

EVALUATION OF THE COMMON HUMANITARIAN FUND

SYNTHESIS REPORT

On behalf of OCHA



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Author:

Hugh Goyder (Team Leader)

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Please address all correspondence to:

Mrs Annina Mattsson,
E-mail: mattsson@channelresearch.com
Tel: +32 2 633 6529
Fax: +32 2 633 3092

channelresearch

Route des Marnières 45A, 1380 Ohain, Belgium

Tel +32 2 633 65 29 Fax +32 2 633 30 92

www.channelresearch.com info@channelresearch.com

VAT No 864 560 703

EXECUTIVE SUMMARY

2. This report aims to offer a synthesis of the findings, conclusions, and recommendations of three country-level evaluations in the Central African Republic (CAR), Democratic Republic of Congo (DRC) and Sudan undertaken as part of the Evaluation of Common Humanitarian Funds (CHF) in the last three months of 2010. The CHF are pools of un-earmarked funds made available at the country level for UN agencies and NGOs that have taken part in the Consolidated Appeal Process. CHF are part of the overall humanitarian reform initiative and aim to support cluster coordination and stronger humanitarian leadership.
3. This evaluation was commissioned by OCHA and undertaken by a team of 8 independent consultants from Channel Research¹. The purpose of this evaluation is to provide evidence of operational effectiveness to date as a basis for improved priority-setting and future performance, and the Evaluation Team reviewed the processes, outcomes, operational effects and operational impacts of the CHF, focussing in particular on the progress made since the last evaluation in 2007. The key recommendations are summarized below
4. All three countries covered in this evaluation face both long term and complex conflicts, combined with natural disasters, especially droughts (in Sudan and CAR). In relation to **operational impact**, the CHF has indeed *'contributed to improvements in the humanitarian community's ability to address critical humanitarian needs in a timely and effective manner.'*² Probably the strongest impacts of the CHF have been where HC's have made strategic use of the Emergency Reserve, especially in the DRC.
5. For donors the CHF has offered great savings on transaction costs, and has enabled them both to support humanitarian efforts in countries in which they might not be able to operate, and to reach a far greater range of actors, especially local NGOs, than would be possible through normal bilateral funding. However both transaction costs and risks have also been transferred from donors to the clusters.
6. Thus the CHF has had a more mixed impact on the cluster system: more agencies have become involved with clusters, but the competition for CHF funding often poses major challenges for cluster leads and co-leads, and the transfer of CHF allocation responsibilities to clusters has not yet been matched by a commensurate transfer of human and financial resources to enable them to discharge these responsibilities.
7. In relation to **operational effectiveness and coherence** a key feature of the CHF is that it is work in progress, and in all three countries there have been significant improvements made to the allocation and disbursement of grants since 2007.

¹ Hugh Goyder (TL), Emery Brusset (QA), Cecile Collin, John Cosgrave, Laurent de Valensart, Annina Mattsson and Marie Spaak

² See Key Issues and Evaluation Questions -CHF Evaluation TOR –Figure 1

Through structures like the Advisory Boards there is improved complementarity and coherence between donors (including donors not funding the CHF). While the CHF has required individual clusters to prioritize, overall prioritization between clusters is still problematic and requires strong humanitarian leadership. Though DRC has done the most to correct this deficiency, the major constraint faced by the three funds is the lack of basic feedback to Clusters and Advisory Boards on project outcomes, caused by the lack of monitoring and evaluation. The use of the CHF Emergency Reserve has allowed for rapid crisis response, especially in the DRC.

8. The CHF is seen as most **effective** when allocated directly to an operational agency, and it is less easy to track its effectiveness when the same funding is channelled, or 'passed through' another UN agency or INGO. In relation to timeliness there are delays of up to 6 months between first between the time when a project is submitted for CHF funding, and actual fund disbursement following project approval. As NGOs have to complete more procedures than UN recipients, the period of time available to NGOs to implement projects is often no longer than 7 months, leading to the need for many No Cost Extensions (NCEs). On the question of predictability, it would lower transaction costs and enhance effectiveness if the CHF could exceptionally make multi-year grants to agencies where the clusters are able to make a strong case for such funding, perhaps in return for a higher level of monitoring. This would require donors to 'front load' their annual contributions more, and to consider making grants for up to two years at a time.
9. In relation to **efficiency**, given the number of projects, especially in the DRC and Sudan it is very difficult for OCHA, UNDP, and the Joint PF Unit staff in the DRC, as well as clusters to continue to cope with such an ever increasing workload, and the decline in funding has tended to exacerbate the competition for CHF funding between UN Agencies, INGOs, and local NGOs. UNDP has worked hard to improve its performance as Managing Agent (MA) for NGO recipients, but is still not able to offer a comprehensive monitoring service to justify what it charges for this MA function. In order to reduce transaction costs and encourage more multi-sectoral projects involving local NGOs, there is a case for the CHF to encourage consortia of agencies to submit joint proposals under a single lead agency.
10. As regards **relevance/appropriateness and quality**, the process by which the CHF is allocated between different regions of both Sudan and DRC is highly contested, and sometimes seen as arbitrary. (The situation in CAR is very different, as the funding for the CHF has declined to only \$6million in 2010, enough to finance only 25 new projects.). Clusters are still seen as dominated by their lead UN Agency, and NGOs still feel that allocations of the CHF favour both these cluster leads and a small number of large INGOs.
11. Greater attention to sustainability is needed where the same needs (for example for water supplies, or rural roads in Eastern DRC) come up for funding every year. Given the fall in donor funding for the CHF, rather than widen its scope to recovery

activities, the evaluation concludes that the HC and UNCT need to ensure more referrals from the CHF to other MDTFs concerned with recovery and stabilization.

12. As regards the scope of the CHF, there are differences in perception between donors on the extent to which the CHF can be used for 'transitional' or 'recovery' purposes: the reduction in the size of the CHF in all three countries has reduced the possibility of using the CHF for other than clearly humanitarian purposes, and there is a need for stronger linkages between the CHF and other MDTF's concerned with Recovery.
13. The lack of monitoring remains the critical weakness of the CHF. The JPFU in DRC has gone furthest ahead in establishing a basic common reporting format together with an M & E function which does involve visits to about 80% of the projects. However, the focus remains on management issues and whether or not outputs have been achieved, rather than the quality of these outputs or broader outcomes. With most projects funded by multiple donors the problem is not a lack of monitoring data per se but a lack of consolidated analysis of all this data in a form which can be properly used by clusters when discussing the CHF allocations. In all three countries, for NGO projects UNDP is taking a Management Agency Fee of between 5% and 7% but is not offering a comprehensive monitoring service³.
14. The CHF is seen by most recipients as an accessible, efficient, and relatively flexible fund. However there is a mismatch between growing understanding of, and expectations about, the CHF from the different clusters and recipient agencies on the one hand, and a decline in actual donor contributions to the CHF on the other.
15. The difficulty in implementing the recommendations of the two previous CHF evaluations has highlighted the need to resolve systemic issues that go beyond the TOR for this evaluation. These include
 - ❖ the continuing contradiction that OCHA has been forced to cut staffing and other related budgets just at a time when its workload, especially in relation to funds like the CHF, is increasing rapidly;
 - ❖ the whole status of OCHA within the UN System, and whether restructuring it back to a full UN Department like DPKO would enable it to strengthen its financial and human resource management capacities in relation to Funds like the CHF.
 - ❖ The extent to which UN Agencies can be expected to monitor, report on, and evaluate the funds they receive from the CHF and other similar MDTF's;
 - ❖ the role of UNDP as Managing Agent for humanitarian funds disbursed to NGOs and the extent to which OCHA, working closely with donors, is prepared to put time and resources into setting up more appropriate management arrangements.

