

What type of funding models best support funding according to need?

Resource Document for Ottawa meeting on Good Humanitarian Donorship

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GHD principles:

“While reaffirming the primary responsibility of states for the victims of humanitarian emergencies within their own borders, strive to ensure flexible and timely funding on the basis of the collective obligation of striving to meet humanitarian needs”

“Allocate humanitarian funding in proportion to needs and on the basis of needs assessments”

Overall Objective of this paper:

“To make an inventory of funding models for humanitarian assistance and assess their respective advantages and shortcomings in supporting and enabling an equitable response across crises and holistic approaches to the planning and co-ordination of humanitarian action.” (Terms of Reference September 2004)

Introductory Note:

This paper is a resource document to support discussion on how funding models can contribute to a more equitable response within and between crises.

It attempts to document examples of different models that have been proposed or used for two purposes:

1. To achieve COHERENT FUNDING within crises
 - Enabling a coordinated response which ensures that the right mix of activities is in place
 - Ensuring that funding goes to priority needs first
 - Ensuring that the finance is in place when disbursements need to be made
 - Minimising transaction costs
2. To achieve GLOBALLY EQUITABLE FUNDING between crises
 - Ensuring that an equitable and adequate response is made to all humanitarian crises

The paper is organised in 5 sections

1. Summary and background. This outlines some of the conditions under which funding models can make a difference, and the models which have been tested and proposed
2. General Issues. This raises some generic questions about the effect of different funding models on the humanitarian sector
3. Funding Models for a Coherent Response.
4. Funding Models for a Globally Equitable Response.
These two sections tabulate the characteristics, advantages and shortcomings of some of the main models
5. Annex: Detailed descriptions of specific funds with a short summary paragraph on each one.

Caveats:

What follows is not a complete inventory. There is no central source of information on funding models; not all are documented and some function best by operating informally. The Ottawa process should provide an opportunity to add other examples of funding models and to analyse their advantages and shortcomings. Readers are therefore encouraged to add examples of other funding models or experience of their advantages and shortcomings, and to correct any errors or misinterpretations by contacting Development Initiatives on di@devinit.org or + 44 1749 831141.

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1 SUMMARY AND BACKGROUND

1.1 *How much can a funding model contribute to a coherent and/or equitable response?*

An ideal scenario, painted by many of those interviewed, was a humanitarian action plan based on full and informed participation and fully owned by all stakeholders, and a humanitarian coordinator with credibility and authority who allocates a fund (or funds) in line with the priorities of the action plan.

The choice of funding model can help to promote a coherent, coordinated and equitable response, but it is not the determining factor.

At least four other things need to be in place.

- First, a common, robust and objective needs assessment.
- Second, a denominator, or way of measuring need, which is comparable between crises;
- Third, a common strategy and programme, prioritised and proportionate to need;
- and fourth a governance structure to enable funds to be allocated in accordance with the strategy.

All of these are part of the GHD agenda.

1.2 *How is humanitarian assistance financed now?*

There is no global or regional humanitarian fund which is automatically accessible to those affected by emergency and disaster going beyond their capacity - or the capacity of their government - to cope.

Humanitarian assistance is financed mainly by earmarked, voluntary contributions from DAC donors in response to appeals, including the CAP.

In addition, **most donors give longer term institutional support** to agencies through limited amounts of core funding, unearmarked contributions and structured funding around common goals or strategies.

Donors also pay ‘assessed contributions’, based on an agreed formula. There are two sources of assessed contribution in humanitarian assistance: assessed contributions to the UN and assessed contributions to the EC.

- Assessed contributions to the UN comprise less than 1% of humanitarian assistance spent through UN agencies and International Organisations. They are completely unearmarked core funding.
- Assessed contributions to the European Union budget finance humanitarian assistance from the European Commission. The EC then allocates funds in the same way as a bilateral donor.

There is no single fund for humanitarian assistance which can be allocated in proportion to need. Allocations are made to agencies, international organisations and NGOs with complementary mandates and capacities. But UN agencies, International Organisations and NGOs finance activity without (or in advance of) specific donor support using rapid response funds of various sorts¹, assessed contributions or other core funding.

Within donors and agencies, there have been many initiatives to develop rapid response funds, gap filling arrangements, and flexible financing for prevention, relief, recovery, reconstruction and to support core capacity in agencies that deliver humanitarian assistance². Funding mechanisms between donors have been less common.

1.3 What are the preconditions for funding models to work?

Needs assessments are pivotal both within crises and to ensure an equitable response between crises.

Assessments of need are confused with mobilisation of resources – designed to raise the maximum in any given situation, rather than secure an adequate response to all crises everywhere.

Currently, **the** variation in response to crises is more than can be explained by variations in need or the costs of delivery.

Without a common standard of need which can be applied in different crises, it is difficult to assess what an adequate or proportionate response would be. Donors have recognised this and the IASC CAP sub-working group has developed an assessment matrix. This is being tested in the GHD pilot studies in the DRC and Burundi. (See section 5.13 for further details).

A common action plan is also crucial. Effective response depends on coordinated delivery of assistance supplied by different specialised agencies and NGOs under an agreed programme. The funding model should then support the programme.

1.4 What funding models have been tried to achieve a more coherent response?

There are very few examples of collective financing of an agreed action plan – although some donors report that, as soon as fully agreed CHAPs are in place with a properly empowered humanitarian coordinator, they will be funding the action plan as a whole, not just components of the CAP.

There is a limited example from the DRC where the CHAP has stressed the need to develop/strengthen rapid response mechanisms and underlined their role in facilitating access and consolidating humanitarian space. In response, donors funded two OCHA-managed rapid response funds – the Emergency Humanitarian Intervention Fund and the Rapid Response Fund. (see Section 5.6)

Other models to achieve more coherent funding include:

- **Informal advice on the allocation of funding by the humanitarian coordinator or OCHA.** Information is crucial to this process hence the trends towards investment in Humanitarian Information Centres, the improvement of the Financial Tracking System (FTS) and processes like the Donor Assistance Database in Afghanistan which show the status of funding for different parts of the action plan or budget.
- Funds which are **held by the donor, but at the service of the humanitarian coordinator** to deliver the agreed programme. In Kosovo, DFID created a fund where decisions on allocation were made entirely by the humanitarian coordinator but the actual disbursements were made by DFID direct to the agency/project.
- **Gap filling funds** financed by one or more donor, held in a central fund controlled by the humanitarian coordinator and under UN agency financing rules. (eg DRC and Sudan 2003, see 5.12 and 5.6)
- **Rapid response funds** held by OCHA (eg Rapid Response Fund, DRC and Emergency Response Fund, Angola. See 5.5 and 5.6)
- **NGO funds held by a third party** to enable a more coherent engagement with NGOs (Netherlands financed NGO fund for Afghanistan. See 5.9)
- **Trust funds** administered by the **UN** (Afghan Interim Authority Fund. See 5.1, Human Security Trust Fund 5.11)

- **Trust funds** administered by the **World Bank** – more commonly for reconstruction than humanitarian aid. (Afghan Reconstruction Trust Fund, Trust Fund for East Timor and Iraq Trust Fund. See 5.2, 5.4 and 5.10)

1.5 What funding models have been tried to achieve a more globally equitable response?

It is common ground that the allocation of existing humanitarian assistance needs to be more equitable but

- It is not clear whether the existing humanitarian assistance flows would be enough to achieve an adequate response to all humanitarian need.
- There is no clear collective commitment to meeting global minimum humanitarian needs but the aspiration to ensure that a basic humanitarian needs are met underlies many policy statements.
- Some of the building blocks for a globally equitable response are there in the form of the CAP but there is no system for allocating existing resources across different crises.

Existing mechanisms to mitigate the inequity of response are restricted to the use of multilateral unearmarked funds to respond to “unpopular” emergencies and informal burden sharing arrangements – such as ECHO’s policy of financing the emergencies that are not prioritised by EU member states.(See 5.8)

OCHA’s Central Emergency Reserve Fund (CERF) allows agencies to borrow funds for rapid disbursement, meaning that countries which are low on the political or media agenda may be able to get funds more quickly than would otherwise be the case. Whilst very well regarded, the CERF has major limitations in terms of achieving a more equitable response. Specifically, it is restricted to loans, so agencies have to be confident that they will be able to repay the money. Although contributions to the CERF are unearmarked, they tend to be used for emergencies which are likely to be well funded. (See 5.3)

1.6 What proposals have been made for improved funding models to achieve a globally equitable response?

There are two fundamental choices that underpin the options for a more globally equitable response:

- whether the funding model should be comprehensive or compensatory
- whether the contributions should be voluntary or assessed on an agreed burden sharing basis.

Comprehensive initiatives provide or underwrite the provision of humanitarian assistance to meet minimum standards everywhere, all the time.

Compensatory initiatives compensate for the inequities arising out of the existing system of voluntary funding.

Funding could be either voluntary or assessed within both types of funding model.

Comprehensive proposals include:

- CAP with a Consolidated Fund and governance structure enabling the central allocation of humanitarian assistance across and within emergencies. Contributions could be either voluntary or assessed.
- A Global Fund for Humanitarian Assistance on the model of the World Bank's IDA, the Global Environment Facility (GEF) or the various global health funds – with either assessed or voluntary contributions or a replenishment model with some burden sharing, and governance structure which would give the Fund discretion to allocate in accordance with agreed criteria
- A COMPACT based on objective, comparable needs assessments matched by a commitment from donors to fund the minimum standards identified in the needs assessment. Voluntary compacts have been agreed in the past for, for instance, basic education (Education for All initiative) and Basic Social Services (20% of aid and 20% of government expenditure). However, the commitments have not been honoured in many cases so equity would not be achieved without a more formal burden sharing system and/or a good monitoring and accountability process.
- Trust funds with a wider remit, such as the Human Security Trust Fund – established by a single donor, but managed by the UN.

Compensatory proposals include:

- Assessed contributions from all donors, on a burden sharing formula, specifically to compensate for underfunding of humanitarian assistance by voluntary contributions. There are several models to draw on: assessed contributions to Peace Keeping Operations (PKOs), the Global Environment Facility (GEF), and the EU STABEX.
- Compensatory system based on extension of the CERF enabling it to offer grant funding.
- Natural disaster insurance models based on an entitlement to basic humanitarian assistance.
- Unearmarked funding to UN agencies and International Organisations conditional on meeting priority needs in situations which had not managed to secure adequate funding by voluntary contributions.

2 GENERAL ISSUES

2.1 Does it matter if funding goes through a central fund, provided that it is allocated in line with the action plan?

It is quite clear that some donors would be very hesitant about putting money through a collective fund to be allocated by a third party – even if they had agreed to the action plan it was to finance. They argue that it is irrelevant whether money is channelled through a fund, or by-passes the fund, provided that they choose a sector or project from within the action plan.

