged in particular conflict environments may be dangerous, and can jeopardize aid agencies' impartiality.
- Transaction costs,¹⁰ overheads, and indirect support costs have increased to more direct funding mechanisms (e.g. bilateral funding).
- Transparency of the decision-making processes has increased with the creation of review boards that include other agencies, including non-UN agencies. These structures must be strengthened and formalised within future pooled-funding mechanisms.

Of further concern are UN/NGO contractual relationships, including and beyond pooled funds:

- Contracts and other administrative instruments employed by some UN agencies – United Nations Children's Fund (UNICEF) for example – to grant, disburse, and manage funding are inappropriate to humanitarian contexts, entailing onerous, time-consuming contractual obligations even for short-term emergency responses. Some UN agencies are also inconsistent in their use of these instruments and their contractual requirements, and not all of them operate in accordance with standardised guidelines or formats. NGOs often find themselves striving to negotiate inappropriate grant requirements on a case-by-case basis in each country.

The effectiveness of pooled funds also depends on the existence of well-functioning structures to coordinate humanitarian aid, with the technical and human capacity to fulfil that role. These do not exist in the five countries considered in this note. For example, the 'clusters' – the structures to coordinate action in particular sectors such as water, sanitation, and hygiene (WASH) – lack adequate technical and human capacity, coordination skills, and accurate understanding of pooled funds' allocation policy and process. Improving this requires significant financial and human investment, and the provision of skills training.

Recommendations

- Pooled-funding mechanisms must be given sufficient management capacity (ensuring the deployment of sufficient numbers of appropriately trained staff, covering the necessary operating costs, and ensuring increased cost-effectiveness).
- As it is planned to roll out more pooled funds, the value of UN agencies such as AA and MA should be reviewed, and alternatives should be considered and tested.
- If there is more than one UN-managed fund in any country, a joint management and governance structure should be created, to enable joint assessment and improve synergies. Management units must be supported through stronger management-information systems. They must be monitored through inclusive review and advisory boards (with joint donor, UN, and NGO representation), to oversee strategic use of funding and encourage synergies between funds.

- Donors must improve and formalise donor coordination and review of pooled funds. They must ensure the continuation of political support and the contribution of technical expertise, and they must demand accountability; pooled funds must not lead donors to abdicate responsibility for the proper use of funds provided.
- NGOs must actively seek to contribute to and take advantage of opportunities to improve coordination and monitoring and evaluation. They should push for joint UN/NGO management structures. Donors should provide additional funding for local NGO capacity building, in order to facilitate cooperation with and access for local NGOs.
- Effective coordination structures must be in place before the implementation of a pooled fund. Donors must provide necessary additional resources and political support to enable cluster leads to fulfil their role, and the UN must be committed to recruiting and supporting effective cluster leads. Donors should support and fund NGO cluster co-leadership.
- UN agencies, when sub-contracting NGOs, should have global, standardised granting guidelines (agreed through consultation), standardised formats, a consolidated operational framework, and financial management systems for transferring funds to NGOs. They must waive contractual clauses inappropriate to humanitarian contexts and have a central NGO-liaison point. This would reduce transaction costs.
- Advance payments or other means that would guarantee funding, and the backdating of expenditure, are required when UN agencies, in general and as recipients of pooled funding, sub-contract to NGOs. UN agencies and NGOs could look further into drawing up pre-agreements (including pre-positioning of humanitarian assets to be drawn on in case of acute emergencies) at country level, to enhance predictability of funding, rapid response, and longer-term planning. Country-wide agreements that allowed the addition of projects throughout the year would avoid duplication of efforts and inappropriate time delays; they would also simplify reporting.
- Grants must be sufficiently substantial and the application process simple in order to minimise transaction costs and make project application and implementation viable.

2. Assessing needs and allocating resources

Allocating pooled funds effectively depends on a strong, well-prioritised, and jointly agreed plan, based on a thorough assessment of needs, a clear strategy, and appropriate indicators to measure success. However, many needs assessments are still weak, lacking agreement on priorities; and the performance of key personnel (including 'cluster' leads and HCs) varies greatly.¹¹ Some allocations are poorly targeted and designed to maximise the income of large UN agencies, failing to meet the needs of the most vulnerable people in any given crisis or to take into account the distinct role and needs of specific groups such as women and children.