³ With the exception of DRC where there is a full M&E Unit within the joint Pooled Fund Unit

Recommendation	For action by	Synthesis Report Section reference	Evidence in country reports
Donors should continue to support the CHF and where required should increase their contributions. In order to improve predictability donors should where possible make commitments to the CHF for two years rather than just one year.	Donors	3.2	DRC-pp32, 51,57 Sudan-pp18-20, 47
To assist planning donors should allocate funds for annual grants well before the start of the calendar year, and preferably in October .*	Donors	3.2	DRC-p.32 Sudan-p.46
OCHA needs to make the successful management of funds like the CHF a higher corporate priority and needs to advocate more consistently both within the UN system and to its donors to ensure that it has adequate management resources for this task, especially at country level	OCHA Donors	3.4	CAR-p.28 Sudan-p.26
Ensure far closer co-ordination between the different Pooled Funds/MDTF's , and more 'referrals' so that well-designed projects that do not meet the criteria for the CHF can be recommended to funds concerned with recovery and stabilisation issues.	HC, UNCT's, & OCHA	3.3	CAR-p.32 DRC-p.29
CHF Allocation decisions taken by the clusters need to be based on a wider understanding of the results of similar previous grants and the performance of the agency in the past.	OCHA Clusters	3.3	DRC-p.39 Sudan-p.25-28
The calendar-year basis for the CHF is too inflexible, and grants should be allowed to be spent within 12 months from the payment of the first instalment.	OCHA UNDP	3.2	Sudan-p.37,46
For NGO projects UNDP should apply the modified audit requirements so that only one audit certificate is requested for a 12 month project even if it spans two calendar years.	UNDP	3.2	DRC-p53

Other options to the current arrangement of UNDP acting as the Management Agent should be explored in order to ensure that the most efficient management model possible is in place. These options include OCHA taking on the MA role itself, or putting CHF management services out to competitive tender.	UNCT OCHA	3.4	Sudan- pp14, 17,39- 40,42-43 DRC p.5
At country level there needs to be better communication about the CHF policies & procedures with recipient & potential recipient agencies, making full use of the internet wherever feasible	OCHA	3.4	CAR –p.32 DRC-p.5
OCHA New York should also provide technical support for a small number of thematic evaluations, to be undertaken each year, on issues identified by the Advisory Boards in each country. Donors should both be invited to participate in, and co-fund these evaluations	OCHA	3.4	CAR –p.31 DRC –p.39
Simple Monitoring requirements for CHF recipients should be agreed across each cluster, and should be the same for all categories of partners. The performance of CHF recipients, both strong and weak, should affect future eligibility for CHF funding.	OCHA Clusters	3.4	DRC p.22, 39 Sudan -26- 28
In each CHF country OCHA should establish an adequately-staffed monitoring unit to coordinate self-monitoring and reporting by all grantees, and external monitoring by the sector leads, with inputs from OCHA as required.	OCHA	3.4	DRC- p.39 Sudan -26- 28
The CHF Advisory Boards should consider allocating a percentage of funding to support monitoring by the sectors, and OCHA should have sufficient senior staff in each country to co-ordinate this monitoring with the clusters and ensure that the results feed into future funding allocations.	OCHA Advisory Boards	3.4	DRC:pp- 39-43 Sudan- p.28
In particular since funding for core pipelines is contentious, especially where the pipeline	OCHA Clusters	3.4	Sudan- p.26

management agency is seen as performing poorly core pipelines should only be funded where the pipeline management agency can demonstrate fast and efficient performance.			
Since some core pipelines have excessive procurement costs Core pipeline agencies should put procurement services out to tender.	OCHA Clusters	3.4	Sudan-p.26

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ACRONYMS

CAP	Country Assistance Plan
CAR	Central African Republic
CERF	Central Emergency Response Fund
CHF	Common Humanitarian Fund
DFID	Department for International Development
DHC	Deputy Humanitarian Coordinator
DRC	Democratic Republic of Congo
ERF	Emergency Response Fund
EU	European Union
FAO	Food and Agriculture Organization
FTS	Financial Tracking System
FMU	Fund Management Unit
GHD	Good Humanitarian Donorship initiative
HAP	Humanitarian Action Plan
HC	Humanitarian Coordinator
IDP	Internally Displaced People
INGO	International Non Governmental Organisation
IOM	International Organisation for Migration
JPFU	Joint Pooled Fund Unit (responsible for the CHF in DRC)
MDTF	Multi-Donor Trust Fund
M&E	Monitoring and Evaluation
MSA	Multi Sectoral Assessments
NFI	Non Food Items
NGO	Non Governmental Organisation
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
OFDA	Office of U.S. Foreign Disaster Assistance
PBF	Peace-building Fund
PF	Pooled Fund
SIDA	Swedish International Development Agency
UNCT	United Nations Country Team
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNHAS	United Nations Humanitarian Flights Service
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children’s Fund
UNMAS	UN Mine Action Coordination Center
UNOPS	United Nations Operations Services
UNSSSS	United Nations Security and Stabilization Support Strategy
USAID	United States Agency for International Development
WASH	Water, Sanitation and Hygiene
WFP	World Food Programme