However, there are clearly efficiencies to be gained by allocations to a central fund:

- Timely funding is much easier to achieve if disbursements are going from one fund. For instance, where a top priority has to be put on hold because of access problems, it can make sense to allocate funds to a lower priority.
- One fund allows a coordinator much more flexibility in disbursing within the CHAP.
- Transaction costs will be lower than multiple donors funding multiple projects or organisations.
- A central fund limits the potential for cherry picking (where the most ‘attractive’ components get funds) and therefore reduces the need for gap filling mechanisms.

A middle way, as adopted in Kosovo, is for the donor to continue to ‘hold’ the fund but for the decisions on allocation to be made by the humanitarian coordinator. This does not reduce transaction costs, but it does avoid cherry picking contribute to coordination and more timely funding.

2.2 Does a central fund provide incentives to coordinate?

A consolidated fund for the response a particular crisis is likely to assist coordination and allocation according to need for several reasons. The obstacle of compliance with individual donor preferences is removed at a stroke. In Peace Keeping Operations, all agencies want to be included in the integrated programme because they know that reliable funding will flow from the programme. (see 4.3) ON this evidence, a consolidated fund would provide an additional incentive for coordination under the action plan.

Donors report that they have tried to provide central, consolidated funds in a number of situations, but have come up against resistance from coordinators or organisations who might manage the funds. This is reported to stem from concern that managing the fund would result in too much responsibility for the success or failure of the programme, and that negotiations with operational agencies would be more difficult. However, some people report that it might be a more favourable environment now than it has been in the past.

For NGOs and UN agencies, a consolidated process is often less attractive than direct relationships with funders. They would be in competition for funding with the whole field of humanitarian actors, as opposed to having stronger relationships with their traditional supporters. Transaction costs may increase for them if they have to 'bid' for every tranche of money. Their scope to determine their own programmes would also be more limited

2.3 If core, long term, reliable unearmarked funding to multilateral agencies was increased, would it result in a more equitable response?

While most humanitarian agencies have a universal mandate – to respond to humanitarian need wherever it occurs – they do not have a duty to ensure that their response is globally equitable. Since they have specific expertise and capacities (food, children, refugees etc), increased unearmarked funding would be likely to be spent on their own priorities with their specialist sectors. On the other hand, they might they might chose to work in places which had not been able to secure earmarked contributions . So increases in unearmarked funding could result in improvements, but, without any other changes, would not necessarily lead to a globally equitable response.

However, it would be possible to increase core funding on the condition that a more equitable distribution is achieved. Agencies could demonstrate equitable allocation of core funding (based on objective, comparable needs assessment) or allocations specifically to compensate for the inequities in the existing funding.

2.4 If assessed contributions were increased, would that make fundraising for humanitarian assistance more difficult?

Assessed contributions are not new – they finance some core funding for UN agencies (about 10% of OCHA funding for instance although only 1% of all UN humanitarian action) but all Peace Keeping Operations and all the EC humanitarian and development work is funded by allocations from the EU budget, which itself is based on assessed contributions from Member States.

Assessed contributions to PKOs are based on a budget for each situation, which has to be approved by the Security Council but which is then financed in full.

STABEX and SYSMIN are examples of assessed contributions to the general EC budget being used in a compensatory mechanism. They provide assistance to African, Caribbean and Pacific (ACP) economies which face unforeseen losses in export earnings arising from specific agricultural or mineral exports.

It is argued that the more bureaucratic approach of assessed contributions – often to an institution in which humanitarian activities are a minor part – will reduce the willingness of funders to respond to urgent appeals.

The trade off to be considered is between a predictable financial contribution and dependence on an ad hoc, but may be larger, voluntary response. It is possible that increased assessed contributions could lead to a more equitable response, but reduced funding overall.

Since compensatory funds are designed to fill the gaps, they would, by definition, be less likely to undermine overall fundraising for humanitarian assistance.

2.5 How much of an obstacle are administrative procedures?

Examples such as the Sudan (2003) trust fund and the Emergency Response Fund in Angola show that collective funds can have quick, clear decision-making and disbursement processes. The key factor is a governance structure which allows disbursement decisions to be made, authorised and acted upon in-country.

Other trust funds have cumbersome procedures that require every disbursement to go through several layers of decision-authorisation resulting in serious delays in funding. It is not just the systems, but the knowledge and capacity that is a problem. Often, people controlling the funds are used to dealing with long term assistance and are unfamiliar with some of the expedited procedures for humanitarian financing.

The size of the trust fund is also significant. In the larger World Bank trust funds the application of common procurement rules for instance is reported to have reduced transaction costs.

The issue of administrative costs becomes pertinent when multi-donor funds are managed by UN agencies. The Angola Emergency Response Fund, managed by OCHA, was designed for NGOs. Grants from the ERC to operational UN agencies would have added another layer of administration costs so it was more cost-effective for donors to make bilateral contributions to the UN agencies than to finance them through the ERF.^{3,4}

Different agencies were proposed for the management of trust funds in the course of the interviews. These included OCHA (there was concern about whether the financial rules governing OCHA as part of the Secretariat might be too inflexible but also recognition that OCHA had expedited procedures for humanitarian funding); UNDP (in particular as the humanitarian coordinator and the UNDP Resident Representative are often the same person this may assist smooth operations); and UNOPS.

2.6 Important not to confuse administration and governance

Administrative procedures are sometimes cited as reasons why a donor or an agency cannot participate in a collective funding arrangement. While the difficulty of changing administrative procedures shouldn't be underestimated, neither should administrative obstacles be allowed to become insurmountable.

The Task Force on Donor Practices, which has been a major activity in the DAC, is focusing on how donor procedures can be streamlined and coordinated better to serve development objectives. Some of the procedural changes being made could also smooth the path to more coherent and pooled funding within the humanitarian sector.

However, the application of lessons from the TFDP is limited because its framework is government ownership. Donors are supposed to harmonise with government procedures, timeframes and systems as well as working more cooperatively together. Budget support for instance, like all development assistance, is designed to support country ownership. In the context of humanitarian assistance, working with or through government procedures is clearly not appropriate in all situations.

It is important to distinguish between governance structures which allow decisions to be made transparently and in accordance with clear criteria and procedural rules which should serve the goal, not obstruct it. New procedures also take some time to bed in as people need to adapt their working methods. Some donors report that a key issue for GHD will be its willingness to persist with the principle of funding collectively and to support the capacity of agencies to operate in that environment.

3 FUNDING MODELS FOR COHERENT FUNDING RESPONSE TO CRISES

3.1 CORE FUNDING/LONG TERM FUNDING FOR MULTILATERAL AGENCIES

Examples.

DFID's institutional partnerships with Red Cross and UN agencies; ECHO's annual strategic planning with UN agencies

Underlying assumptions:

That earmarked funding does not contribute adequately to the core capacity needed in humanitarian response organisations.

Potential for GHD principles (adequacy, coherence, coordination, flexibility):.

Coherence, flexibility

Potential for GHD objectives (transaction costs, replicability, simplicity, predictability, fiduciary assurances)

Predictability, fiduciary assurances

Complementary change and conditions under which this could be applied:

Current system with increased unearmarked funding

Advantages:

- Process of negotiation of partnership agreement builds trust between donors and operational agencies;
- Agreement on financial and reporting procedures increases certainty for recipient organisations and reduces administrative burden for both parties;
- Operational agencies usually gain greater flexibility in allocation decisions within a broadly agreed framework of activities;
- Usually results in increased funding for recipient organisation.

Shortcomings:

- High transaction costs for recipient agencies, especially if they have to invest time and effort in similar process with a number of different donors.
- In itself such funding does not result in a coherent response or in more control for the humanitarian coordinator.
- Priorities identified during the strategic planning process may lead agencies away from their own priorities towards those of donors. There can also be confusion if the agencies start trying to meet the different priorities of different donors.

3.2 INFORMAL ADVICE ON ALLOCATION OF FUNDS FROM THE COORDINATOR, OR FORMAL SYSTEM WITH DECISIONS MADE BY THE COORDINATOR, BUT FUND HELD BY DONOR.

Examples: Many, whereby donors retain control over their individual funds but agree to these being prioritised by a third party with overall control of the common strategy – eg DFID in Kosovo, ECHO funding through UNHCR in Tanzania around 1994-5.

Underlying assumptions: Information on existing flows available to the coordinator

Potential for GHD principles (adequacy, coherence, coordination, flexibility): Coordination, coherence – but limited compared to the flexibility and control offered by a central fund.

Potential for GHD objectives (transaction costs, replicability, simplicity, predictability, fiduciary assurances) Simplicity – no new rules are necessary

Complementary change and conditions under which is could be applied: The example of ECHO channelling its funds through UNHCR could certainly be replicated in other large-scale refugee situations.

Advantages:

- Strengthens the coordinator's ability to coordinate and promote the allocation of funds in line with the CHAP.
- Administratively simpler for donors, thereby reducing their transaction costs.
- Offers gap filling capacity

Shortcomings:

- Relies on donors not funding NGOs or other operational agencies independently and is limited by the number of donors who offer their funds in this way.
- No effect on transaction costs

3.3 A THIRD PARTY/HUMANITARIAN COORDINATOR HOLDING A MULTI-DONOR FUND, FILLING GAPS WHEN NECESSARY

Examples: Sudan, DRC

Underlying assumptions: Volatile situations, particularly those involving large-scale population movements, require flexible response and rapid funding available at field level. Gap-filling funds can improve equity of response.

Potential for GHD principles (adequacy, coherence, coordination, flexibility): Flexibility, increased equity by filling gaps

Potential for GHD objectives (transaction costs, replicability, simplicity, predictability, fiduciary assurances) Should reduce transaction costs and, provided the fund is under an accepted set of international rules, should meet donor fiduciary requirement. Simplicity varies – some multi donor trust funds reported to be very cumbersome, others to be swift and efficient.

Complementary change and conditions under which is could be applied: Success of mechanisms in DRC due to OCHA's strong capacity for co-ordination, identifying needs and mobilising resources. Mechanisms particularly appropriate for rapidly changing situations. Governance structure to ensure rapid and smooth decision making is important

Advantages:

- Supports rapid, flexible response to changing needs on the ground.
- Strengthens the role of the coordinator
- Availability of funds can encourage a greater humanitarian presence in low-profile crises with acute needs.
- Rapid availability of funds enables agencies to work in previously inaccessible areas as soon as they open up and thereby increase humanitarian space.

Shortcomings:

- Involving range of humanitarian actors in funding decisions to improve co-ordination can slow decision-making and disbursement.
- No amount of funding can overcome the problem of lack of access, which may result in top priorities being bypassed for lower priority activities so coherent distribution of funds may be determined more by access than availability of funds.

3.4 EMERGENCY RESPONSE FUNDS TO FUND NGOS

Examples: ERF Angola (multi-donor) and Netherlands Afghanistan (single donor)

Underlying assumptions: NGOs have the capacity and flexibility to meet increased emergency needs but lack access to rapidly disbursed funds. A central system will reduce burden on donors and ensure that funds are allocated by person with greater on-the-ground knowledge.