For example in the DRC, the UN Humanitarian Action Plan is widely perceived to lack sufficiently clear objectives, responsibilities, and plans to achieve access to all those in need. Some of its critics complain of a lack of consultation.

Recommendations

- Fund managers must improve assessment and allocation processes, with a greater focus on agencies' comparative advantages and experience.
- Provincial and local representatives of fund-management units and clusters must be given appropriate training and increased support (in terms of both capacity and political support) in order to implement needs assessment and allocation effectively.
- Management and coordination structures must ensure more proactive and timely communication at all levels (concerning, for example, assessment and allocation timetables and decisions taken).
- Funding mechanisms must allow direct NGO (including local NGO) access and increase NGO allocations, in order to minimise transaction costs.

3. Monitoring, evaluation, and impact assessment

A major concern with all pooled funds is their weakness in monitoring, evaluation, and follow-up. This in itself makes assessing the added benefit of pooled funds more difficult.¹² It limits the learning of lessons for fund development, makes it harder to avoid potentially harmful impacts, and reduces the possibility of assessing the impact of pooled funds and the overall humanitarian response on beneficiaries.¹³ In general, a higher standard of monitoring is expected by bilateral donors when they fund projects directly (or NGO consortia) compared with the monitoring requirements attached to grants from UN pooled funds.¹⁴

OCHA, the Secretariat of the Central Emergency Response Fund (CERF), and the European Commission Humanitarian Office (ECHO), have completed much methodological work, and a generic monitoring, evaluation, and impact assessment (M&E) strategy and methodology for all pooled funds is being developed. Despite this, UNDP and OCHA, as the designated managers of pooled funds, are neither technically equipped nor in control of relevant projects to enable them to monitor and evaluate pooled-fund projects and overall impact meaningfully. M&E responsibilities are pushed on to clusters that are already overwhelmed and lack the skills or capacity to take on this function effectively.¹⁵

Recommendations

- Management agents, in consultation with humanitarian actors and donors, must set up and test effective mechanisms for monitoring, evaluation, and impact assessment.
- Evaluations must assess implementing agents' competence (experience and implementation capacity), in order to improve the allocation of future funding and identify lessons relevant to pooled-funding mechanisms elsewhere.
- Donors must support the HC office in setting up an independent M&E unit at country level, tasked with evaluating pooled-funding mechanisms at the programmatic level (appropriate implementation of projects/programmes according to pre-agreed indicators) and the strategic level (impact of funds and fund-financed projects/programmes on beneficiaries). Such a unit should focus on overall response effectiveness on the basis of pooled-funds performance benchmarks.

- Effective M&E requires appropriate pre-allocated funding and staff capacity drawn inclusively from UN agencies, donors, and NGOs. In the absence of a standalone M&E unit, such funding and human capacity must be made available to cluster leads.
- All recipients of pooled funding must provide adequate and comparable data, on the basis of common quantitative and qualitative indicators, to such a central unit. The M&E unit should then extrapolate strategic overall effectiveness and impact on programming; monitor fund performance and potential synergies; and assess the added benefit of pooled funds. In addition, the Inter Agency Standing Committee (IASC) should found a global policy group, tasked with learning lessons and increasing synergies between pooled-funding mechanisms on a rolling basis.

4. Inclusivity, complementarity, and diversity of funding

All types of pooled-funding mechanisms are more transparent and inclusive than they were initially. This progress now has to be solidified and formalised.

Humanitarian pooled funds complement rather than duplicate one another. For example, HRFs, ERFs, rapid-response mechanisms or pre-positioning mechanisms have been found to be the best form of UN-funded and managed rapid response to acute and/or small emergencies. Direct grants to single NGOs in the early days of an emergency have proven even more effective and speedy in acute or rapid onset emergencies. HRFs and ERFs have also proved to be more inclusive UN mechanisms, with the ability to offer direct and therefore speedier project funding to non-UN agencies.¹⁶ CHF, however, offer a multi-sector approach and response that should be more strategic, coordinated, and sustained. NGO consortia enable longer-term planning and response.