1 INTRODUCTION

16. This document is a summary of the key findings and recommendations of the CHF evaluation. The evaluation was commissioned by OCHA in order to gain an external perspective on the impact, effectiveness, relevance, and efficiency of the CHF. A team of seven consultants from Channel Research undertook the evaluation and the major focus of the evaluation was on three country studies undertaken in the Democratic Republic of Congo (DRC), Central African Republic (CAR), and Sudan, together with a related analysis of documents and funding flows. The aim of this Synthesis Report is to summarize the key findings, conclusions and recommendations from the country reports. It is very much a Synthesis Report, and the country reports contain the details of the specific context and issues of each country.
17. According to the ToR *'The purpose of this evaluation is to provide evidence of operational effectiveness to date as a basis for improved priority-setting and future performance. The Evaluation Team will examine the processes, outcomes, operational effects and operational impacts of the CHFs The evaluation will assess the progress and challenges, from the inception of the funds until the end of 2009, in all three countries where CHFs currently exist (DRC, Sudan and CAR), and provide recommendations for potential areas of improvement.'*⁴ Since external evaluations of the CHFs in DRC and Sudan were carried out in 2006 and 2007 this evaluation focused mainly on the performance of the CHFs from 2008-10. While the CHF has continued to evolve in the last three years, some of the conclusions and recommendations of this evaluation tend to repeat those made in the last two evaluations, especially in relation to the issues of Monitoring & Evaluation of the CHF and whether or not UNDP should retain its Management Agency Status in relation to NGOs.
18. The key overall question for the evaluation is *'how, and to what extent has the CHF contributed to improvements in the humanitarian community's ability to address critical humanitarian needs in a timely and effective manner?'*

⁴ Evaluation of the CHF's – May-December 2010: TOR.

2 BACKGROUND TO THE CHF – CONTEXT

19. The CHFs in the DRC and Sudan were established in 2006 as an outcome of donor efforts to provide more rapid, flexible, and predictable funding to critical humanitarian needs in strategic priority areas, in accordance with the agreed Principles of Good Humanitarian Donorship (GHD).⁵ The approach also aims to strengthen humanitarian reform by reinforcing joint planning and coordination at country level under the leadership of the UN Humanitarian Coordinator. The CHFs are pools of un-earmarked funds made available at the country level for UN agencies and NGOs that have taken part in the Consolidated Appeal Process. The first CHF was established in the DRC in 2006, followed closely by one in Sudan a few months later, and the Central African Republic in 2008. Until the end of August 2010, the CHF mechanisms had attracted \$1.3 billion of donor support. Sudan has been the largest fund, and CAR has been a relatively small fund.

20. All three countries in which the CHF has been introduced suffer from long term instability. In DRC the main sources of mortality today are the consequences of war, rather than war itself - in particular food insecurity, dysfunctional health services, dilapidated infrastructure, and widespread population displacement especially in the two Kivu's and Province Orientale. Sudan encompasses a huge and continuing humanitarian crisis in Darfur which remains essentially unresolved, together with humanitarian needs in other parts of the North and enormous reconstruction needs in the South combined with humanitarian needs where there has been renewed conflict. CAR is a very different from the other two countries, as both its overall population (around 4 million) and the population directly affected by different emergencies (about 1 million) are far smaller. However, the country is constantly threatened by the instability of its neighbors and the presence of different armed groups (national and regional), especially the LRA, and a high level of structural poverty, lead to reoccurring humanitarian crises. In addition, the small size and remoteness of CAR mean that it tends to be neglected by most bilateral donors.

21. This is the third evaluation of the CHF. Some of the key recommendations of this evaluation are very similar to those made in previous evaluations. These include the recommendation that donors should commit funds to the CHF as early as possible; that UNDP should retain its Administrative Agent role but that OCHA should take on the Managing Agent role once it has the capacity to do so, but that the transition should be gradual. Regarding the scope of the CHF, the 2007 evaluation recommended increased funding for transition activities so that the CHF is able to focus on real emergency needs. The 2007 evaluation also emphasized the need for greater Monitoring & Evaluation of CHF allocations, and for NGOs to be able to access funding directly from the Funds. It also recommended that funding of UN technical and coordination costs by the CHF should be made more transparent.⁶

⁵ Note that the CHF is known as the Pooled Fund (PF) in the DRC. Normally this report refers to the PF when referring only to the DRC, but to the CHF otherwise.

⁶ See DRC Country Report Annex V for a detailed table showing the findings & recommendations of the two previous evaluations.

Methodology

22. In order to undertake the evaluation, an Inception Report was produced summarizing the major issues for the evaluation, both in general and in the three countries. This report was then reviewed and widely commented on by the Evaluation Advisory Group. The three country visits mainly involved semi-structured interviews, focus group meetings, project reviews and a few project visits. The key stakeholders met in each country included CHF/JPFU staff, donors to the CHF, other donors like ECHO and USAID; the HC/DHC, Heads of agencies; UN agencies, international and national NGOs; cluster coordinators, cluster co-leads, cluster co-facilitators and cluster provincial focal points. Where possible the evaluation teams met local authorities and a limited number of staff implementing projects and their beneficiaries (mainly in Eastern DRC and CAR).
23. A continuous document review has been carried out throughout the evaluation. Of greatest interest were the previous CHF evaluations in 2006 and 2007, evaluations on related topics, country level documentation in relation to CHF allocation processes, and the country level CHF Annual Reports.
24. Following the first two country visits to CAR and DRC, and just before the visit to Sudan, the whole evaluation team met in Brussels to compare initial findings and finalise the structure of the country reports. Once all the country visits had been undertaken, the Team Leader presented a summary of findings in New York in mid-December both to the Evaluation Advisory Group and the Pooled Funds Working Group. In addition, meetings were held in New York with OCHA staff, individual donors, and others to validate findings and to help fine tune recommendations. . A first draft of this report was circulated, and a very large number of useful comments were received: many of these comments have been incorporated into this final draft. A 'comments matrix' listing all the comments made, and the evaluation team's response was prepared, and will be posted on the OCHA website.
25. Like all evaluations, this one faced some **limitations**. The sheer size of the CHF and the huge numbers of the projects funded made it very difficult to review any project level outcomes and impacts. The teams were able to access some limited data from the CHF's own monitoring of projects in DRC and CAR, but it proved more difficult to access similar data in Sudan for reasons discussed below. An early conclusion was that the Terms of Reference tend to underestimate both the scope of the CHF and the related difficulty of isolating the impact that can be attributed to the CHF when it is usually only one donor amongst many others, especially in the case of Sudan, and due to the short duration of most projects funded. Secondly the well documented lack of project level evaluations (itself the subject of several recommendations in this report) made it hard to reach conclusions on project quality and effectiveness. Thirdly time constraints, and logistical and security issues reduced the team's access especially in Sudan. A further constraint on this kind of evaluation is that the CHF tends to bring out strong views amongst recipient agencies, and perceptions of it