Potential for GHD principles (adequacy, coherence, coordination, flexibility): Coherence; stronger potential for funding to be allocated in line with CHAP priorities. ** see note below.

Potential for GHD objectives (transaction costs, replicability, simplicity, predictability, fiduciary assurances) Simplicity and reduced transaction costs for donors and agencies; has been replicated in several situations.

Complementary change and conditions under which this could be applied: Useful in situations where NGOs have both the presence and capacity to scale-up activities when additional emergency needs arise.

Advantages:

- Funds are available in the field when emergency needs arise and can be dispersed rapidly – subject to appropriate administration.
 - Local knowledge of whether NGOs are already present in the right areas and have the capacity to meet additional need.
 - Allows allocation according to the CHAP and flexible timing
- Rapidly disbursed funds can enable NGOs to start a programme, then leverage additional funds for further needs.

Shortcomings:

- The co-ordination agency may have limited capacity to disburse funds fairly and quickly due to lack of personnel or resources (see case of UNAMA in section 4.9)..
- Resistance by NGOs used to dealing with their own governments or familiar agencies.

NGOs report that their impartiality may be perceived to be compromised if they are receiving funds under the common programme.

** Note

Although there is potential for such funds to be directly linked to the CHAP, in practice, the link seems more tenuous. In Angola, there was a good link between the ERF and CHAP because sectoral heads were consulted during project funding decisions but it is only recently that it has been made clear that the ERF must work towards the priorities identified by the CHAP. In Afghanistan, the Dutch Fund had its own criteria and projects do not appear to have been linked to the CHAP. This is implied by the fact that one recommendation of an evaluation of the Fund is that, now that a reconstruction-development framework for Afghanistan is in place, NGOs should identify to which part of this their proposal is linked

3.5 TRUST FUNDS ADMINISTERED BY UNDP (SPECIFIC AND GENERAL)

Examples: Afghan Interim Administration Fund (AIAF) and the Law and Order Trust Fund (LOFTA):

Underlying assumptions: Enables distribution in line with planned activity. Security situation is sufficiently stable for successful implementation of projects.

Potential for GHD principles (adequacy, coherence, coordination, flexibility): Coordination, coherence, flexibility

Potential for GHD objectives (transaction costs, replicability, simplicity, predictability, fiduciary assurances) Transaction costs, predictability, fiduciary assurances

Complementary change and conditions under which is could be applied: Particularly useful in situations where a fledgling or interim administration needs support for civil service costs, restoration of infrastructure etc.

Advantages:

- Avoids overburdening a new administration with separate demands from different donors.
- Builds the capacity of new administrations and enables them to gain credibility.
- Avoids duplication of donor funding and efforts.
- Enables coherent participation by donors who may not have a full presence

Shortcomings:

- Instability may reduce levels of donor commitment.

3.6 TRUST FUNDS ADMINISTERED BY THE WORLD BANK

Examples: Trust Funds for Afghanistan (ARTF), East Timor (TFET) and Iraq (ITF)

Underlying assumptions: Trust fund will enable support for government-led programmes and for budgeted expenditure. Security situation more stable in reconstruction phase than during emergency phase.

Potential for GHD principles (adequacy, coherence, coordination, flexibility): Coordination, coherence, flexibility

Potential for GHD objectives (transaction costs, replicability, simplicity, predictability, fiduciary assurances) Transaction costs, predictability, fiduciary assurances

Complementary change and conditions under which is could be applied: Mainly for budgetary support, reconstruction activities and economic regeneration.

Advantages:

- Reduces the burden on new administrations of dealing with separate donor demands.
- Builds the capacity of new administrations and enables them to gain credibility.
- Promotes ownership of activities by local authorities as they can prioritise expenditure within a national budget.
- Reduces donor earmarking.
- Improves transparency and accountability of funding.
- Limits the extent to which donors bypass government structures when providing assistance.
- Can improve predictability because donors make commitments in advance.
- Reported to reduce transaction costs and simplify procurement procedures.
- Enables small donors to have more impact than they could through individually funded projects.

Shortcomings:

- Tend to exclude UN agencies from projects and funding unless they are involved in administration, as in Iraq. This may be due to lack of understanding between World Bank and UN agencies about each other's operating procedures.
- Donors tend to keep to annual funding when multi-annual commitments would improve planning and cash-flow management by local authorities.
- Despite a non earmarked intention, a third of donors and nearly a quarter of resources are earmarked.

4 FUNDS PROPOSED FOR A GLOBALLY EQUITABLE HUMANITARIAN RESPONSE

Under all of these proposals, preconditions are a reliable, comparable, objective needs assessment and governance structures that, to the greatest extent possible, insulate the management of the funds from political or media considerations and hold them to account for disbursements against criteria.

4.1 CAP, BUT WITH A CONSOLIDATED FUND FOR ALL APPEALS

Examples/development assistance models: A consolidated fund for all CAPS, which could be financed of voluntary or assessed contributions, plus contributions of unearmarked funds from UN agencies and International Organisations. This would allow funds to be allocated according to need not only within but between crises.

Some donors already have policies for allocating funding across all the countries which are the subjects of a CAP. Others have proposed systems which would moderate the excesses of unequal funding by setting a standard whereby, for instance, if the difference in expenditure (however measured) between crises exceeded a certain ratio, funds could be redistributed according to need.

Underlying assumptions:

- That sound CHAPs were in place and donors had confidence in the humanitarian coordinators.
- That the governance structure of the consolidated fund was demonstrably accountable for allocating funds in accordance with need and delivery of the CHAPs.
- That donors accepted the principle that all CAPs should be fully funded
- That a system is in place for clear and effective reporting on results achieved.

Potential for GHD principles (adequacy, coherence, coordination, flexibility): Such a fund provides a strong incentive for coordination provided both that the fund is adequate to meet the priority needs and that it represents the bulk of humanitarian expenditure in the crisis. It means that, as with PKOs, buy-in to the CHAP and full participation would result in access to finance. It creates greater flexibility since the timing of disbursements can be geared to the practical possibilities on the ground.

Potential for GHD objectives (transaction costs, replicability, simplicity, predictability, fiduciary assurances) As the fund would be administered by OCHA, which has a track record on handling funds, the fiduciary assurances should all be in place and the rules governing disbursement include certain exemptions appropriate for humanitarian response.

Complementary change and conditions under which is could be applied: The conditions under which this could be applied are strongly contingent on the achievement of other aspects of the GHD agenda – notably the successful replication of the principles of the Burundi and DRC needs assessment pilots and a governance structure which would give donors and agencies confidence in the system.

Summary Advantages and Shortcomings: It provides a strong incentive for coordination and for inclusion of all stakeholders; for prioritised spending within the CAP and between CAP countries and for disbursements to be flexible in line with operational realities. A shortcoming is that the CAP does not cover all emergency situations.

4.2 Global Fund for Humanitarian Assistance

Examples/development assistance models: The International Development Association (IDA) of the World Bank, The Global Fund to Fight AIDS, Tuberculosis and Malaria; The Global Alliance for Vaccines and Immunisation (GAVI), The Global Alliance for Improved Nutrition (GAIN). Global humanitarian assistance is in excess of \$5b a year - IDA allocations amount to around \$5b a year; the Global Fund to fight AIDS, Tuberculosis and Malaria has committed \$1.7b to date. GAVI has made commitments of \$1b over the next five years; GAIN is aiming for \$156m over five years.

IDA was originally established to ensure that World Bank resources could be allocated according to need rather than donor preferences. In recent years there has been a trend for setting up global funds to meet particular needs. These are voluntarily funded in a variety of ways but include some principles of burden sharing and a mechanism based on binding commitments over three or more years which are then drawn down or encashed as spending takes place. This mechanism is attractive providing assurance of available funds but disbursement according to need.

Underlying assumptions: The recently established funds have felt that it is easier to mobilise resources if an issue is ring fenced, rather than part of general development assistance. They also report more efficient and timely transfers to governments and reduced transaction costs.

Potential for GHD principles (adequacy, coherence, coordination, flexibility): A long term fund allowing planning and assurance of resources which can be allocated according to need. The critical issue would be the extent to which there would be an agreed burden sharing formula for contributions (with the option for donors to supplement their share). Burden sharing on agreed formula would take a lot of the insecurity out of the humanitarian response and strongly increase the prospects for being able to meet a global entitlement to basic humanitarian assistance.

Potential for GHD objectives (transaction costs, replicability, simplicity, predictability, fiduciary assurances) Some reductions in transaction costs and increased predictability.

Complementary change and conditions under which is could be applied: Relationship to the CAP would have to be clear – particularly as Funds can also provide a forum for engagement around the key issues (IDA replenishment discussions are a good example).

Advantages

- A global fund enables contributions to be made from all donors – thereby enabling NGOs, new donors, corporate donors etc to be coherently engaged in humanitarian assistance.
- Funds are now an accepted global mechanism with several models to follow
- Funds can combine burden sharing/assessed contributions with the opportunity for supplementary contributions
- The fund would be relatively insulated from political considerations and have an obligation to ensure globally equitable response
- Having one fund would reinforce the incentives to coordinate and allocate resources in relation to need within crises.

Shortcomings

- Risk that without a clear relationship with the CAP it could undermine existing processes for coordination
- Risk that a global fund could detract from other voluntary contributions

4.3 ASSESSED CONTRIBUTIONS TO EACH HUMANITARIAN SITUATION, MODELLED ON PEACE KEEPING OPERATIONS

Examples/development assistance models: Peace Keeping Operations are funded on assessed contributions against an agreed burden-sharing formula. A budget for the integrated programme is agreed and, once approved by the Security Council, it is funded.

Underlying assumptions: that such a scheme would be linked to the CAP in the sense that CAP countries would be eligible for assessed contributions.

Potential for GHD principles (adequacy, coherence, coordination, flexibility): It would reinforce coordination and coherence. Assessed contributions to a single fund provide a strong incentive for inclusion, reliable resources at the disposal of the humanitarian coordinator and, subject to needs assessment, a strong prospect of contributing to progress on the overall GHD agenda.

Potential for GHD objectives (transaction costs, replicability, simplicity, predictability, fiduciary assurances) Fiduciary assurances, replicability.

Complementary change and conditions under which is could be applied: If such a fund were to be managed by the UN its mandate would have to be very clear.

Advantages

- It provides a strong incentive for all parties to be included in the programme as funding will follow the programme
- It secures adequate funding for all humanitarian response that is included in the CAP
- It would be likely to lead to increased demands for humanitarian response to be strongly coordinated or managed.
- It could change the dynamics of humanitarian funding, shifting it from a voluntary offering to an international obligation.

Shortcomings

- Approval of individual humanitarian situation budgets would still be subject to political considerations and would not necessarily secure a globally equitable response.