In some instances, donor governments' bilateral funding, channelled directly to the humanitarian agencies that provide services on the ground, offers more timely, direct, and targeted support.¹⁷ Hence diversity of funding is crucial.

In some countries, as in the DRC, bilateral funding has been a vital 'gap filler' when other funding has fallen short. In others (for example, Ethiopia), pooled-funding arrangements have led to a reduction in bilateral funds as some donors (like the UK Department for International Development - DFID) have discontinued their bilateral programmes.

Recommendations

- Further efforts must be made to ensure that the roll-out of pooled mechanisms takes place in a transparent manner, fully engaging all stakeholders in decision-making processes.
- All pooled funds including ERF/HRFs must allow for direct access of international and local NGOs.
- Pluralism and diversity of capacity and capabilities are core strengths of the global humanitarian system. Donors must ensure that humanitarian funding remains flexible, avoiding a system that is entirely reliant on the UN and thereby covering the wide range of humanitarian needs through making use of the most appropriate mechanism. Given the weaknesses of the current system, donors must reserve a portion of their funding for more strategic, long-term partnerships with NGOs.

- Fund managers, in consultation with donors and other humanitarian agencies, must ensure a common strategic vision for all pooled funds within one country.

Conclusion

This assessment has not conclusively established the added benefit of pooled funds in comparison with alternative funding mechanisms; it has, however, highlighted substantial issues of concern. Unless the current funds are improved, they will underperform, wasting valuable resources and failing the millions of people in need who depend on an effective, needs-driven humanitarian system.

In offering the experience of Oxfam International as a basis for discussion, we would highlight the following priorities:

- 1 Improvement in pooled-fund management structure and contractual relationships: (a) by creating joint UN/NGO management units and commissioning research into alternative, non-UN fund-management structures; (b) by monitoring performance through inclusive review and advisory boards; (c) by creating global, standardised grant guidelines, consolidating operational framework and financial management systems, and waiving contractual clauses inappropriate to fast-changing humanitarian contexts.
- 2 Improvement in the needs assessment and allocation processes for all pooled funds.
- 3 Better engagement of national and local governments in the allocation, coordination, monitoring, and evaluation of pooled funds when politically appropriate.
- 4 Allowing direct NGO access in order to minimise transaction costs.
- 5 Creation of effective monitoring, evaluation, and assessment mechanisms, ideally through creation of a dedicated independent unit.
- 6 Ensuring that donor governments maintain some bilateral funding directly to humanitarian agencies for specialised, flexible, rapid or longer-term strategic response.
- 7 Ensuring that donors do not abdicate responsibility for holding pooled funds to account for the effective use of their resources.
- 8 Improvement of partnership arrangements and greater inclusivity.
- 9 Strengthening of accountability, through allowing greater participation and oversight by local actors, and allowing for the distinct role and needs of specific groups, in particular women and children.

Beyond this, there is a bigger question to address. Donor governments and the UN must carefully assess which environments benefit from pooled funds – and which do not. In countries where there is a contested political system, sensitivity is needed in the design and implementation of pooled funds, in order to preserve humanitarian agencies' impartiality and independence. Direct association of pooled funds with broader UN state-building objectives (if, for instance, they are managed by UNDP) may be dangerous: in highly politicised environments such as Somalia, the UN is not perceived as an impartial player, due to its mandate to engage with the State, which is a party in the prevailing conflict. In these contexts it is important to create a 'firewall' to protect humanitarian funding from any political agenda concerning particular

transition, reconstruction, or state-building activities and security objectives. Given the unpredictability of the environment, the utmost flexibility is required in order to respond to humanitarian need effectively.

In such environments, the reform process underlying the establishment of pooled-funding mechanisms must avoid becoming fixated on improving the tools, rather than improving the humanitarian response. In other environments, pooled funds have some way to go before they can adequately contribute to the more effective delivery of humanitarian aid that governments, the UN, NGOs, and others must continue to strive for.

This is a crucial time for the humanitarian aid system, as the needs of millions of vulnerable people multiply and available resources diminish. Oxfam International is committed to engaging constructively with the humanitarian reform process, doing its part to improve the system to ensure that reforms will translate into improved results for beneficiaries.