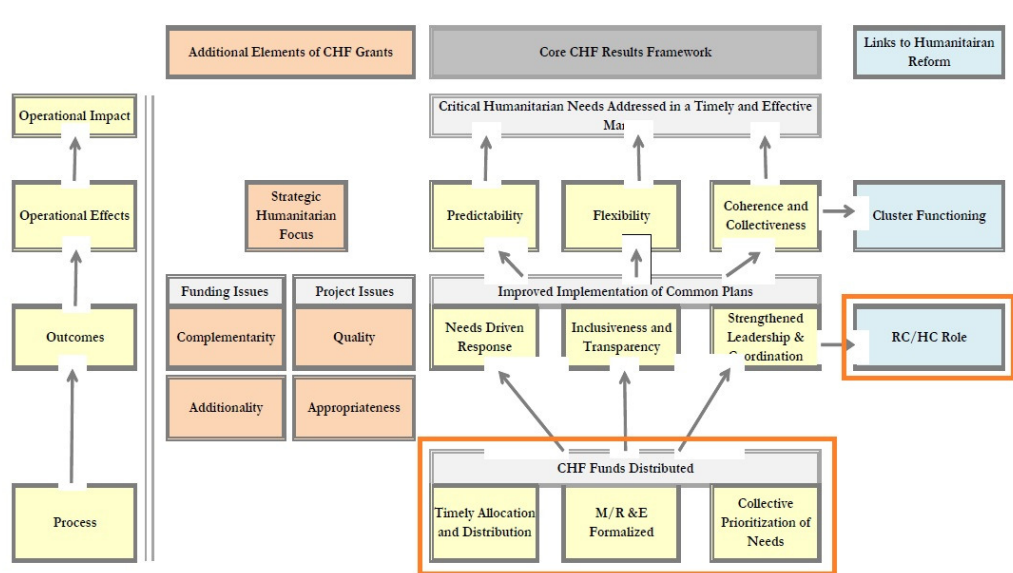
tend to be heavily influenced by whether or not an agency has received CHF funding.

- 26. However, despite these limitations there was a very strong consistency in the data collected across the three countries, and a surprising degree of consensus emerged between the different stakeholders around the conclusions and recommendations presented below.

The Analytical Framework

- 27. Prior to this evaluation considerable work was done in developing a logic model for the CHF, and a related analytical framework. This logic model starts *'with the main processes that are fundamental for the CHFs to function effectively. Namely, these are a collective prioritization at country level, the existence of monitoring/reporting and evaluation (M/R &E) systems to monitor project implementation and inform the prioritization and streamlined allocation procedures.....The main outcomes of these processes are a needs driven response (as was determined during the prioritization process), increased inclusiveness and transparency... and strengthened leadership and coordination'*.⁷ The logic model is depicted below, and the boxes within the orange frames are those issues highlighted by the evaluation as requiring most attention.

Fig.1 Logic Model for CHF Evaluation



⁷ CHF Evaluation Framework Draft for CHF Working Group Meeting December 8, 2009

The core of this synthesis report therefore follows the five different 'domains' isolated in this logic model - Operational Impact, Operational Effectiveness, Efficiency, Appropriateness and Quality: 'Process' issues are addressed within the section on Efficiency.

3 KEY FINDINGS OF COUNTRY REPORTS

Operational Impact

28. The evaluation was asked to address the question of *'How, and to what extent has CHF contributed to improvements in the humanitarian community's ability to address critical humanitarian needs in a timely and effective manner? Has CHF helped the humanitarian system operate better than it did before?'*
29. The three reports agree that despite some of the weaknesses discussed in the rest of this report, overall, (as the Sudan report states) *'the CHF has served the humanitarian community well in Sudan, not just through the allocations made, but at acting as lubricant for improved coordination and transparency both within sectors and across the whole humanitarian response'*⁸. The evidence of the country reports suggests that the CHF imposes both costs and benefits on the clusters, but that the benefits tend to outweigh the costs. The benefits are that the CHF can provide enhanced resources for OCHA, and increase both its authority and that of the clusters. While in all three countries the HCs, DHC's and Fund Managers have had to wrestle with conflicts both within and sometimes between clusters, this competition for resources is an unavoidable part of the humanitarian system, especially in a context in which overall funding is perceived to be in decline.
30. For the CHF the pattern of donor support has remained reasonably stable since the start, although as Table 1 below shows, funding has been dropping since the peak of about \$295 million in 2008 to just over \$200 million in 2010, with the pattern of donor support remaining broadly the same since 2006⁹. Across the three countries there are big differences in the way the CHF is allocated between the UN and NGOs with the UN's share of CHF allocations in 2009 amounting to 64% in Sudan; 55% in DRC and only 19% in CAR.

⁸ Sudan Report p.4

⁹ The data for 2010 is obviously not complete. The Netherlands may still allocated additional funding for the CHF mechanisms.