4.4 GLOBAL “COMPACT” TO MEET HUMANITARIAN NEED

Examples/development assistance models: Education for All, Basic Social Services (BSS). In both these examples, donors have “committed” themselves (at the highest levels) to ensuring, in the case of education, that no decent scheme would founder for lack of funds and, in the case of BSS, that 20% of aid and 20% of public expenditure would go to basic social services. A similar ‘compact’ could be envisaged for humanitarian assistance, whereby donors would agree to compensate for any shortfalls in funding in the meeting of basic humanitarian needs all the time, everywhere.

Underlying assumptions: That an objective, reliable needs assessment covering basic humanitarian needs is available.

Potential for GHD principles (adequacy, coherence, coordination, flexibility): The experience of the development assistance examples is not encouraging – the funding has failed to follow good programmes and even donors who were serious about the commitment have not always been able to deliver on the shares of aid to basic social services. Without a formal burden sharing agreement or a fund it is hard to see how such a compact on humanitarian assistance would be enforced.

Potential for GHD objectives (transaction costs, replicability, simplicity, predictability, fiduciary assurances) Fiduciary assurances and transaction costs reflect the status quo, because the funding flows continue to be from donor to recipient organisation. Predictability however would rely on monitoring and some mechanism to ensure accountability.

Complementary change and conditions under which is could be applied: More formal burden sharing arrangements, either on a system of responsibility whereby a donor of last resort is agreed for each country or sector; or on a system of contributions based on an agreed formula.

Advantages and Shortcomings

Such a compact could reinforce donor commitment to achieve universal provision of basic humanitarian assistance, but without a formal mechanism to ensure accountability to the commitment it would be unlikely to succeed in ensuring global equity.

4.5 NATURAL DISASTER INSURANCE PROPOSALS

Examples/development assistance models: Hunger Risk Insurance; ProVention Consortium, launched at the World Bank in 2002 designed to equip developing countries to cope with natural disasters including the provision of insurance cover for low income groups, crop and livestock insurance under the Cambodia Disaster Insurance Project, Crop Insurance Compensation Scheme, Orissa

Underlying assumptions: Insurance schemes used in the developed world can be adapted for use to insure vulnerable populations against natural disasters and the corporate sector will be willing to participate.

Potential for GHD principles (adequacy, coherence, coordination, flexibility): Timeliness

Potential for GHD objectives (transaction costs, replicability, simplicity, predictability, fiduciary assurances): Predictability

Complementary change and conditions under which is could be applied: The insurance proposals have focused strongly on food security and natural disasters; complex emergencies are not included.

Advantages:

- Insurance payouts would generate timely cash contributions.
- Would ensure that funds are not diverted from development programmes or other crises to deal with natural disasters.
- Would confer greater dignity on beneficiaries as it would not be necessary to rely on images of misery to raise funds.
- Increase predictability because payments would not depend on political or strategic interests but would be based on entitlement criteria
- May give beneficiaries the incentive to participate through country co-payments.
- Would reinforce requirement for more rigorous needs assessments.
- Provides incentive to invest in prevention

Shortcomings:

- Does not cover complex humanitarian emergencies
- Need to develop indices that are reliable, accurate and insurable.
- Need to design insurance contracts with feasible premiums, incentives and payout structures.
- May be mismatch against areas covered and affected.
- Potential difficulties with reinsurance of affected areas

4.6 A GLOBAL UNDERWRITING FUND ABLE TO ISSUE GRANTS BASED ON EXPANSION OF THE CERF

Examples/development assistance models: This would provide unearmarked funding to UN agencies and International Organisations to be disbursed on criteria of meeting priority needs in situations which had not managed to secure adequate funding by voluntary contributions. The CERF is an existing mechanism which could be expanded to this.

Underlying assumptions: Objective needs assessment. Strong linkages to an improved CAP

Potential for GHD principles (adequacy, coherence, coordination, flexibility): Flexibility

Potential for GHD objectives (transaction costs, replicability, simplicity, predictability, fiduciary assurances): Transaction costs, simplicity, predictability.

Complementary change and conditions under which it could be applied: At the moment, the CERF relies on applications from individual agencies. Data from the FTS shows that it is not only contributions to crises that are disproportionate, it is also requests. Therefore applications for funding cannot be relied on to achieve an equitable response. The CERF would therefore need an independent role to monitor response against need and to make funds available in under-resourced situations.

Technically, it would be easy to implement as structures are already in place. All that is required is revision of the CERF's Terms of Reference by the General Assembly.

Advantages:

- Could be used to meet needs in neglected emergencies because funding not influenced by political or strategic considerations but without a change in role, the availability of funds alone would not necessarily lead to a more equitable response
- Rapid disbursement of funds.
- Donor contributions unearmarked.

Shortcomings:

- Donors may be reluctant to lose control over use of funds.
- Relies on applications, rather than an allocation procedure against agreed goals

ACRONYMS:

AETF	OCHA Afghanistan Emergency Trust Fund
AIAF	UNDP Afghan Interim Authority Fund
ARTF	World Bank Afghanistan Reconstruction Trust Fund
BSS	Basic Social Services
CAP	Consolidated Appeal Process
CERF	Central Emergency Revolving Fund
CFET	UNDP's Consolidated Fund for East Timor
CHAP	Common Humanitarian Action Plan
DAD	Donor Assistance Database
DFID	UK Department for International Development
DRC	Democratic Republic of Congo
EC	European Commission
ECHO	European Community Humanitarian Aid Office
EHI	Emergency Humanitarian Intervention fund
ERF	Emergency Response Fund
EU	European Union
FAO	Food and Agriculture Organisation
FTS	Financial Tracking System
GAIN	The Global Alliance for Improved Nutrition
GAVI	Global Alliance for Vaccines and Immunisation
GEF	Global Environment Facility
GHD	Good Humanitarian Donorship
HA	Humanitarian Assistance
HC	Humanitarian Co-ordinator
HIC	Humanitarian Information Centre
IASC	Inter-Agency Standing Committee
IDA	World Bank International Development Association
IDP	Internally Displaced Person
IMF	International Monetary Fund
ITF	Iraq Trust Fund
LOFTA	Law and Order Trust Fund, Afghanistan
LRRD	Linking Relief, Rehabilitation and Development
NGO	Non-Governmental Organisation
OCHA	Office for the Co-ordination of Humanitarian Affairs
ODA	Overseas Development Assistance
PKO	Peace Keeping Operation
QERF	Quartering Emergency Response Fund
RRF	Rapid Response Fund
STABEX	EC Export Stabilisation Scheme
TFET	World Bank's Trust Fund for East Timor
UN	United Nations
UNAMA	United Nations Assistance Mission to Afghanistan
UNDCP	United Nations International Drug Control Programme
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund

UN-HABITAT	United Nations Human Settlements Programme
UNHC	United Nations Humanitarian Co-ordinator
UNHCR	United Nations High Commission for Refugees
UNHCHR	United Nations High Commission for Human Rights
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
UNIFEM	United Nations Development Fund for Women
UNOPS	United Nations Office for Project Services
UNTAET	United Nations Transitional Administration in East Timor
WFP	World Food Programme
WHO	World Health Organisation

5 ANNEX: INVENTORY OF FUNDS

5.1 Afghan Interim Authority Fund (AIAF)⁵

Summary: The AIAF was set up in January 2002 and managed by UNDP as a flexible mechanism for rapid disbursement, initial institution-building and support to the Interim Authority. It covered costs like civil-servant salaries, essential repairs, the establishment of special Commissions and the convening of the Loya Jirga. It operated for the six-month tenure of the Interim Authority and was replaced by the Afghan Reconstruction Trust Fund.

Description:

The signing of the Bonn Agreement in December 2001 called for an unprecedented response by the international community in support of the Afghan Interim Authority, which took office on 22 December. The Authority needed to earn the trust of the Afghan people but did not have domestic revenues. Donors asked UNDP to set up a flexible mechanism for quick resource mobilisation, immediate disbursement and initial institution building. The aim was to support the Interim Authority during its six months tenure and prior to the establishment of financing mechanisms for longer-term budget support and reconstruction efforts. Hence, UNDP established the AIAF under the overall leadership of the Special Representative of the Secretary-General and within the framework of the UN integrated Assistance Mission for Afghanistan (UNAMA). In accordance with the exit strategy devised for the AIAF prior to its establishment, the Fund ceased operations after the successful conclusion of the Loya Jirga and the installation of the Transitional Administration. Budgetary support for the Transitional Administration was taken over by the Afghanistan Reconstruction Trust Fund (ARTF).

In accordance with its Terms of Reference, the AIAF covered expenses such as:

- Administrative costs associated with the establishment of the Afghan Interim Authority, including the payment of government salaries and acquisition of offices and supplies;
- Essential repairs of administrative facilities and maintenance;
- Support for the implementation of special responsibilities outlined in the Bonn Agreement such as the establishment of a Human Rights Commission and the convening of the Emergency Loya Jirga;
- Additional public service recurring costs such as the salaries of the civilian police.

The AIAF enabled the international community to respond to urgent needs and provide assistance without delay while being assured of transparency and accountability. It also allowed the Afghan Interim Authority to provide essential services, to absorb and manage international assistance, and to plan for Afghanistan's longer-term reconstruction. However, according to a UNDP evaluation, the AIAF's greatest achievement was that it supported the Interim Authority in gaining legitimacy in the eyes of the Afghan people and making progress in the difficult task of bringing peace to Afghanistan.

The security situation and the political challenges related to the implementation of the Bonn Agreement were the most significant risks associated with AIAF activities. In addition, there were a number of constraints on implementation, most linked to the payment of salaries. These included the lack of financial infrastructure and a functioning government at the beginning, the absence of a functioning Civil Service Commission, the lack of automation skills amongst civil service staff and geographical distances.

LOFTA: The AIAF made an important contribution to law enforcement through the payment of the salaries of civilian police in Kabul because this enabled the Interior Ministry to start building an Afghan-owned security structure to complement ISAF's law enforcement in Kabul. The World Bank's mandate prevented it from paying police salaries through the ARTF. Given UNDP's experience in this field, it was decided that ARTF funds for police activities would be passed to UNDP, which set up the Law and Order Trust Fund for Afghanistan (LOFTA) to administer these.

5.2 Afghanistan Reconstruction Trust Fund (ARTF)⁶

Summary: Set up in May 2002 and operated by the World Bank, the ARTF channels assistance from 22 international donors. Thus, it reduces the burden on the Transitional Authority of managing different donor demands while the government strengthens its capacity for financial planning and management. The ARTF finances recurrent budgetary expenditure as well as reconstruction activities. Till March 2004, it had channelled US\$471 million.

Description:

The Afghanistan Reconstruction Trust Fund (ARTF) was set up in May 2002. It has been used to channel the assistance of 22 donors to Afghanistan, of which over US\$471 million had been paid by March 2004⁷. The aims of the ARTF are to:

- promote the transparency and accountability of reconstruction assistance;
- help reinforce the national budget in order to align the reconstruction programme with national objectives;
- reduce the burden on limited government capacity while promoting capacity-building over time; and
- help fund the recurrent budgetary expenditures required for the government to function effectively.