Annex: Examples of pooled-funding mechanisms

DRC Pooled Fund

Significant improvements have been achieved: in the coordination and strategic use of funds, based on common planning and improved needs assessment through a field-driven process; in transparency and inclusivity (partly through wider consultation and more inclusive oversight within the Humanitarian Action Plan process and the PF management structure, in particular the PF Board); and in the flexible use of funds and coverage of priority needs and funding gaps. The mechanism is now broadly supported, despite remaining conflicts of interest and managerial shortcomings, which include the following:

- The efficacy of pooled funds in the DRC depends on the performance of in-country coordination mechanisms (in particular the clusters) and the provision of quality leadership (in particular on the part of the HC). In the DRC the HC has repeatedly intervened to ensure the appropriate functioning of the PF.
- The PF works well for UN agencies and large established NGOs, but access remains very difficult for small or local NGOs; the effectiveness of sub-contracted NGOs is particularly limited by short funding cycles, which preclude longer-term planning.
- Pooled funds are too cumbersome (in terms of assessment, allocation, and disbursement) to function as emergency funds (although existing rapid-response funding has been effective).¹⁸ In the DRC, this is less of a problem, because other funds (including bilateral assistance) existed for immediate response and to fill gaps. Given the relatively large funds available within the DRC over the last two years, recovery-focused agencies were allowed to tap into the PF, blurring the Fund's objectives. A specific 'window' within the PF has since 2009 been allocated to clearly defined recovery projects. Donors must maintain their level of funding for the Pooled Fund and additional bilateral funding for an adequate response to emergency and recovery needs, which remain extremely high.
- The role of NGOs and donors has recently been formalised on the PF Board. NGOs have also established mechanisms by which NGO representatives on the Board are reselected (according to set criteria) every six months. Similarly, NGOs have increasingly been selected as 'cluster co-facilitators' at national and provincial levels, thus increasing transparency and leadership. Donors' engagement with the PF and clusters, on the other hand, is not sufficiently formalised with infrequent engagement, high staff turnover or lack of expert input.
- M&E has been incomplete; virtually no data exists with which to measure PF impact on the lives of beneficiaries. Track record and implementation capacity are rarely considered during allocation processes.

Sudan Common Humanitarian Fund

Sudan has hosted a broad range of humanitarian and recovery pooled funds, which generally complement one another but have experienced significant set-up problems: the UN CHF for emergency response, the DFID-supported Basic Services Fund (BSF), which was meant to bridge the gap to recovery, the Sudan Recovery Fund,¹⁹ and the

Multi-Donor Trust Fund, administered by the World Bank. The multiplicity of pooled funds led to an overall reduction in bilateral funds. In general, funding allocation lacked impartiality, with a heavy emphasis on donor interest and the response in Darfur (though the CHF prioritised southern Sudan in order to balance the overall greater focus on Darfur). While the CHF seems to have somewhat stabilised, with a more inclusive management structure and greater transparency, significant shortcomings remain including the following:

- The CHF's emergency-response objective is diluted as the fund has been used to fill gaps in recovery programmes. Very little funding is available for humanitarian response to chronic emergencies, which often display worse indicators than acute emergencies.
- CHF funding cycles and decision making and allocation processes preclude longer-term response and planning.
- M&E has been incomplete, preventing thorough assessment of project effectiveness and overall fund benefit; virtually no data exists on PF impact on the lives of beneficiaries. Track record and implementation capacity are not considered during the allocation process, and allocation criteria remain unclear.
- Historically, and with the exception of its rapid response part, the fund has been too slow and cumbersome to function as a true emergency fund.
- Funding for NGOs under the CHF is useful for filling critical gaps, but 'too small to support wider programmes'²⁰ or to justify capacity spent during the onerous and slow processes of application and allocation. CHF funding is not a viable fund for rapid humanitarian response by NGOs (whether international or local) – despite the UN's assertion that NGOs have received up to 50 per cent of total CHF and PF funds, including direct and indirect funding.
- Management systems remain weak and require significant capacity building.

