



**NGOs and Humanitarian Reform Project:
Key messages on humanitarian reform and funding
Monteux Good Humanitarian Donorship Retreat 1X March 2009**

The following presentation was given by Tasneem Mowjee, Senior Policy Advisor, Development Initiatives, who is the lead independent researcher for 5 Mapping Studies commissioned by the NGOs and Humanitarian Reform Project at the start of the project to research the humanitarian reforms in the project focus countries. It reflects the independent researchers' findings particularly in relation to reformed financing mechanisms.

The NGOs and Humanitarian Reform Project, (September 2008-October 2011) aims to increase the effective engagement of international, national and local NGOs in humanitarian reform (clusters, humanitarian financing and Humanitarian Coordinator strengthening), cross-cutting themes are partnerships between humanitarian actors, downwards accountability to beneficiaries, and programme impact on populations receiving humanitarian aid. Consortium members are ActionAid, CAFOD, CARE, ICVA, IRC, Oxfam & Save the Children. Reform has 3 main pillars – coordination, funding and leadership. Due to the widespread perception that the reform process is UN-centric and that UN agencies have benefitted from more funding through the CERF and CHFs, there is a clear need to increase NGO engagement in reform mechanisms. One of the positive findings from this project is that, when NGOs act together, they can highlight real problems with the implementation of the reforms and effect change (for example pressing for an independent OCHA in Afghanistan and participation in ERF Advisory Board in Zimbabwe).

Due to the focus of this session, this presentation is based on funding-related findings from the project.

1. 5 mapping studies were undertaken between November 2008 and February 2009, in Afghanistan, DRC, Ethiopia, Sudan and Zimbabwe. All countries, except Afghanistan, have country-level pooled funding mechanisms for humanitarian aid.
2. These mechanisms are part of the reform agenda in order to increase the flexibility, timeliness and predictability of funding. However, they are also intended to strengthen the role of the HC. The studies provide evidence that HCs need to be active in their leadership to ensure that the funds are managed effectively.
3. The CHFs are intended to finance priorities in annual Appeals. While the DRC Humanitarian Action Plan has moved towards establishing objectives and indicators, the Sudan workplan remains a non-strategic collection of project documents without a process to prioritise them.
4. Funding has the potential to be more needs based because allocations made in country by organisations that are on the ground rather than donors in distant capitals, who usually have little more than a proposal on which to base funding decisions. However, there is a risk that the decision-making becomes a case of dividing up the pie so that all actors get some share. There is also a high risk of conflicts of interest because applicant organisations are also the decision-makers (with the UN agencies tending to be more powerful).
5. Pooled funding mechanisms can give INGOs a role in decision-making through representation on Advisory Boards, as in Ethiopia, Zimbabwe & the DRC, although the extent to which they

can exert influence depends on personality and resources to really engage with the mechanisms. In Ethiopia, the HRF Advisory Board also reviews CERF funding allocations though OCHA has not had the opportunity to put CERF applications through the same technical review process, due to short notice of funding.