The ARTF emphasises ownership and leadership by the government. It supports a Government-proposed program of activities prioritised from within the national budget.

A Management Committee comprising representatives of the Asian Development Bank, the Islamic Development Bank, UNDP and the World Bank oversees the ARTF. The Management Committee is responsible for reviewing progress and to make key management decisions. The World Bank is the Fund administrator. Although UNDP is on the Management Committee, unlike in Iraq, the UN was not involved in the setting up of the Fund. Apart from LOFTA, the UN has not been significantly involved in the implementation of ARTF-funded activities. When it is involved, it is at the request of the government, which may lack the capacity to carry out certain programmes⁸. This is because, as the ARTF Manager pointed out, the

ARTF was designed to enhance the capacity of the government so it is up to it to decide who to contract with to deliver programmes.

One of the main advantages of the ARTF has been to spare the Afghan government a huge administrative burden. Without it, the government would have had to deal with multiple donors, each with their own requirements. This would have been an unnecessary burden when it was rebuilding and also led to assistance bypassing it. The ARTF is also a source of funds which allows the government to assure provision of services and, possibly more importantly, enables it to be seen by Afghan citizens as assuring provision of services. This helps to build an effective and sustainable state. The fact that operation of the Fund has forced the government to introduce sound fiduciary practices in public expenditure (overseen by the IMF) has contributed to this. Furthermore, the ARTF is an instrument for capacity-building because it gives the government the opportunity to make decisions and real trade-offs over competing options. Therefore, in a letter to donors dated February 25 2003, the government declared its intention to use the ARTF as one of its principal funding mechanisms for the next few years. From the donor perspective, one advantage of the ARTF is that it enables small donors finance significant activities and have more of an impact than they could have done alone.

Multi-year commitments to the ARTF would significantly support the government's efforts at multi-year budgeting and allow for more efficient cash flow management for investment projects. Nevertheless, only two donors – Finland and Germany - have formalized their long-term pledges into signed multi-year commitments. This may be because the budget process of many donors does not permit formal multiyear commitments. The insufficient volume of commitments early in the Afghan fiscal year has also been a problem. Firm commitments made prior to the fiscal year would enable the government to prioritise expenditure during budget preparation on the basis of concrete information about revenue constraints.

To give the government the flexibility to direct resources to the highest priorities, within an agreed budget framework, donors are encouraged not to earmark contributions. However, if a donor feels it must finance specific ARTF components or sectors, it can include a preference statement in its ARTF agreement, in accordance with procedures drawn up by the World Bank⁹. According to these procedures, donors can express preferences for a maximum of 50% of their contribution. These preferences must also be for projects which have been prioritised by the government and are ready to implement, not those which have not yet been developed. Nevertheless, the Management Committee cannot guarantee that total ARTF spending will match particular preferences. The ARTF administrator can only discuss donor preferences with the government and urge that they be taken into account. Also, certain projects, like the National Solidarity Programme, attract a lot of donor interest and become over-funded. In this case, donors have to accept that it may take some time for their funds to be disbursed or agree to their funds being reallocated to less well funded projects. At the beginning of 2003, just under a third of donors had wished to earmark all or part of their contribution, totaling about US\$55 out of US\$220 million. Several donors did inquire about whether they could earmark their contributions for specific activities. This is not possible in a multi-donor trust fund with a common resource pool but donors are allowed to publicly claim credit for their support to the ARTF and for activities financed through ARTF.

In general, genuine donor coordination, entailing an unusual degree of partnership among donors and agencies, and a willingness by all to cooperate in the implementation of the government's programme, once agreed, has contributed to the success of the ARTF.

5.3 OCHA's Central Emergency Reserve Fund (CERF)¹⁰

Summary: The CERF was established by a General Assembly Resolution in 1991. It is a fund of US\$50 million set up with a one-off contribution from donors. It is operated by OCHA and aims to speed up the response of operational UN agencies to sudden crises before funds are received from donors. Money is provided in the form of a loan which must be reimbursed. The disadvantage of this is that the CERF is used mainly for high-profile crises which are likely to attract a high level of donor funding rather than neglected crises in which the agency may not receive sufficient support to pay back the loan.

Description:

The CERF was established by General Assembly Resolution 46/182 in 1991. This is a fund of US\$50 million set up with a one-off contribution from donors. The aim is to expedite the response of operational UN agencies to sudden crises before funds are received from donors. CERF's financial rules and regulations oblige agencies to reimburse the money they borrow from the CERF. If this is not possible, OCHA writes off the loan or uses the interest on the money in the Fund to repay it. To date, the CERF has advanced US\$300 million and most of this money has been reimbursed. Currently, it has a balance of US\$50 million in the bank and US\$15 million on loan.

Use of the CERF has varied over the years. In the mid-1990s, it was so heavily drawn on that OCHA asked member states to increase their contribution to the CERF (though no decision was taken on this at the General Assembly). Then, as agencies began to draw on their own emergency reserves and some agencies became cautious about borrowing from the Fund in case they were unable to reimburse the money, use of the CERF declined in the late 1990s. More recently, use of the Fund has increased in cases such as Iraq and Sudan¹¹.

The main advantage of the CERF is that it can expedite the UN's response to crises because they do not have to wait for donor funding to arrive before commencing operations. This is not just when new crises occur but also when the situation in ongoing crises requires agencies to expand their operations. However, because money from the CERF must be reimbursed, it has been most used in situations which will attract a high level of donor funding rather than under-funded emergencies.

Since it has US\$50 million in the bank, OCHA has suggested to the General Assembly that it would be useful to set aside US\$10 million of the CERF (to be replenished by donors) for grants to neglected emergencies. This would promote a more equitable response to these situations. All that would be required would be a revision of the CERF's Terms of Reference but there has been no decision on this. According to an OCHA official, donors may be reluctant to accept this proposal because it would commit them to funding the emergencies that they are not currently

funding through other means. Also, funding to the CERF would be un-earmarked by definition and donors may fear the loss of control. However, if donors were willing to commit to a fund for neglected emergencies, it would probably be easier to simply revise the CERF's Terms of Reference than to set up a new fund.

5.4 Consolidated Fund of East Timor (CFET) and Trust Fund for East Timor (TFET) ¹²

Summary: Both funds were launched in early 2000. The CFET was run by UNTAET and used to cover recurrent government costs and urgent infrastructure repair while the TFET was operated by the World Bank to finance projects in sectors like agriculture, health, education and economic regeneration. According to an evaluation of the UN's response in East Timor, both funds would have benefited from more systematic involvement of the UN's operational agencies.

Description:

Both funds were launched in early 2000. Expenditure from the two funds and UNTAET (United Nations Transitional Administration in East Timor) constituted almost 73% of all international and government expenditure in East Timor in 2000-01 and 67% of all expenditure in 2001-02.

CFET was run by UNTAET and used to cover recurrent government costs like civil servant salaries and capital investment like renovation of key government facilities and urgent infrastructure repair projects. Of the US\$51 million spent through CFET in 2000-01, 56% was financed by donor contributions (mainly channelled through the UN headquarters-administered Trust Fund for UNTAET) and 44% from taxes and other income. According to an evaluation of the UN response in East Timor, many of the projects funded through CFET suffered from poor planning and lack of expertise. Relations and co-operation between UNTAET and UN agencies varied and the evaluation suggests that CFET projects would have benefited from a more systematic input of the expertise of the UN agencies. It also recommends a more systematic and solid collaboration between UN headquarters and UN agencies.

The World Bank acted as trustee for the TFET while projects were administered by the World Bank and Asian Development Bank. The World Bank concentrated on health, education, agriculture, small and medium size enterprises, and economic capacity building. The Asian Development Bank took the lead in micro-finance and infrastructure rehabilitation. On 30 April 2002, TFET receipts amounted to US\$ 164.6 million, with US\$ 149 million committed.

There was wide dissatisfaction amongst UN agencies about the TFET and its administration by the World Bank. This is because almost all of them were excluded from funding channelled through the TFET and, therefore, from making a more effective contribution to reconstruction and development in East Timor. Instead of using UN agencies, the World Bank preferred to purchase expertise externally, even when UN agencies had participated in the formulation process of projects. UN agencies were also deterred from seeking funding from the TFET by their perception that the Bank's procedures and requirements were very bureaucratic and cumbersome. In the case of UNDP, its experience of the implementation of one

TFET-funded project was so negative that it decided not to get involved in any others. From the perspective of the World Bank, UN agencies were either too slow to respond to offers of projects or charged excessive overheads. World Bank officials suggested that tense relations between the two institutions in East Timor could be attributed to a lack of understanding on both sides of each others' procedures and constraints. Although it will take time to address this in the overall context of relations between the UN and Bretton Woods institutions, the East Timor experience highlights the need for more integrated working relationships at field level.

With regard to the process that led to the designation of the World Bank rather than UNDP as trustee of the TFET, it has been argued that the Bank did try to involve UNDP in the establishment and operation of the Trust Fund but UNDP was too slow and reluctant to respond. This was for capacity-related reasons as well as due to political hesitation about the regional situation. Otherwise, it may have been possible to involve UNDP in the disbursement process with, perhaps, the Bank in charge of collecting and supervising the disbursement of donor funds and UNDP channelling funds to finance specific rehabilitation and development activities.

5.5 Emergency Response Fund (Angola)13

Summary: The ERF was established in 1997 as a rapid funding mechanism to give NGOs and international organisations six-month grants to enable them to meet urgent needs. It is managed by OCHA and, till March 2003, had channelled over US\$19.6 million. It has been useful for meeting rapidly changing needs and increasing humanitarian presence in areas which had previously been inaccessible.

Description:

The Emergency Response Fund (ERF) was established in 1997 as a rapid funding mechanism to provide short-term support to NGOs and international organisations with the capacity to address critical needs. Large-scale population movements and a volatile humanitarian situation required a Fund which could support a response to needs as they arose. It is managed by OCHA on behalf of the UN Humanitarian Co-ordinator. The Fund has three objectives:

- ensure a rapid response mechanism to meet emergency needs;
- support emergency initiatives by international agencies and NGOs accredited by the government and affiliated to OCHA;
- support pipelines of non-food survival items.

The Fund has received support from 8 donors and, between 1997 and March 2003, over US\$19.6 million was provided to over 240 projects. The Fund will cease to operate at the end of 2004.

In May 2002, OCHA established the Quartering Emergency Response Fund (QERF) to provide urgent funding to agencies operating in the gathering areas for ex-combatants and their families. This was funded by the Canadian and UK governments. A total of US\$1.6 million was given to 7 NGOs implementing 11 projects in 7 areas. The QERF was discontinued in October 2002, following the government's decision to close the gathering areas.