Ethiopia Humanitarian Response Fund

The HRF for Ethiopia is an emergency funding mechanism managed by the HC and established to address gaps in critical, life-saving emergency response, by providing UN agencies and pre-selected NGOs with rapid and flexible initial funding to meet short-term emergency priorities. This fund is not intended to respond to chronic problems. The project funding limit is set at \$700,000. Project periods should not exceed nine months.²¹

The HRF is a hybrid fund, displaying objectives and management elements of both the CHF and HRF models; OCHA serves as MA and is responsible for M&E (via clusters). Once a week the OCHA HRF Program Manager distributes vetted proposals to the review board for comment, objections, and recommendations; the board includes representatives from the Disaster Prevention and Preparedness Agency, government-led Sector Task Forces, UN agencies, NGOs, and the Ethiopian Red Cross Society.

The HRF has allocated more than \$80 million since March 2006 for emergency assistance and to fill gaps in the funding of priority sectors. International NGOs receive approximately 50 per cent of HRF funding and an additional 50 per cent of UN sub-contracts.

Major strengths and shortcomings include the following:

- Allocations are not based on a common prioritised country-wide strategic plan, as would be required of a pooled fund of the CHF type. Greater joint strategic planning by key organisations and calls for tender through the HRF to meet predictable needs on an unofficial basis would be possible. An expansion of the HRF's remit is being considered as part of efforts to address the protracted nature of the crisis.
- Significant delays occur in the processing of proposals from submission to allocation (particularly in the case of NGO sub-contracting). But the financial turnaround time is short in comparison with other funding available in Ethiopia. This is largely due to the streamlined UN-NGO decision-making process and the fact that allocation and disbursement processes are on-going rather than tied to fixed schedules.
- Coordination structures are weak; clusters need urgent and substantial capacity building; the multiple clusters, task forces, and working groups need rationalising, and relationships between them need to be clarified.
- Donor involvement in decision making, management, and review structures has been sporadic and would benefit from being formalised.
- M&E is weak and clusters are too weak to assume responsibility meaningfully; there is a need for independent structures.
- Some donors (including DFID) have rejected bilateral funding (thus pushing applicants towards the comparatively small HRF); this has resulted in an overall funding shortfall.
- Although local NGOs have no direct access to the HRF, the fund is relatively inclusive: for example, the steering committee has seven government, six donor, six UN, and four NGO representatives (but it meets only once a year). The review board is also inclusive (it holds regular meetings).

Somalia Humanitarian Response Fund

High levels of insecurity in Somalia severely restrict access by humanitarian agencies. There is a severe funding crisis, and donors are complacent (favouring a premature shift to recovery programming, despite significant humanitarian needs). Since its establishment in 2004, the Somalia HRF has developed into a strategic humanitarian financing and coordination tool to support rapid life-saving interventions in sudden-onset emergencies.²²

The Fund is managed by a Fund Secretariat within OCHA, reporting to the HC and co-operating with an inclusive advisory board. The Fund is accessible to local and international NGOs, the Red Cross/Crescent, and UN agencies. Its size has expanded from \$2 million to \$14 million; since its inception it has disbursed a total of \$30 million, supplemented by a total of \$26 million in CERF allocations. Its original objective was to disburse funds quickly in a rapid-onset emergency; currently it also funds gaps. The HRF is broadly supported, despite significant shortcomings. Strengths and weaknesses include the following:

- It has granted much needed emergency response funding, especially to NGOs, in a comparatively simple fashion, mostly because its funding has been direct rather than passed through UN agencies, and there are inclusive review structures.

- The HRF Somalia does not enable a country-wide strategic joint humanitarian response and is not based on a commonly prioritised needs assessment (other than loosely referring to the CAP). It is reactive and unpredictable, with limited sustainability.
- The project proposal process and reporting requirements are cumbersome and slow.
- M&E structures are very weak; most evaluations are undertaken remotely on the basis of quantitative indicators. HRF auditing is undertaken through UNDP via a private sector company; it has been seriously delayed.
- Short-term (six-monthly) grant periods undermine longer-term planning.
- Agencies may hold only three concurrent projects.
- Very weak or non-existent clusters mostly operate from Nairobi. UN leadership is weak, highly contested, and politicised. Coordination is further confounded by severe access restrictions within a volatile political environment. The HRF benefits from a degree of distancing from wider UN state-building objectives and has therefore been broadly supported so far.

