

**INTER-AGENCY STANDING COMMITTEE WORKING GROUP
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Discussion on Pooled Funds:

Centralised Funding Mechanisms and Pooled Funding in Sudan

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Background

At a meeting in Stockholm in June 2003, representatives of governments and multilateral donors, UN agencies, the Red Cross/Crescent movement and others reviewed past achievements as well as current challenges in global humanitarian action. It was recognised that the number of humanitarian crises was not decreasing while the number of actors involved in the response had increased impacting on both effectiveness and coherence of the interventions. With the aim of enhancing humanitarian response through strengthened co-ordination, effectiveness and accountability, donors endorsed the Principles and Good Practice of Humanitarian Donorship.

The general Principles include, inter alia, “to strive to ensure flexible and timely funding on the basis of the collective obligation to striving to meet humanitarian needs”, and “to allocate humanitarian funding in proportion to needs and on the basis of needs assessments”. As one of the Good Practices, donors would explore the possibility to reduce or enhance the flexibility of earmarking, while strategic priority setting by implementing agencies was stressed.

The process of (joint) needs assessments and subsequent analysis is considered essential by both donors and agencies towards better meeting the needs. Progress has been made through the IASC and pilots are being implemented by the agencies in a number of countries, in support of the Consolidated Appeals Process (CAP). For the purpose of this paper, however, the focus will be on the financing of the response interventions.

Flexible funding: reduced earmarking or centralised funding mechanisms

Since the Stockholm meeting, a number of donors have reduced the earmarking of their financial support, to enable agencies to allocate funding where and when it is most needed. However, it is felt by others that existing donor financing, whereby donors make individual decisions, is limited in its ability to promote a coherent, coordinated and equitable response.

A number of models that should provide flexible and timely funding in single, complex emergencies as well as across humanitarian operations in different countries were developed for consideration. They include: 1) a global humanitarian fund, 2) a consolidated fund for all CAPs and 3) in-country, pooled funds. Typical of all these

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response mechanisms is that they require a more or less centralised system that coordinates and integrates overall needs assessments, prioritisation of response interventions and, most importantly, allocation of available funds.

Funding models

The first mechanism has, in a way, already been available since 1992 in the form of the Central Emergency Revolving Fund (CERF). Recently, in December 2004, UK Secretary of State for International Development, Hilary Benn elaborated on the concept through a proposal presented in the UK non-paper on “the reform of the international humanitarian system”, namely to establish a USD 1 billion humanitarian fund. Since then, DFID has undertaken a study on a revised CERF mechanism.

As regards the second mechanism, some efforts have been made, in particular by ECHO, to compare and rank different humanitarian crises with a view to achieve more equitable funding at a global level and, indeed, to deal with “forgotten crises”. The ranking methodology, however, has not yet been well developed and is considered inherently open to criticism.

Compared to the second mechanism, donors have felt that there is more potential, and less controversy, in exploring the third mechanism, of funds pooled¹ at the country level. Some initial testing was done in the tsunami response but more explicitly in the Sudan beginning with DFID channelling USD 77 million through the Humanitarian Coordinator, announced in the beginning of 2005.

The experience with pooled funds in the tsunami response is limited to contributions from the Netherlands: in both Indonesia and in Sri Lanka, the Humanitarian Coordinator was informed, in early 2005, of a Netherlands’ allocation of funds towards the relief efforts in both countries. The Humanitarian Coordinator was invited to identify, jointly with the Country Team, the recipient agencies according to the most pressing needs to be addressed.

In Sudan, the UK launched a pooled funding pilot through its letter to agencies, dated 24 January 2005, in which the DFID Humanitarian Strategy 2005 was presented. The letter states that DFID wrote to the Secretary General offering to channel UK pounds 40 million through the Khartoum based Humanitarian Coordinator, who would be responsible for allocating and disbursing funds to operational agencies against those humanitarian components of the UN Work Plan (for Sudan) judged to be most critical. The approach was aimed at strengthening coordination and giving the UN greater flexibility and control over funding allocations. The DFID allocation was released in two tranches.

¹ A distinction should be made between the pilot funding mechanism in Sudan and the terminology used in the UNDG Guidance Note on Joint Programming which identifies three fund management options for joint programmes: a) parallel, b) pooled, and c) pass-through. Under the UNDG pooled fund management option, participating UN organizations pool funds together to one UN organization, called the Managing Agent, who is responsible for narrative and financial reporting to the joint programme coordination mechanism.

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Simultaneously, the Netherlands made available an envelope of USD 10 million to be allocated, through the Humanitarian Coordinator, for activities in South Sudan. Sweden provided USD 14.8 million, from a SIDA budget, for projects in various locations in Sudan.

Towards an evaluation of the functioning of pooled funds for Sudan

Although pooled funding in Sudan started only recently and is, so far, limited in scope, it was agreed during the March 2005 IASC WG meeting in Rome that interested IASC members, perhaps together with some key involved donors, should carry out a joint evaluation of the pooled fund for Sudan. Carrying out such an exercise has become even more relevant as some donors announced subsequently that pooled funding would be piloted against the 2006 DRC CAP.

Below is a first draft of the Terms of Reference of the proposed evaluation:

Objective: To review the functioning of the Sudan pooled funds as a mechanism to facilitate a faster, more effective and more coherent humanitarian response to identified humanitarian needs.

The following matters should be considered during the review:

- How did the pooled funding affect programming responses and other priorities?
- How did we ensure that HC/RCs had the capacity to receive and disburse large funds in an impartial and accountable manner?
- Did the prioritisation/allocation process of pooled funds speed up delivery of funds?
- Did the pooled funding lead to a decrease/increase in earmarking?
- Did the pooled funds meet the highest priorities?
- Did the pooled funding increase the overall availability of funds?
- Did the pooled funding impact on agencies' accountability?
- Does pooled funding impact on reporting?
- Does the pooled funding lead to decreased transaction costs?

In the context of the IASC Working Group

Since donors are pursuing studies and plans for future pooled funding arrangements at quite a pace, it is important for the IASC to study the experience so far and for its views to be taken into account. For these views to be relevant, they need to be articulated in the coming weeks.

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A proposed way forward is the following:

- 1) IASC members with programmes in Sudan and interested in participating identify themselves
- 2) Agencies /organisations research the questions individually and provide a written response by **15 July**
- 3) A consultant is hired to collate and analyse the responses over a one week period
- 4) A workshop is held in Geneva for one day (**last week of July?**) to agree with representatives from each participating agency, facilitated by the consultant, to agree on common positions and how to represent differences in a final report (suggestion: participants would consist of one person highly knowledgeable about their own Sudan operation and one person with expertise in fund-raising)
- 5) Consultant has another week to finalise the report, final in the **first week of August**.

Proposed Actions by the IASC WG members:

- IASC members who wish to participate identify themselves.
- Agree on / amend the TOR with list of relevant questions.
- Agree on / amend the proposed way forward and timetable.

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