In 1998, due to the unstable situation in Angola, donors agreed that the maximum grant should be increased from the original US\$50,000 to US\$100,000. In 2000, this

was increased again to US\$130,000 or US\$200,000 in exceptional cases. Grants are for six-month projects and cannot be used to purchase capital assets or for international travel.

In 2000, new submission guidelines, approval criteria and reporting requirements were introduced to improve ERF procedures. OCHA aims to approve or reject projects within two weeks of receiving the final proposals and, in exceptional circumstances, can approve projects within 48 hours. Proposals are reviewed by the OCHA Field Co-ordinator and the ERF Manager, with input from OCHA Field Advisers. Projects are also discussed with relevant UN agencies to ensure compliance with sectoral priorities and strategies. This has ensured a link between the ERF and the CHAP. The Angola desk in OCHA Geneva identified field level decision-making as a key factor in the Fund's success.

The main advantage of the ERF is that it gives NGOs access to funds very quickly. Hence, it is able to create an impetus for expanding humanitarian presence in areas which had previously been inaccessible as soon as they open up. Also, while responding to urgent needs, NGOs can undertake an assessment of overall needs which can be the basis of further proposals, either to the ERF or to other donors. Thus, the ERF can be used to leverage additional funds. Thirdly, although the ERF has a humanitarian focus, it has encouraged partners to link projects to re-building activities.

The disadvantages of the ERF have been largely administrative. Although all the money in the Fund was allocated, some of it has remained unspent. This is due to the disbursement procedure – 80% of funds were provided in advance with the remaining 20% to be paid upon submission of the final report. In several cases, this 20% was not spent. Hence, OCHA is now discussing with donors the possibility of using leftover money for transitional activities. In total, the ERF has funded 274 projects with dozens of implementing partners. Progress reports on project activities must be submitted every two months and, although most organisations have submitted these reliably, some need to be chased up. The ERF Manager and OCHA staff have also had to regularly monitor projects.

5.6 Democratic Republic of Congo (DRC) Funding Mechanisms¹⁴

Summary: OCHA established an Emergency Response Fund (ERF) in 1999 to try to address the large-scale and urgent needs in the DRC when levels of donor funding were low. It was designed to enable NGOs and international organisations to respond quickly and also undertake protection-related activities which donors may be reluctant to fund. In 2002, following a restructuring of co-ordination mechanisms in the DRC, this was replaced by the Emergency Humanitarian Intervention (EHI) Fund, which operates in a similar way. As a complementary mechanism, OCHA and UNICEF are currently piloting a Rapid Response Fund. This is aimed at meeting the needs of populations displaced in Eastern DRC.

Description:

In 1999, OCHA established the DRC Emergency Response Fund (ERF) in response to a number of factors:

1. one of the world's most widely dispersed IDP populations, trying to avoid violence by avoiding population centres;
2. large-scale population movements, with entire villages emptying overnight at the threat of violence;
3. a scarcity of humanitarian actors with sufficient capacity and country-wide coverage;
4. the same levels of vulnerability amongst host populations as among IDPs;
5. low-levels of donor funding.

According to an official involved at the time, one of the aims of the ERF was to create a sense of urgency, get agencies to coalesce around agreed priorities and trigger a response from the aid community. OCHA also wanted to widen the available humanitarian space so it took symbolic steps like crossing the front-line to enter Eastern DRC in 1999.

The ERF was designed to provide rapid funding to national and international NGOs¹⁵ for no more than 6 months to address crises such as:

- food insecurity and lack of drinking water;
- indiscriminate persecution on the basis of ethnicity (resulting in mass displacement, separation of families etc.);
- natural disasters;
- outbreak of epidemics such as measles.

This was to enable them to respond immediately to crises when normal funding would take between one to several months to arrive. It was also to allow them to undertake unconventional, protection-related activities, which donors would not normally fund. OCHA undertook to organise the necessary logistics. In general, grants were limited to a maximum of US\$75,000. An Advisory Committee, comprising a representative each from OCHA, UNHCR, WFP, UNHCHR, UNICEF, WHO, FAO and four representatives from the NGO community, was set up to assess the relevance of proposals submitted to the ERF. Between 1999 and 2002, the Fund channelled approximately US\$3.915 million to over 120 projects.

In 2002, following a restructuring of co-ordination mechanisms in the DRC and the setting up of a Humanitarian Advocacy Group¹⁶, the ERF was replaced by the Emergency Humanitarian Intervention (EHI) Fund. It is intended mainly to fund urgent inter-agency/NGO assessment missions, logistics support for the rapid deployment of personnel, transportation of humanitarian aid and widening of access to vulnerable populations. It is envisaged as a last resort, when other mechanisms cannot respond to a new crisis. The flexibility of the EHI and its rapid and decentralised decision-making structure are designed to enable the humanitarian community to respond quickly to the many emergencies in the DRC. For 2003-2004, the fund has received US\$3.77 million from donors. One major difference between the ERF and the EHI is that the former funded quick-impact projects (QIPs), which the latter does not.

As a complementary mechanism, OCHA and UNICEF are currently piloting a Rapid Response Fund. This is aimed at meeting the needs of populations displaced in Eastern DRC due to another outbreak of fighting between armed groups and DRC forces. The Fund will provide both material and financial support for the delivery of assistance. UNICEF will provide equipment and relief items to allow humanitarian

actors to operate while OCHA will finance transport and logistical costs. Its objectives are to facilitate:

- rapid deployment of humanitarian actors throughout Eastern DRC;
- quick delivery of relief items to Eastern DRC;
- swift deployment of OCHA emergency teams to ensure effective co-ordination and needs assessments;
- strengthening of relief partners during emergencies;
- access and wider coverage of humanitarian assistance.

Although it will fund similar activities to the EHI, it will be restricted to Eastern DRC, respond to proposals more quickly (thereby facilitating emergency response) and draw on UNICEF's operational capacity and multi-sectoral expertise. The RRF has received US\$6.5 million, mainly from DFID.

5.7 Hunger Risk Insurance Proposal¹⁷

Summary: Natural disasters have increased in their incidence and intensity in recent years and had a devastating impact on poor people in developing countries. As they are largely uninsured but can least afford to lose their assets, WFP has proposed a hunger risk insurance scheme. This would guarantee assistance funded by insurance payouts rather than leaving vulnerable populations dependent on the generosity of the international humanitarian aid community. WFP and the World Bank are working together to develop appropriate risk measures and schemes.

Description:

As the incidence and intensity of natural disasters have increased, the resulting economic losses have soared. During the past 10 years for which comprehensive data are available (1992–2001), losses caused by natural disasters have averaged about \$65 billion a year—more than a sevenfold real increase since the 1960s - and they are expected to increase another fivefold over the next 50 years¹⁸.

In 2003, more than 75,000 people died as a result of natural catastrophes and 9 out of 10 of these fatalities were in the developing world. In July 2004, 24 million people were rendered homeless by floods in India and Bangladesh. In sub-Saharan Africa, a population of 130 million is currently at risk of acute hunger. The vast majority of these populations do not have insurance. Whilst over 60% of assets in the developed world are insured, less than 2% in developing countries are, so those who can least afford to lose assets have no insurance. Uninsured asset loss can trap populations in a vicious cycle of deepening, long-term destitution.

WFP has argued that humanitarian aid may be the only support available to such populations so the international community must find new ways of fulfilling a minimal insurance function. It points out that, like the insurance industry in the developed world, it is critical to have sufficient contingency resources available when sudden crises arise. However, the humanitarian aid community does not have this capacity at present. Therefore, it has proposed a hunger risk insurance scheme. Working in partnership with the World Bank and with the support of G-8 donors, WFP is looking to use recent technological and financial innovations, such as satellite weather data, index-based insurance and catastrophe bonds which already underpin successful insurance schemes in the developed world. It will turn these into a more effective system of insurance for vulnerable populations against asset loss resulting in

starvation. The scheme would shift the burden of risk away from crisis-affected populations and onto humanitarian agencies like WFP, the World Bank and their donors. It would also change the aid community's stance from a reactive to proactive one and enable WFP to access funding much sooner than is currently possible.

The proposal has been put forward to the G-8 and awaits action at next year's summit. In the meantime, the World Bank has been conducting feasibility studies and WFP has been examining the design of an appropriate index (focusing on maize production in Malawi). Should rainfall fall below a certain level, it would trigger insurance payouts. WFP has identified four steps to be undertaken in the design of an insurance programme:

1. Identify the exposure of vulnerable populations to a variety of weather conditions.
2. Quantify the funding requirements of adverse weather events.
3. Structure a contract that pays out when adverse weather occurs.
4. Execute the contract in an optimal way to allow reinsurance.

5.8 ECHO's policy on forgotten emergencies¹⁹

Summary: Since 2001, ECHO has been focusing on the issue of 'forgotten crises'. Each year, ECHO identifies a number of situations as forgotten crises and is channelling increasing proportions of its budget to these. In 2003, it spent €119 million or 19.8% of its budget on 11 crises.

Description:

Following the Article 20 evaluation in 1999²⁰ and the appointment of Poul Nielson as Commissioner for Humanitarian and Development Aid in 2000, ECHO went through a process of clarifying its role in linking relief, rehabilitation and development (LRRD), improving its relations with UN agencies and administrative reform. It also developed a policy of focusing its assistance on emergencies which received little attention and funding from other donors, so-called 'forgotten crises'. These include volatile post-crisis situations where other donors may be reluctant to fund short-term rehabilitation measures because of the high risks involved. The three main factors behind the development of this policy were:

- ECHO's needs-based approach - the areas are characterised by a high level of largely-unmet needs. The policy was a logical development from this. Hence, in 2004, ECHO integrated its analysis of forgotten crises with its global needs assessment.
- The growing criticism of donors and implementing agencies for focusing too much on crises like Kosovo, which received high levels of media attention.
- The desire to improve the complementarity of ECHO and Member State assistance. Since the latter tend to be influenced by political considerations, ECHO can balance this to some extent with a more 'objective' allocation of funding.

In 2001, ECHO developed a methodology to better define forgotten crises. This mainly involves analysing media reporting and coverage of needs by other donors.

The following table summarises the crises which ECHO has identified as forgotten, the amount of funding it has channelled to these situations and the percentage which this represents of ECHO's total spending for the year.

Year	Forgotten Crises	Expenditure	% of budget
2001	Angola, Western Sahara and Chechnya	€64.92 million	11.9%
2002	Angola, Chechnya, Tanzania, Uganda, Western Sahara and Yemen	€85.05 million	15.8%
2003	Western Sahara, Democratic Republic of Congo, Myanmar/Burma, Angola, Burundi, Northern Korea, Philippines, Chechnya, Thailand, Uganda and Yemen.	€119 million	19.8%

For 2004, based on its assessment methodology, ECHO initially identified 12 situations which could be regarded as forgotten crises²¹. However, a policy unit document argues that it would be difficult in terms of advocacy and visibility to promote 12 forgotten crises simultaneously²². Therefore, ECHO has decided to focus its efforts on the most acute situations. These are: Western Sahara, Myanmar/Burma, Uganda, Somalia, Russia (Chechnya) and Haiti.