The HC is currently interested in leveraging additional funds, reinforcing UN leadership, through the creation of a CHF-like pooled fund (either replacing or incorporating the current HRF). This proposal has encountered significant reservations within parts of the UN and NGO community. This has been primarily prompted by the weakness of clusters, doubts about the desirability of any closer association with the UN, and by default state-building or recovery programmes. Therefore humanitarian service delivery under a UN umbrella is regarded as highly problematic or counterproductive. The unpredictability of the Somali environment requires a high level of flexibility, a factor which makes the HRF a useful tool, despite its significant shortcomings.

Liberia WASH Consortium

In 2007, Oxfam working with DFID explored the potential of a pooled-fund model to include other actors with expertise in the water, sanitation, and hygiene (WASH) sector and the government of Liberia. Five NGOs agreed on a Memorandum of Understanding (MoU) and common strategy.²³ The estimated cost of the common strategy was about \$19million of which slightly over \$14 million has been mobilised.

The Consortium covers two thirds of Liberia's counties and its overall resource contribution is 13 percent of the total government estimated cost for water and sanitation. Compared with other actors in this sector, the Consortium is one of if not the biggest players. It is a member of the WASH cluster, implementing an effective, coordinated, strategic approach.

The consortium approach has been reasonably successful to date. However, like other pooled-funding mechanisms, there have been some managerial challenges. None of the consortium member agencies had worked together in this manner before, so all policies and processes had to be drafted and agreed from scratch within a tight timeframe. Key challenges include:

- The administrative and management burden on the lead agency (currently Oxfam) is heavy, requiring a large investment of time especially in the early stages of the

project. The lead-agency (as contract manager) also takes a greater proportion of risk to that of the other members. This has the potential to cause some friction.

- Internal coordination, including negotiation of common working procedures and analysis of base-line data is, like in other post conflict environments, not easy.
- The Consortium is a viable mechanism, provided that the partners and donors remain relatively small in number and like-minded in nature. External coordination with the WASH cluster and the government of Liberia is vital.
- The three-year plan allows for longer-term planning and a degree of sustainability, which is mainly focused on direct service provision and capacity-building activities. However, it can be hampered by a slow decision-making process and limited strategic flexibility (being tied to previously agreed objectives and joint decision making). As the project moves forward, more sophisticated internal procedures have been created to streamline these decision-making processes. The model is not sufficiently responsive to arising or large-scale emergencies.

CSOs and donors are currently seeking to replicate the mechanism in other post-conflict countries, including Sierra Leone. The Consortium is not an alternative to a country-wide, cross-sectoral mechanism for pooled humanitarian funding.

Notes

¹ 'Pooled funding' is a generic term, defined in this note as financing mechanisms for humanitarian response which receive contributions from more than one donor. These are then combined and allocated by a governing body or the UN Humanitarian Coordinator (HC), with support from an advisory group, and disbursed by an administrator to a number of recipients.

² Pooled funds can indeed act as a lever for coordination and joint strategic assessment and planning; but this works only if effective structures are in place which enable the effective functioning of pooled funds. This is not yet the case.

³ Abby Stoddard et al (July 2008) 'International Humanitarian Financing: Review and Comparative Assessment of Instruments – A Study for the Good Humanitarian Donorship Initiative Commissioned by the Office of US Foreign Disaster Assistance', page 3.

⁴ With funding from the UK Department for International Development (DFID), the EC Humanitarian Office (ECHO) and Irish Aid, and other donors possibly following soon.

⁵ Consortium member organisations include Action Contre la Faim, Concern, Oxfam, Solidarités and Tearfund.

⁶ For some UN agencies (including WFP), sub-contracting is the norm, rather than an exception.

⁷ Assessments of the pooled funds in the DRC, Sudan, and elsewhere have been well documented. See, for example, Abby Stoddard, Dirk Solomons, Katherine Haver, and Adele Harmer (December 2006) 'Common Funds for Humanitarian Action in Sudan and the Democratic Republic of Congo: Monitoring and Evaluation Study', OCHA: New York.

Barnaby Willitts-King, Tasneem Mowjee, Jane Barham (2007) 'Evaluation of Common/Pooled Humanitarian Funds in DRC and Sudan' OCHA : New York. Whereas the 2006 evaluation was undertaken halfway through the first year of existence of the CHF's and therefore had little evidence to build on, the second evaluation had a broader experience base to draw from.