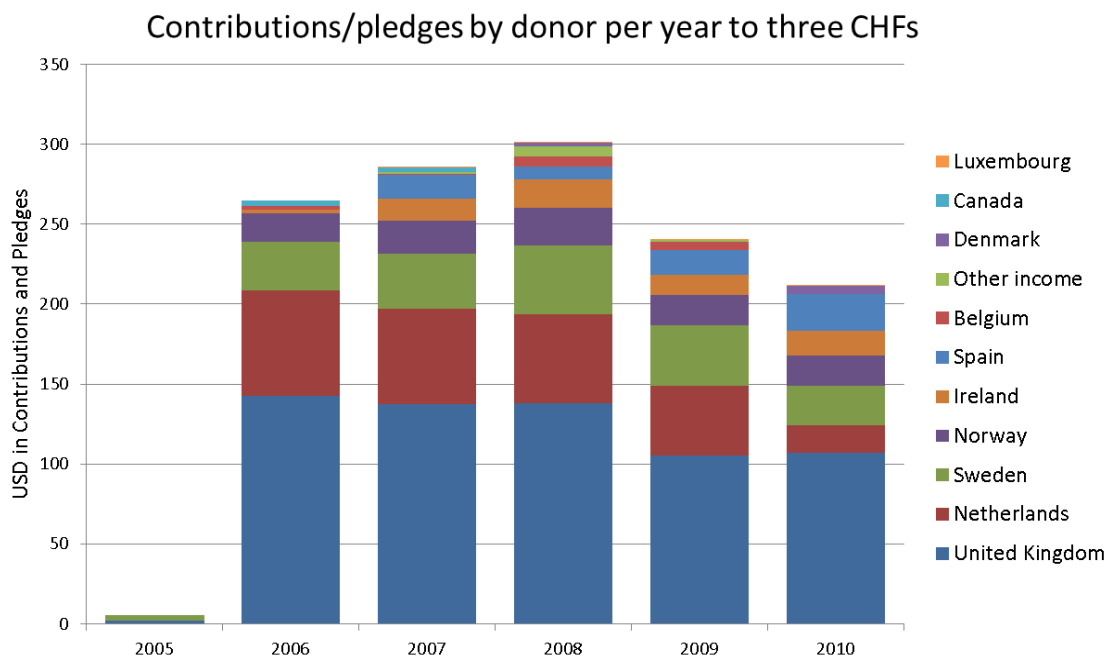


Table 1: Contributions by donor per year

31. This overall decline in funding from donors is seen by all three reports as placing even greater pressure on the allocation mechanisms, as cluster leads and members of the clusters have to act as both referees and players.
32. For donors the CHF offers the possibility of “writing a single cheque” rather than managing a host of sub-grants – a vital service at a time when most donors are under pressure to reduce their staffing. This advantage was clearly central to the thinking that led donors to support both the CHF and similar pooled funds in the first place, but this evaluation confirmed that this remains a central reason for continued donor support, especially at a time when most donors are trying to reduce their staff numbers. A further advantage of the CHF is that it also enables donors to support humanitarian operations at minimal overhead cost in remote countries like CAR which would be impossible for them to support otherwise.
33. The CHF also allows donors to fund a far wider range of partners than they would otherwise do, including a range of local and national NGOs which would find it very hard to access this funding from bilateral sources. This is possibly the area with greatest potential for the CHF, as the local and national NGO sector is vital for future humanitarian response, especially in conflict areas like parts of DRC and Darfur, where access by international agencies is increasingly difficult, and national NGOs are normally able to operate at a far lower cost than UN agencies or INGOs.
34. However a central difficulty of allocating the CHF is the difficulty of establishing and retaining a consensus on what really constitutes ‘critical humanitarian needs’. On this issue the experience of Sudan and DRC differ, at least in relation to the allocation of the CHF Emergency Reserve Funds.. In DRC in times of acute and sudden crisis,

the HC has been able to make good use of the CHF's Rapid Response mechanisms, and this appears to be the most effective (and normally least disputed) feature of the fund. In Sudan there is a perception amongst many clusters that this emergency reserve has been used by the HC not only for real emergencies but also to make grants which failed to attract funding through the normal allocation process led by clusters.¹⁰ This experience both shows the pressures that the HC can come under from some UN agencies if their funding is rejected, and it also pinpoints the importance of strong humanitarian leadership, which is beyond the scope of this evaluation but is the subject of a separate and recent review.¹¹

35. Of the three countries the evaluation found that the DRC had the most sophisticated methods in place to ensure that the CHF is directed by the HC to the most pressing under-funded needs as well as to needs resulting from new emergencies. The level of funding envelopes is defined both by province and by sector by a Strategic Committee on the basis of a matrix developed by the JPFU which analyses needs on the basis of funding gaps across all clusters and provinces, and the provincial strategies updated by the CPIAs before each allocation. Another tool used to improve the allocation between clusters is the system of 'cluster defences' practised in South Sudan has improved the quality of proposals coming from each cluster there. However weak monitoring, and limited reporting by UN recipients (discussed below), means that the potential of these innovative approaches, is not yet fully realised.
36. In all three countries the CHF has strongly encouraged the key humanitarian players to work together more closely through the different Advisory Boards, and the CHF has encouraged a greater complementary of donor effort through information sharing both at central levels and at related meetings at the provincial level. In CAR the small size of the country and the smaller number of actors makes allocation of the CHF easier: as of December 2010 we understand in CAR an inter-cluster group, and the Advisory Board, are making final decisions on project proposals rather than individual clusters. The CHF in CAR also helps to complement other funding sources such as the CERF, PBF, ECHO, and EuropAid funding, and it is especially useful when these donors require complementary or matching funding:
37. Overall the CHF has led to far more inclusive participation in the CAP or Work Plan than in any of the other Consolidated Appeal Processes, and it has encouraged local NGOs to participate in the cluster system and take up humanitarian projects. (As an 'indirect impact' of the CHF this is hard to measure precisely, but one indicator is the increased numbers of local NGOs participating in clusters.) The CHF has also given

¹⁰ *'In 2010 less than 75% of the funding was allocated in such a collective manner, with 25.6% allocated either as special allocations or emergency reserve allocations. In both of these cases the allocation is made by the HC who generally follows the advice of the CHF Advisory Board working group. On a few occasions the HC has gone against the advice of the CHF Advisory Board. These cases undermine the principles of partnership on which the CHF is based and were strongly criticised by many interviewees.'* (Sudan report p.23).

¹¹ NGOs & Humanitarian Reform Project: *Fit for the Future: Strengthening the Leadership Pillar of Humanitarian Reform* (Featherstone 2009)

OCHA much greater credibility and visibility within each of the three country contexts studied in this evaluation, by providing significant funding.

38. The CHF has also brought additional humanitarian funding to the three countries by enabling both a few large donors and also small donors with limited capacity to channel humanitarian funding through a strategic approach with low transaction costs. Even with recent falls in donor allocations to the CHF it still amounts to about 8% of funded CAP projects in Sudan, 15% in CAR, and 18% in DRC.¹² Its impact appears greatest when it is used firstly for vitally needed humanitarian infrastructure, such as the UN Humanitarian Air Service, (UNHAS) – since without his infrastructure, humanitarian agencies would find it very difficult to operate. Secondly the CHF is a vital source of funding local NGOs, most of whom now find it increasingly difficult to secure such funding from other sources.
39. The impact of the CHF on the cluster system has been very mixed. The CHF tends to reflect both the strengths and weaknesses of the current cluster system. Overall prioritization across the clusters is still a major challenge, with strong pressures for a broadly equal division between the strongest clusters rather than a more strategic approach.
40. The strongly sectoral nature of clusters makes it very hard for NGOs interested in a multi-sectoral approach (for instance in order to re-settle IDPs in a particular area) to access funding. In CAR the evaluation team visited health centres constructed with CHF funding which had no water supply, but this deficiency has recently been acknowledged, and the most recent last allocation process (December 2010-January 2011) was revised in CAR so as to favour area-based integrated projects.
41. However much more still needs to be done to confront the sectoral nature of the cluster system. One approach worth trying may be **for the CHF to encourage more joint proposals from a consortium of agencies working in the same geographical area, with a lead agency taking responsibility for monitoring and reporting**. This may also be one way of involving more local NGOs and reducing the number of CHF projects, which has been a major issue in both Sudan and DRC.
42. The CHF has greatly increased participation in the clusters, especially by international and national/local NGOs. In DRC the number of national and international NGOs eligible for funding has increased over the years and national NGOs are the majority. Direct and indirect funding to national and international NGOs has increased from 43% in 2006 to 63% in 2009 and the number of projects funded every year has more than doubled from 2006 to 2009 from 139 to 284. In Sudan the support for national NGOs has risen from zero in 2006 to over \$6million in 2010.
43. The primary motivation for this increased participation may sometimes be cluster support for a particular agency's funding proposal, since at least at times of CHF

¹² Figures for 2009

grant allocations, bodies set up primarily for co-ordination purposes have to transform themselves into grant allocation committees. The evaluation found that this grant allocation process can lead to considerable tensions both within clusters, especially in Sudan and DRC, and between the centre and the periphery. One solution to this, now being tried out in CAR, is for the clusters to retain their advisory functions, but to give more decision-making powers to an inter-cluster group, which provides recommendations to the HC who makes the final decision on fund allocation. However given the large number of grant approvals made this process may be only be practical in a small country like CAR.