5.9 NGO Trust Fund for Afghanistan²³

Summary: In October 2001, the Dutch government decided to channel its funding for NGOs in Afghanistan through OCHA. With the transfer of co-ordination activities from OCHA to UNAMA in 2002, responsibility for administration of the Fund was also transferred. The Dutch government has channelled approximately \$8 million through the Fund but there have been a number of administrative difficulties. The Fund has advantages for the Dutch government. However, a review of the Fund indicated that it was inappropriate for UNAMA, as a mission rather than UN agency, to manage the Fund.

Description:

In October 2001, the Netherlands Minister for Development Co-operation decided to channel funds for the humanitarian aid activities of NGOs in Afghanistan through OCHA. The contribution became part of the OCHA-administered Afghanistan Emergency Trust Fund (AETF). Given the turbulent situation in Afghanistan at the time, the Minister believed that this would lead to more efficient co-ordination of humanitarian aid and enable NGOs to respond to changing needs. It was also compatible with the Netherlands' commitment to multilateralism. An initial payment of US\$2 million was provided for 2001. With the establishment of the Interim and then Transitional Administration, Security Council Resolution 1383 established the UN Assistance Mission in Afghanistan (UNAMA) in March 2002. As a result, OCHA was officially phased out in January 2003, although its co-ordination functions had been absorbed into UNAMA's Relief, Reconstruction, Recovery (RRR) pillar by July 2002.

On 18 September 2002, the Dutch government signed an agreement with OCHA for a second contribution of €7.8 million (approximately \$6 million) to the Fund. This money had to be allocated by 31 December 2002 and projects implemented between 1 August 2002 and 31 December 2003. UNAMA took over management of the AETF

and the NGO Fund earlier in 2002 but an agreement between OCHA and UNAMA about procedures for the NGO Fund did not come into effect until November 2002, After this, UNAMA developed criteria for project approval and control procedures.

The NGO Fund supports the following kinds of activities:

- transitional provision of basic services to areas with high levels of vulnerability;
- cash-for-work schemes;
- provision of immediate emergency aid in case of natural disasters (winterisation) or population displacement due to conflict;
- capacity building for local authorities and civil society organisations, promoting links between them;
- needs assessments, surveys, evaluations etc.

There have been a number of administrative difficulties with the Fund. Due to the delay in UNAMA assuming responsibility for the Fund and the deadline of 31 December 2002 for allocating money, NGOs were given an extremely short time to submit proposals (less than 2 weeks for winterisation-related projects and less than 4 weeks for others). This favoured agencies that already had well-developed proposals and supporting documentation, mainly international NGOs, and against those which had to design projects from the beginning, usually national NGOs. This factor combined with the selection of only a small proportion of submitted projects led to accusations of bias and lack of transparency against UNAMA.

In the disbursement phase, there were delays in making some payments which, in turn, irreparably delayed winterisation projects. Although money from the Fund is released in three tranches of 40%/40%/20%, UN regulations require 100% of the funds to be in the UN account before the first instalment can be paid. The transfer procedure was complex though – from the Dutch government to OCHA, to UNAMA DPKO headquarters in New York, thence to Singapore and Islamabad and Kabul.

OCHA's continued involvement has also raised the issue of administrative costs. The original agreement between the Dutch government and OCHA allowed 4% of the Fund to be used for administration. When OCHA handed the Fund's management to UNAMA, it agreed to give 1.43% of this while retaining 2.57% for its own use. The 1.43% does not cover UNAMA's costs, which is in effect subsidising the Fund. A review of the Fund has questioned why OCHA requires 2.57% simply to act as a contact point between the Dutch government and UN and pass financial requests and transfers between the Dutch government and the UNAMA account in New York.

Finally, despite the assumption that placing the management of the Fund with organisations with co-ordination mandates, i.e. OCHA and UNAMA, would strengthen aid co-ordination, the Fund's administrative processes have highlighted UNAMA's lack of capacity to co-ordinate, both in Kabul and at field level.

Given these difficulties and also lack of convergence between the objectives of the Fund and UNAMA's mandate, the review has indicated that it was inappropriate for UNAMA, as a mission rather than a UN agency, to be handling the Fund.

Apart from the administrative difficulties, NGOs which have traditionally had a close funding relationship with the Dutch government were unhappy with the arrangement because of the loss of direct contact with their donor.

However, the Fund has had advantages for the Dutch government:

- UNAMA has a field presence and local knowledge which the government does not. This gives it a comparative advantage in selecting projects from national as well as international NGOs that genuinely respond to local needs.
- It supported an important policy objective of the government – to endorse multilateralism and UN co-ordination.
- Relatively low administration costs for a Fund of approximately \$8 million.

In the field, the Fund has been valuable as one of the few mechanisms to bridge the gap between emergency and development activities.

5.10 World Bank Iraq Trust Fund (ITF)²⁴

Summary: Following a donor request for a Trust Fund for Iraq, the World Bank and UN conducted a needs assessment in 2003. They then designed the International Reconstruction Fund Facility for Iraq (the Facility). This aims to help donors co-ordinate their support for reconstruction and development activities in Iraq. The Facility comprises two trust funds: the World Bank Iraq Trust Fund (ITF), administered by the Bank, and the UN Development Group Iraq Trust Fund (UNDG Trust Fund) administered by UNDP, on behalf of itself and participating UN organisations. Close co-ordination and avoidance of duplication between the two Funds is achieved through a common governance structure.

Description:

UN Security Council Resolution 1483 (May 22, 2003) called for the international financial institutions to assist the people of Iraq with reconstruction and to facilitate assistance by the broader donor community. In June 2003, the Liaison Group, comprising 50 states, requested a Core Group of major donors to convene a Donors' Conference²⁵. The Liaison Group also asked the World Bank and UN to assess Iraq's needs, and to design a multi-donor trust fund to support Iraq's reconstruction needs.

The Bank and UN jointly conducted a needs assessment between June and August 2003, with support from the Iraqi national officials and the IMF. They also designed the International Reconstruction Fund Facility for Iraq (the Facility). This aims to help donors coordinate their support for reconstruction and development activities in Iraq, in line with the priority areas identified by the needs assessment and validated by the Iraqi authorities. The structure, governance, and modalities of the Facility were designed in close consultation with the Core Group, other donors, and Iraqi national authorities between August and December 2003.

The Facility comprises two trust funds: the World Bank Iraq Trust Fund (ITF), administered by the Bank, and the UN Development Group Iraq Trust Fund (UNDG Trust Fund) administered by UNDP, on behalf of itself and participating UN organisations. Close coordination and avoidance of duplication between the two Funds is achieved through a common governance structure, including a joint Donor Committee, a UN/World Bank Facility Coordination Committee, and a joint Secretariat.

The Iraqi national authorities are closely involved with the Facility. In consultation with Bank staff, potential recipients submit their project proposals to the Ministry of Planning and Development Cooperation (MoPDC). This vets proposals to determine whether they are consistent with priority needs. The Facility Coordination Committee then determines the eligibility of each proposal for funding from the Facility and channels it to either Trust Fund. Proposals to the ITF are appraised by the Bank. If the proposal proves satisfactory, the Bank negotiates and signs a grant agreement with the recipient which spells out the terms and conditions of the grant. It also specifies measurable indicators to monitor implementation progress.

As a multi-donor trust fund, the ITF will commingle all donor contributions into a common pool. Donors may state that their contribution be used to support one or more of the 14 sectors and cross-cutting themes identified in the needs assessment. If a donor's preference cannot be accommodated, the Bank may allocate the contribution to other sectors with the donor's agreement. UN agencies and the World Bank, in consultation with the appropriate Iraqi authorities, undertake to promote donor visibility on information, project materials and at project sites, whenever possible.

The main advantage of the Facility is that it avoids problems such as duplication of donor effort and overburdening of country officials by separate donor missions and information requests. It does this by bringing donors together to finance a coherent programme within a unified budget. Thus, it promotes a coordinated approach to Iraqi reconstruction. Through the oversight of the Donor Committee and regular reporting, the Facility also promotes the transparency and accountability of reconstruction assistance. There is strong international support for helping Iraq towards economic recovery, financial stability and achievement of the Millennium Development Goals. The Facility is likely to be the largest post-conflict multi-donor trust fund so it can provide the critical mass in financing to generate economies of scale. Finally, by bringing together the UN and the ITF under one roof, the Facility has an innovative structure which makes use of the comparative advantages of the UN and World Bank to enhance the effectiveness and efficiency of the reconstruction effort.

The Bank recognises that security will be a key consideration in implementing projects and in protecting the assets created by ITF financing. Also, continued security threats could reduce donor commitment and lead them to channel their funds elsewhere. Hence, it emphasises continuous consultation and information sharing with the different stakeholders to avoid the potential disengagement of international partners. It also notes that the success of ITF activities is inextricably linked to the success of the political process. Therefore, it advocates that reconstruction assistance support the political process and respond to the legitimate demand of the Iraqi people for quick results on the ground while building the institutional and human capacity for economic recovery, sustainable growth and poverty reduction. It also suggests that ITF administration be flexible so as to deal with potential setbacks such as delays in decision-making by the Iraqi authorities and conflicting demands at different levels of government and within civil society. With regard to the fiduciary aspects of project implementation, the Bank points out that it and the Iraqi recipients will need to understand each other's procedures and ways of doing business. This will require an intensive and rapid effort on the part of

the Bank. But the process will be made easier by the fact that, in contrast to many post-conflict countries, Iraq had a legal and procedural framework for procurement and financial management. In addition, personnel in Iraqi ministries and the private sector have capacity that can be strengthened with training and on-the-job mentoring. Bank experience in other post-conflict countries raises concerns about implementation delays and disbursement lags resulting from weak capacity. Often, constraints in reconstruction are due, not to lack of funds, but to difficulties in developing and implementing time-bound investment programs. Its planned capacity building training in the design and implementation of projects is expected to reduce this problem. Also, in assessing proposals for ITF funding, it will give consideration to operations that are simple, relatively easy to implement, and have strong Iraqi ownership.

5.11 UN Trust Fund for Human Security²⁶

Summary: The Trust Fund for Human Security was established in March 1999. It is funded by the Japanese government and managed by the UN Secretariat, which jointly approve projects. The Fund finances projects that address various threats to human life, livelihoods and dignity. It is for UN organisations only but has supported a large number of them. The Japanese government has channelled approximately \$235.65 million through the Fund.