Abby Stoddard (draft July 2008) 'International Humanitarian Financing: Review and Comparative Assessment of Instruments – A Study for the Good Humanitarian Donorship Initiative', OFDA: Washington.

⁸ This note will not comment on similar development- or recovery-funding mechanisms, although several of these exist in the case-study countries. Further research in other countries is required before we can conclude that our assessment and recommendations are universally applicable. Until then, Oxfam International offers this note as a basis for discussion.

⁹ OCHA (draft December 2007) 'OCHA Discussion Paper on Standardizing the CHF's', page 3, OCHA: New York.

¹⁰ See, for example, 'Good Humanitarian Donorship: Indirect Support Cost Study: Draft Final Report', Good Humanitarian Donorship (June 2008). Several UN agencies, in cooperation with key humanitarian NGOs, are currently reviewing transaction costs in a number of case-study countries.

¹¹ 2007 CHF Evaluation – Findings/Recommendations. Sudan CHF Working Group (April 2008) 'Tracking of Progress on Action Points', page 1.

¹² *Ibid.*, page 2.

¹³ OCHA (Draft 5, 17 October 2007) 'Discussion Paper on Standardizing the CHF's', page 5, OCHA: New York.

¹⁴ SC UK, IRC: 'CHF Model – Improving Common Humanitarian Funds – Practical Solutions from NGOs'.

¹⁵ 'Evaluation of Common/Pooled Humanitarian Funds in DRC and Sudan', Barnaby Willitts-King, Tasneem Mowjee, and Jane Barham, draft submitted to OCHA ESS, 17 October 2007, page 3. See also ICVA, Inter-agency Standing Committee, 72nd Working Group Meeting, 'Discussion Paper on Ways Forward on Humanitarian Financing', 19–21 November 2008, page 3; Wendy Fenton: 'Funding Mechanisms in Southern Sudan: NGO Perspectives' (20 February 2008).

¹⁶ NGO Discussion Paper (2009) 'Proposed Common Humanitarian Fund for Somalia', <http://www.globalhumanitarianplatform.org/ghp.html> - last accessed April 2009.

¹⁷ This paper does not offer an academically sound comparison of the effectiveness of bilateral funding compared with pooled multilateral funding, which would require significantly more research. This might be undertaken at a later stage.

¹⁸ The Pooled Fund provides funds for the Rapid Response Mechanism (run by UNICEF and OCHA), which pre-positions emergency-response supplies that are then used by the NGOs Solidarités and IRC to respond to emergencies. The Rapid Response Fund, administered by OCHA, functions as a gap filler in other types of emergency with a few days' notice. Both funded by the Pooled Fund, each has proved to be a useful element of the overall response.

¹⁹ The Sudan Recovery Fund (SRF–SS) aims to facilitate a transition from humanitarian to recovery assistance through wide-ranging support which offers quick-recovery impacts and demonstrates peace dividends. In doing so, the SRF seeks to bolster the capacity of the Government of southern Sudan and other organisations, and actively encourage the participation and empowerment of communities affected by conflict and poverty. The SRF was established in response to an acknowledged gap in medium-term recovery assistance. Definition taken from the SRF's website: <http://www.sd.undp.org/SRF-SS.htm>.

²⁰ Abby Stoddard *et. al.* (November 2006) 'Evaluation of the Common Funds for Humanitarian Action in the Democratic Republic of the Congo and Sudan', 2006, CIC, NYU, and HPG.

²¹ HRF Briefing Pack, <http://ocha-eth.org/hrf/Application%20format/HRF%20Briefing%20Kit%2017%20Oct%202007%20FINAL.pdf>.

²² OCHA, Humanitarian Funding Mechanism in Somalia, <http://ochaonline.un.org/somalia/AppealsFunding/FundingMechanisms/tabid/2839/language/en-US/Default.aspx>.

²³ The strategy includes both projects and advocacy provisions, is reviewed every 12 months, and allows the adding of alternative or extra projects, depending on the consent of the donors. The MoU specifies six-monthly reporting to donors, and a common M&E framework which considers quantitative and qualitative indicators and also assesses the effectiveness and impact of the consortium.

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