6. ERFs have the potential to be quick and responsive, as in Ethiopia, where the HRF is valued because it is faster than bilateral donors. However, this is not the case in Zimbabwe. This underlines the fact that a fund can only be as successful as its management.
7. CHFs are more cumbersome and slow than ERFs but intended for more predictable needs. That's why both South Sudan and the DRC have separate rapid response windows (which are financed by the main CHF). This does raise questions about whether 6-12-month timeframes are appropriate for these mechanisms or whether they should finance longer programmes.
8. Pooled mechanisms can place burdensome bureaucratic requirements on recipients, particularly NGOs. UNDP's rules and regulations are not designed for humanitarian contexts and, in the DRC, where it is following them rigidly, this can lead to situations like the same project being audited 2-3 times. As a result, audit costs in 2008 were around \$700,000. Despite this, INGOs seem to have adapted to the new funding mechanisms and made no real complaints in either Sudan or the DRC.
9. In Sudan, the average size of CHF grants for INGOs has decreased from £645,000 in 2006 to £200,000 in 2008. At the same time administrative demands have increased so INGOs see the CHF as providing diminishing returns. INGOs doubled their share of CHF in Sudan, from 15% in 2006 to 32% in 2008 but they may reduce their applications if CHF is seen as not worth the effort and NGOs continue to perceive the allocation process as unfair. In Sudan, NGOs have other funding options because even contributors to CHF are providing bilateral funding. This is less of an option in the DRC.
10. OCHA-managed ERFs tend to be less bureaucratic because OCHA tries to tailor application and reporting formats to the context. So, in Ethiopia, where grant recipients need to provide monthly updates, the report format is short and focused on project implementation information that the project managers should be monitoring anyway.
11. Although there is much talk of partnership, the playing field for UN agencies and NGOs is not level. In Zimbabwe, NGOs funded by the ERF from 2006-2008 did not receive overhead costs while UN agencies did. This situation was only remedied in January 2009. NGOs are also subject to greater scrutiny and reporting requirements. In Ethiopia, there is a perception amongst NGOs that UN funding applications are not examined as rigorously as NGO proposals. UN agencies are also better able to get away with not complying with HRF reporting requirements.
12. The playing field is also not level for local NGOs compared with international organisations. Country-level pooled funds can be one of the few sources of funding for these organisations. Such funding is important because local NGOs tend to be fed up of having their capacity built without access to funding to actually deliver programmes. The CHFs in Sudan and the DRC have funded local NGOs but the Ethiopia HRF does not provide direct financing to them. However, the administrative hurdles are much harder for local NGOs and they do not always have easy access to information about when funding is available, how to apply etc. Some of the mechanisms, like the HRFs in Ethiopia and Zimbabwe have allowed local NGOs to join the Advisory Board. In Zimbabwe, though, the local NGOs have not taken up this opportunity. In Sudan and the DRC, local NGOs are not represented on CHF Boards.
13. Despite a general lack of M&E capacity amongst fund managers, they have a greater focus on accountability. The HRF Ethiopia team tries to visit every project at least once and UNDP staff in the DRC Pooled Fund Unit also try to visit as many NGO projects as they can. However, this is not the case in Sudan, where UNDP does not regard project monitoring as its responsibility.

This is far beyond the capacity of most bilateral donors. However, the problem is that UN projects are not monitored when, in fact, all projects should be monitored on an equal footing.

14. There are 2 reasons for a need to focus on accountability – one is the need to report back to donors but the other is to be able to make informed funding decisions (since HC funding decisions come under far greater scrutiny than those of bilateral donors). How can those administering pooled funds decide whether to fund an organisation or not if they don't know whether it has delivered on its previous funding? In Sudan, funding decisions are made before UN agencies have submitted their reports for the previous year, which probably contributes to the perception that the allocation process is unfair. Of course, to make good funding decisions, HCs also need to know what bilateral donors are financing. Even the CHF's are only a small proportion of total humanitarian funding for Sudan and the DRC (10-25%). This means that donors need to be willing to share funding information with HCs. In both Sudan and the DRC, the fund managers have made a concerted effort to coordinate with the largest donors, particularly the US & EC.
15. Pooled mechanisms have proved useful for donors. Most donors have experienced growing humanitarian aid budgets but serious cuts in staff numbers. This has dramatically reduced their ability to administer grants. Pooled funds enable donors to disburse large sums of money with the assurance of fiduciary management by the UN. However, these funds also give them more information about how their funds have been spent. In most cases, the CHF and ERF managers provide reports and websites with detailed funding information (which also makes them more transparent than bilateral funding). The greater focus on accountability referred to earlier is also useful for donors because it gives them the information that they want (and need as constituencies at home place greater emphasis on results) without having to ask individual UN agencies and NGOs for it
16. Although pooled mechanisms enable donors to reduce their administrative burden, they should remain engaged in decision-making bodies to overcome conflicts of interest and provide oversight of the mechanisms. In the DRC and Sudan donors are represented on the CHF boards though their level of engagement varies. This brings a necessary balance to the Boards. It can also enable donors to share their valuable experience with the fund managers. Understandably, OCHA & UNDP do not have extensive humanitarian donorship experience but most bilateral donors have built up a knowledge base over decades. Donors can also help to ensure fairness in decision-making. Even in countries with strong HCs, engaged donors can be key allies for the HC in making tough funding decisions.

Conclusion:

The mapping studies have produced considerable evidence of how humanitarian reforms are playing out at field level and this presentation is a brief summary of findings on funding issues only. The consortium will be publishing individual country reports as well as a synthesis report that will pull together experience from the different contexts and use these to make recommendations.