Description:

The Trust Fund for Human Security was established in March 1999 by the Japanese government with an initial contribution of 500 million yen (about \$4.5m). The Fund supports projects that address various threats to human lives, livelihoods and dignity including poverty, environmental degradation, conflicts, landmines, displacement, illicit drugs and infectious diseases such as HIV/AIDS. These are divided into the following headings:

- Poverty: community reconstruction, vocational training, increase of food production, protection of children;
- Refugees and internally displaced persons: support their return to their home country, improvement of living standards;
- Medical and health care: reproductive health, infectious disease control such as HIV/AIDS, improvement of public health;
- Drug control: introduction of alternative crops;
- Transnational crime: control of trafficking of women and children.

Examples of projects include food security in Ethiopia and Timor Leste, income generating activities for war affected populations Guinea, a global IDP project undertaken by OCHA, emergency school rehabilitation in Kosovo and emergency reproductive health services to displaced populations in the Solomon Islands. Although most of the projects were located in Asia when the Fund was first established, the Fund aims to finance projects in areas where it is difficult to implement Japanese bilateral economic assistance for political and other reasons. The Fund is for UN organisations only.

The Fund is managed by OCHA within the UN Secretariat and all applications must be approved by both the Government of Japan and the UN Secretariat. In the first instance, proposals must be submitted to the Government of Japan (through the Ministry of Foreign Affairs in Tokyo or an embassy). If the Government decides that the project should be supported by the Fund, it asks the applying agency to make a

formal request to the Office of the Controller. Once the Office of the Controller has ensured that the proposal complies with UN regulations, it submits a formal request in writing to the Government of Japan for authorisation to use resources from the Fund. When the Government gives its approval, the Controller authorises expenditure in accordance with the UN's regulations and procedures. Reports on the implementation of the project are submitted to the Controller, who forwards these to the Government of Japan through its Permanent Mission to the UN.

The Fund is continuously replenished by the Government of Japan, which has put approximately \$235.65 million into it since its inception. The Fund has given grants to a wide range of UN agencies. These have included UNDP, UNICEF, FAO, OCHA and UNHCR as well as UNFPA, UN-HABITAT, UNIFEM, UNESCO, UNIDO), UNDCP and UNDESA. In 2004, it has also given a number of Grassroots Human Security Grants to the Governorate of Al-Muthanna in southern Iraq.

5.12 Capacity Building Trust Fund (Sudan)²⁷

The Capacity Building Trust Fund in Sudan was set up in February 2004 with the Sudan People's Liberation Army (SPLA). It is going to be managed by UNICEF from Nairobi. UNICEF is in the process of sorting out its operation. It has brought in management consultants, KPMG, to do the financial arrangements, auditing and financial transfers.

The Capacity Building Trust Fund should be about \$30 million and \$10 million has been pledged so far. Donors like the Dutch, Norwegians, Italians and Swedes had committed themselves to supporting the fund from the beginning. The UK was nervous about it before the financing was sorted out but is considering it now. The US position is that it would be interested in making a small contribution. Not many donors are involved in Sudan and many of the European donors can see the benefit of the Fund. The US has promoted the idea of building capacity in South Sudan but it is more cautious about the Fund, perhaps because it wants to retain greater control over its funding.

The Fund is not aimed at humanitarian work but at building up a possible administration after a peace agreement is signed. Hence, it may be viewed as a 'humanitarian plus' fund. There has been discussion about a trust fund for the North which does include the ability to put humanitarian funds through it, particularly for Darfur, but it is not operational. Also, there are other mechanisms for co-ordinating funds for Darfur.

5.13 Assessment Matrix²⁸

Given donor criticism of the ability of Consolidated Appeals to genuinely reflect and prioritise needs, the IASC CAP Sub-Working Group developed an assessment matrix in 2003. The matrix outlines different areas/categories of need to be assessed, many of them drawn from the Sphere standards. This is because the indicators associated with the Sphere standards are useful for determining the quality of services and/or levels of access that affected populations have in their current situation. The matrix requires IASC Country Teams (CTs) to make judgement calls about the severity of need (based on the local context) and the associated consequences.

One copy of the matrix has to be completed for each population group, which may be identified by a geographical area (e.g. North Kivu) or type of group (e.g. IDPs). Once the matrix has been completed it is recommended that CTs analyse the situation (with the assistance of the Humanitarian Co-ordinator and local OCHA Office) and establish relevant causalities and interdependence between sectors. This should be summarised in the CHAP and can be added as a two-page document in the Consolidated Appeal document.

Since the basing of funding decisions on a thorough needs assessment is a cornerstone of GHD and of the DRC pilot study, the matrix was to be tested in the pilot. However, it was not really used to prepare for the 2005 CHAP because participating agencies were not sufficiently prepared with the necessary information. Although most agencies undertake their own needs assessment – WFP is cited as an example of an agency which has developed a useful vulnerability matrix – the difficulty seems to be with sharing information and harmonising the approaches of the aid community as a whole. There was considerable outreach work about the GHD pilot study so, as one frustrated interviewee pointed out, agencies cannot claim that they did not know about it or that it was regarded as an important process or that needs assessment was a critical part of the process.

Hence, the GHD Implementation Group report concludes that, overall, there was very little progress with using common needs assessment formats or tracking or analysing data from existing needs assessments. Various reasons for this have been put forward. One is simply that many agencies do not take the CAP/CHAP exercise seriously. Another is that the assessment matrix is cumbersome. It is also time-consuming to analyse existing data. Therefore, the GHD Implementation Group has recommended that it be modified to make it more 'user-friendly'. One interviewee also suggested that the emphasis should be on developing common needs assessment methodologies rather than the matrix, which is more a way to share existing assessments.

List of people consulted:

Ed Tsui, Director, New York office, OCHA
Eeuwke Faber Netherlands Mission, Geneva
James Darcy, Overseas Development Institute
Louise Thomas, Senior Manager, Sudan Unit, Foreign and Commonwealth Office
Martin Griffiths, Centre for Humanitarian Dialogue
Michel Kassa, Chief, Africa 1 Section, Coordination and Response Division, OCHA Geneva
Mukesh Kapila, Health Action in Crises, WHO
Nancy Kylvoh, US Mission, Geneva
Pierre Romand-Heuyer, ARTF Team Leader
Randolph Kent, Kings College
Zola Dowell, Humanitarian Affairs Officer, Africa 1, OCHA Geneva

Informal discussions/comments, received with thanks, from Mikael Lindvall, Peter Callan, Leslie Norton, Kristen Chenier, Steve Ray, Peter Troy.

1 See Global Humanitarian Assistance 2000, pages 80 – 83
www.globalhumanitarianassistance.org

2 See “Financing Countries in protracted humanitarian crisis: an overview of new Instruments and existing aid flows’ by Judith Randel, Maya Cordeira and Tasneem Mowjee, in ODI, HPG Research Report 18, 2004,

3 This was the judgement of an OCHA official.

4 The Dutch fund for NGOs in Afghanistan also highlights the problems that can arise when more than one UN agency is involved. The original agreement between the Dutch government and OCHA allowed 4% of the Fund to be used for administration. When UNAMA took over management of the Fund, OCHA agreed to give it 1.43% while retaining 2.57% for its own use. An evaluation of the Fund questioned why this was necessary when UNAMA was administering the disbursement of funds.

⁵ This section is based on UNDP's (2003) *Final Report on the Afghan Interim Authority Fund (AIAF)*. Available from
www.undp.org/bcpr/pubinfo/transitions/2003_04/AIAF%20Report-FINAL.pdf

⁶ Information based on World Bank report on ARTF in early 2003. Available from the World Bank website. Also on interview with Pierre Romand-Heuyer, ARTF manager, on 12th October 2004.

⁷ According to 'DonorContributionsTableAug2004.pdf' document available from the World Bank website.

⁸ For example, UNOPS is implementing a national emergency employment programme.

⁹ The outline of the procedure is provided as an annex to the ARTF's monthly financial reports and is, therefore, available from the World Bank website.

¹⁰ Information based on interview with Ed Tsui, Director, New York Office, OCHA.

¹¹ When preparations were being made for war in Iraq, the UN system did a lot of contingency planning. CERF was heavily used for this because donors did not want to be seen to be committing to the war by funding preparedness activities.

¹² Background information based on Joint Inspection Unit (2002). *Evaluation of United Nations System Response in East Timor: Coordination and Effectiveness*. United Nations, Geneva. Report No. JIU/REP/2002/10, available from
www.unsystem.org/jiu/new/reports/2002/en2002_10.PDF

¹³ Based on OCHA information note, April 2003. Also, interview with Zola Dowell, Angola desk, OCHA Geneva. 12th October 2004.

¹⁴ Description drawn from range of documents provided by OCHA office in DRC and interview with Michel Kassa, OCHA Geneva.

¹⁵ International organisations like the ICRC and IOM could also access funding, particularly on behalf of local partners.

¹⁶ The Group consists of the heads of UN agencies in the DRC, USAID, ECHO and NGO representatives.

¹⁷ Based on WFP article *Securing ‘The Day After’ With Insurance: Finding a response to the increase in natural disasters in the developing world is within our grasp*. By James T. Morris, Executive Director, WFP and posted online 31st July 2004. Also, WFP/World Bank PowerPoint presentation: *Acute Hunger Insurance: An effective tool to finance acute hunger emergencies resulting from natural disasters?* Rome, 13 July 2004.

¹⁸ Data from IMF article, *Being Prepared*. Finance and Development, September 2003: 42-45.

¹⁹ Based on ECHO's Annual Reports and Strategy Papers, available from ECHO's website: http://europa.eu.int/comm/echo/index_en.htm.

²⁰ This was an independent evaluation of ECHO's activities from 1996-1999. It is referred to as the Article 20 evaluation since it was undertaken in accordance with Article 20 of the 1996 Council Regulation which gave ECHO a legal base.

²¹ A full list of countries and ECHO's assessment is available from ECHO's website in a document titled 'forgotten_crisis_data_2004_en.pdf'.

²² The file, titled 'forgotten_crisis_ass_final_2004' is available from ECHO's website.

²³ Based on UNAMA (2003) *Mid-Term Review of the NGO Fund for Relief and Rehabilitation Activities in Afghanistan*. Obtained from Dutch government.

²⁴ Drawn from World Bank (2004). *The World Bank Iraq Trust Fund within the International Reconstruction Fund Facility for Iraq*. Report No: P7615. Available from www.worldbank.org/iq

²⁵ The Core Group comprised the European Union (Commission and Presidency); Japan; US; the Coalition Provisional Authority; and United Arab Emirates, with the IMF, the World Bank and the UN as observers. Following the decision to hold the Donors' Conference in Madrid, Spain was invited to join the Group.

²⁶ Based on information provided on the Japanese Ministry of Foreign Affairs website: http://www.mofa.go.jp/policy/human_secu/t_fund21/fund.html

²⁷ Description provided by Louise Thomas, Senior Manager, Sudan Unit, FCO.

²⁸ Based on interview with James Darcy, ODI; Leslie Norton, Canadian Mission, Geneva. Also, on an information note on the assessment matrix for the GHD meeting and the report of the GHD Implementation Group.