44. The DRC evaluation found that what the PF there requires from the clusters is in line with their core functions and supports them to meet their objectives. However their ability to allocate the CHF strategically depends on their overall capacity, but especially the quality of the cluster lead. Generally the danger with the CHF is that it will cause clusters to focus for too long on their grant allocation functions to the detriment of others.
45. In DRC the first review and pre-selection of projects used to be delegated by cluster coordinators to the provincial level, but this led to many time-consuming arguments and compromises which were felt to be weakening the CHF's overall strategic relevance. As a result the decision-making process has now been shifted back to Kinshasa.¹³

In DRC one of the cluster focal points in S. Kivu piloted a blind review whereby the project pre-selection was carried out on the basis on unidentifiable project sheets by cluster members who were not applying for funds. Nationally UNICEF has opted to refrain from presenting projects through the four clusters that it leads, but this is made easier by the amount of funding these clusters receive through the RRMP: other agencies do not have the funding advantage. The HC has also chosen to cover the requirements of UN agencies with CERF funding in order to free up funds for NGOs.

46. In order for a cluster to allocate the CHF strategically and without too much conflict it would need to have a strong cluster lead, and NGO co-lead, both ideally coming from agencies which are not too dependent on CHF funding. This is however an ideal scenario which is relatively rare, especially as other sources of funding become harder to access for both UN Agencies and NGOs.¹⁴ In addition, in DRC and Sudan both cluster leads and NGO co-leads, where appointed, are often severely overworked, and **there is a continuing need for paid, full time professional cluster leads able to offer objective leadership.**

Operational Effectiveness

47. The CHF was originally envisaged as a timely, flexible, predictable fund which would be allocated on the basis of identified needs on the ground. This section will therefore summarize the country study findings on these issues.

¹³ DRC Report p.6, & p.46.

¹⁴ Examples of clusters that met at least some of these criteria were the Nutrition cluster in Sudan, & the WATSAN cluster in DRC.

48. In relation to **timeliness** this evaluation found that there are relatively long delays first between getting a project pre-approved, and approval, and then between approval and actual fund disbursement. In DRC, while the consultative standard allocation process requires time¹⁵, the Rapid Response Reserve gives the HC flexibility in responding to urgent needs in a timely manner, and a similar system for rapid response was seen as working well in Juba. These delays are slightly better in CAR but still cause problems both for agencies (especially smaller INGOs and all local NGOs) which cannot pre-finance their work and for time-sensitive projects.
49. These time lags mean that the standard allocation windows of the CHF appear more suited to relatively routine and predictable humanitarian needs outlined in the CAPs than unexpected emergencies. The calendar-year basis of funding creates particular problems, especially in South Sudan where funding can come too late both for the purchase of seeds and tools for the rainy season, and for construction. In practice the period of time available to NGOs to implement projects is no longer than 7 months leading to the need for many No Cost Extensions (NCEs). Once a project goes into a second year, technically it used to require a second audit under UNDP rules. This requirement has been changed but DRC still requires an annual audit.
50. While some efforts have been made in both Sudan and DRC to allocate funding earlier, it is difficult to do this unless donors confirm their contributions by October of the previous year.
51. For longer term humanitarian needs, **predictability** remains an issue. Humanitarian agencies do not expect multi-year funding, and it is impossible to predict exchange rate movements, but the majority of INGOs interviewed still apply to the CHF out of necessity and their first choice would be to seek funding from their traditional bilateral donors with whom they have been able to build up mutual trust over many years. **It would lower transaction costs and enhance effectiveness if the CHF could exceptionally make multi-year grants to agencies where the clusters are able to make a strong case for such funding, perhaps in return for a higher level of monitoring.** (See recommendations in section 5.4 below)
52. The most **flexible** part of the CHF is the Rapid Response funding mechanisms, where funds are allocated by the RC/HC. These appear effective, especially in DRC and Sudan, but these mechanisms are often not sufficiently well known to all potential recipients, and at least in the case of one incident already mentioned in Sudan in 2009, there is a perception that these mechanisms can be misused. Where such emergency allocations are made for ‘non-emergency’ applications the conclusion of the evaluation is that this kind of decision is damaging both for the HC and the agency concerned, which is perceived as only being able to secure funding through special pleading.

¹⁵ According to JPFU data, it takes about 50 days to complete the steps between the launch of the process by the HC and the submission of project documents to the JPFU, which is followed by an average of 1 ½ months for the project review.

53. Though the CHF is not earmarked by the donors, NGOs using UNDP as MA find that once funding has been approved, much of this flexibility is lost as changes of use of more than 20% of the budget require the HC's approval, and no activity can be added or removed.¹⁶
54. The CHF has often been used for funding common services like UNHAS or for core pipelines of key supplies like therapeutic food, drugs, or agricultural inputs. There is strong consensus across the clusters on the need to finance UNHAS (since both NGOs and UN Agencies would find it difficult to operate without UNHAS at least in DRC and Sudan.) There is also agreement that in some cases it may make more sense for a UN Agency to procure some commonly needed supplies rather than individual agencies making multiple orders. However the practice becomes contentious when the pipeline management agency is seen as performing poorly, as was the case until recently with FAO in Sudan. (See recommendations)
55. In both DRC and Sudan NGOs raised the issue of 'pass through' funding where grants are made to UN agencies but the work on the ground is done by their INGO and NNGO partners. This issue is also contentious with NGOs questioning the level of funding retained by UN agencies and the value added. NGOs would rather receive CHF funding directly as this is far less restrictive than pass-through¹⁷ CHF funding through a UN agency. NGOs complain that they typically cannot use such funding unless they also have co-funding other sources, as normally UN Agencies are very strict about the amount of overhead costs that can be charged against such sub-grants.¹⁸
56. There is nothing inherently wrong with this kind of 'pass-through' funding but the evaluations identified two problems. First it is sometimes difficult to see from the project information available what percentage of such grants are actually passed-through and what percentage is retained by the grant holder. Greater transparency on this issue would both reduce mutual suspicion in some clusters, and more explicit guidance to clusters on the extent to which they should support this way of working would enhance the effectiveness of the CHF. Secondly the UN Agency or INGO receiving CHF Funds and passing them should be asked to explain what services they are offering which justify these costs.

One example of the potential of the CHF for improving the overall quality of humanitarian work was the work of a single Gender Advisor in DRC who has developed gender guidelines for all project applications.¹⁹ However the exact influence of this work on outcomes at the project level remains unclear.

¹⁶ From Sudan Country Report p.37

¹⁷ Pass-through is used in line with US practice (where the term originates) the sense of all funding that is allocated to sub-grantees of the main grant-holder rather than in the more restrictive sense in which the term is used by UNDP to apply to funding passed-through to other UN agencies.

¹⁸ For example, FAO pass-through funding for Seeds and Tools covers contracted transport but does not cover any associated staff costs.

¹⁹ Delphine Bruin *Lessons Learnt from the Pilot Use of Gender Markers to rate humanitarian projects– Pooled Fund DRC Feb 2010*

Relevance, Appropriateness, and Quality

57. The scope of the CHF and the extent to which it should be used to support both transitional and recovery activities was an issue raised in the 2007 evaluation, which recommended that *'donors should ensure funding for transition activities so that the Funds do not have to stretch to these & can focus on real emergency needs.'*²⁰ While there are clear differences in perception between donors on this issue, most notably in DRC, the reduction in overall funding levels for the CHF in all 3 countries has reduced the possibility of using the CHF for other than clearly humanitarian purposes. At the same time other multi-donor funding streams have been established with more of a recovery mandate, including the SRF and DCPSF in Sudan, and the Stabilization and Reconstruction Funding Facility in Eastern DRC (SRFF). The problem remains that the CHF, for all its faults, is still by far the most accessible of these funds for NGOs, and the linkages between these funds still appear relatively weak (See recommendations below). For as long as it is relatively easier for agencies to apply for CHF funding rather than funding from these other pooled funds there will continue to be pressure on the CHF to broaden its mandate.
58. Given the breadth and number of the projects financed by the CHF, it is impossible to reach any strong conclusions on project relevance and quality. CHF projects tend to reflect the broader strengths and weaknesses of humanitarian work in the three countries, and it is difficult to be more precise than this due to the general absence of M & E data. In CAR the four short evaluation reports which the evaluation team were able to access suggested satisfactory project implementation, with the major constraints being a lengthy procurement process (related to the country's isolation), insecurity and high staff turnover.²¹
59. In CAR the small size of the country and the smaller number of actors makes allocation of the CHF relatively easier but the evaluation found that inter-agency joint needs assessment could be improved. Discussions on prioritization and joint analysis occur during the cluster meetings and for the drafting of the CAP. However, the last comprehensive needs analysis report was drafted in 2008²² and has not been updated yet. Even this, somewhat out-dated analysis is sector based and cluster oriented and it does not include comparative indicators for different geographical areas in all the clusters. A related NGO mapping exercise (or 3Ws²³) was last drafted in 2008 and also needs to be updated.
60. All three country reports find it difficult to comment on the quality of projects in the absence of effective monitoring systems, noted in previous evaluations. (Stoddard et al., 2006; Willitts-King et al., 2007). Willitts-King noted that *"Monitoring and evaluation is very weak, both at strategic level – in terms of whether the Funds are having a positive impact – and programmatically, particularly for UN agencies. Current structures are ill-equipped to carry out these functions."* (p. 3). The recent UNDP review of the FMU in

²⁰ Quoted in OCHA Management Response Matrix for the 2007 CHF Evaluation for DRC and Sudan (OCHA -2009)

²¹ A total of 18 projects in CAR (none from UN agencies) were evaluated in 2009 and 2010

²² "Needs Analysis Framework", HDPT, CAR, 2008

²³ Who is doing What Where

Sudan found that *“there is no real monitoring and evaluation of the field activity of the NGOs, neither to confirm it takes place nor to measure its impact.”* (Downs, 2010, p. 3).

61. The result of this weakness is that when clusters make their allocation decisions they may have some idea based on anecdotal evidence about the performance of the agency putting up the proposal, but little or no properly documented performance data on which to base their decisions.

In the more inaccessible areas of Eastern DRC many of the implementing organizations of the Pooled Fund (CHF in DRC) are national NGOs which know the area well, have a relationship with the communities, and are therefore able to address very specific needs. In two projects visited in Province Orientale, local building materials were used for rehabilitating schools and clinics so as to avoid having to bring in large amounts of cement by truck on bad and sometimes unsafe roads. Using local raw materials was more cost effective and had the added benefit that the beneficiaries know how to use them, meaning that they could be employed as masons for the construction.²⁴

62. In DRC the JPFU has gone furthest ahead in establishing an M & E function, which does involve project visits. This monitoring is undertaken in a challenging context, with considerable access problems not only because of conflict, but also because of the lack of infrastructure in many places. Many projects are implemented in areas out of reach for UN staff and the sheer number of projects being implemented over such a vast area poses a challenge in terms of time and resources. Thus M&E of the PF in DRC tends to focus on compliance with UNDP procedures, the completion of activities and the verification of outputs rather than project outcomes and quality. It is helpful in ensuring that activities are carried out as planned, but does not provide the much needed indication of relevance, effectiveness and efficiency, let alone impact, of the projects.

‘Identifying positive impact is still the biggest hurdle. In allocation after allocation we discuss the same problems and plan for the same activities but we have no idea of the impact of our past activities!’ Cluster focal point, N. Kivu, DRC²⁵

63. In addition, the JPFU M&E section does not follow up UN projects since its M&E function stems from the UNDP MA mandate covering only the NGOs. As Administrative Agent, UNDP has no role with respect to the accountability of UN agencies. The latter have their own M&E mechanisms but have no obligation to share the resulting reports with the JPFU. At the end of 2007 the JPFU did succeed in introducing a **common reporting format for UN agencies and NGOs** which uses key indicators for each sector, is due twice a year, and is linked to the JPFU database. As the DRC Report comments: *The fact that UN agencies have agreed to provide such data*

²⁴ DRC Country Report p. 24.

²⁵ DRC Country Report p.25.

*is regarded as a milestone, but the process in place provides no evidence of effectiveness, outcomes, or quality*²⁶.

64. The DRC evaluation also found cases where NGOs relying on UN supplies for their projects were unable to carry out their activities as planned because the expected supplies were unavailable. Agreements regarding these supplies are apparently verbal, which limits accountability on the part of the UN agencies.
65. In Sudan there is currently far less monitoring than in the DRC. Progress appears to be constrained both by a lack of consensus on what should be done, and by a very high turnover of M&E staff in OCHA. The Sudan report also notes that at present there is no single project document used by both OCHA and UNDP which can provide a solid foundation for monitoring.²⁷ Once a project has been approved by the HC, NGOs have to prepare a different proposal for UNDP which is not then normally shared with OCHA.
66. It is however far easier to diagnose the lack of M&E in the CHF as a ‘problem’ than it is to come up with a robust solution that will satisfy all the different stakeholders. Indeed, as emphasised in the Sudan report, with multiple donors the problem is not a lack of monitoring data *per se*: as this report argues ‘*there is a risk of wasting resources through overlapping monitoring at different levels*’.²⁸ The problem is that the information gained from these disparate monitoring efforts is never consolidated, and (as noted above) clusters have to make key decisions in the allocation of the CHF with often minimal information about the past performance of the agencies requesting the funding. The Box below spells out some basic principles to bear in mind when designing such a system:

Underlining principles for a CHF monitoring system

What principles should underlie any CHF monitoring system to take account of this complexity? The following principles are drawn up on the basis of providing the greatest amount of monitoring data at the lowest additional cost:

- It should be based on the existing project data including the works plan, logical framework or resources and results framework.
- It should allow for details of sub-grants (and of their targets) to be entered.
- It should be simple and easy to use.
- It should provide an opportunity to record information on progress towards the targets in the logical framework or resources and results framework (inputs, activities, outputs, outcomes (purpose), and goal (overall objective)).
- It should provide an opportunity to record information on challenges met, solutions found, and lessons learned.
- It should be accessible for data entry by the staff of grant holders, sub-grantees,

²⁶ DRC Country Report p.27

²⁷ Sudan Country Report p. 27.

²⁸ Sudan Country Report, p.26

sector leads, OCHA field staff, donor monitors, line ministry and department managers, OCHA HFU, and UNDP FMU.

- It should allow the easy uploading of data, in the form of trip reports etc. without requiring them to be in a particular format.

Clearly, this type of monitoring system would need to be web based, and might also cover not just CHF projects, but also the Work Plan.

(Source: Sudan Country Report p.28)

67. However it may be a mistake to focus only on M & E systems. The conclusion of this evaluation is **that both the Advisory Boards and clusters leads need to insist that all major allocations are based on the past performance of the applicant in the actual timely delivery of humanitarian assistance.** This would have two advantages. First it would increase the incentives for CHF recipients to be efficient. Secondly it would help generate a demand at cluster level for more reliable information about the performance of all CHF grantees.
68. In addition the Country Reports suggest a need to focus monitoring efforts around the cluster system to the extent possible, rather than set up separate systems.²⁹ There is a strong case for more joint monitoring of CHF grants, with cluster representatives undertaking joint monitoring visits with OCHA/UNDP staff. However given quite severe human resource constraints it makes sense to focus initially on collecting very basic performance information on outputs and outcomes, rather than impacts. The best way forward may be a combination of monitoring led by clusters (with OCHA supplying technical support), together with a programme of more in-depth thematic evaluations led by OCHA.
69. Finally both the CAR and DRC reports conclude that government involvement, especially local government involvement, in the allocation of the CHF is currently too limited. In CAR local government officials told the evaluation team that Local Development Plans developed by municipalities aiming at establishing priority needs, have not been sufficiently taken into account by NGOs during their needs assessment and prioritisation phase.³⁰ In DRC while there is some involvement of line ministries at the provincial level, there is a case for at least more information sharing about the projects funded with the provincial authorities.³¹ In Sudan there are particular problems about involving government more in the allocation of the CHF in Darfur, but there is a strong case for increasing their participation in cluster decision making in South Sudan.

Efficiency

70. The country reports all compared the operating costs of the CHF in relation to the quality of service provided, and analysed the role of UNDP as both Administrative Agent and Managing Agent, with most of the analysis going into its MA role. The

²⁹ The M & E Unit of the JPFU in DRC is still seen as too separate from the clusters.

³⁰ CAR Country Report p. 21;

³¹ DRC Country Report, p.6

costs of this role have increased in Sudan from 3.5% in 2006 to 7% today, the same MA fee as in CAR. In DRC the MA fee is only 5%.

71. However the main issue raised by all the reports is not the level of fees charged by UNDP as such but the quality of service provided, especially in relation to monitoring. The CAR Report found that *investment at the field level remains weak, as it is limited to the payment of one staff (P3 level) assigned to be responsible for CHF projects' finance but with no responsibility for impact assessment or even more limited M&E functions. Most of the implementation of the selection process and supervision of the fund implementation, including evaluations, is done or organized by OCHA*³².
72. In Sudan UNDP is estimated to have received \$11.8million as MA fees, but the evaluation found that the cost of operating the FMU is significantly less than the fee retained by the Country Office. While UNDP might argue that it needs to be compensated for passing on funds for which it is accountable to NGOs, in practice these risks are notional and in no case has UNDP had to reimburse the CHF even when the grantees were unable to complete the projects or properly account for the funds. UNDP make the point that the 7% fee is not a reflection of the cost of providing the service that they do provide but reflects the general trust-fund cost recovery level set by the UNDP Executive Board, and that in the original division of responsibility, OCHA assumed the monitoring function.
73. UNDPs actual performance as MA has been variable. In Sudan the FMU is seen as having improved considerably in recent years, but in CAR while disbursements of the first tranche are prompt, later payments often get delayed and in October 2010 payment was still due for more than half of the projects. This is due to misunderstandings about the administrative and financial reporting requirements, which are made worse by the absence of a Procedures Manual for the CHF in CAR.³³ In DRC there have been recent tensions between OCHA and UNDP in the running of the JPFU and procedures are still seen as cumbersome, with NGOs complaining most about the frequency and costs of audits, and the emphasis placed by UNDP systems on fiduciary risk rather than actual performance.³⁴
74. In general the CHF has shifted both transaction costs and risks from donors and on to clusters and recipients, especially NGO recipients. For instance in Sudan CHF grants to UN agencies are paid immediately by UNDP. However with non-UN grants although a grant has already been approved by the HC on the recommendation of the Advisory Board and the clusters, grantees now have to fill in a UNDP-style project proposal. While the target numbers and activities may stay the same (or may be varied due to getting less than asked for) the budget composition and indicators may be different. This also means that at least in Sudan the evaluation team found that there are two unrelated grant databases – the OCHA one and the

³² CAR Country Report p.29

³³ CAR Country Report p.28

³⁴ DRC Country Report p.36

UNDP one, and as a result OCHA struggles to compile the basic information for Annual Reports.³⁵

75. As regards OCHA though the CHF could be seen as a vital opportunity for OCHA to prove its relevance and strengthen its role in three countries facing long term complex emergencies, for reasons that go beyond the TOR for this evaluation, it does not appear to have succeeded in fully grasping this opportunity at least in Sudan. Though progress has certainly been made with the establishment of a Funding Coordination Section (FCS) in the office of the Director in OCHA New York it is difficult for the CHF to reach its full potential if OCHA's own staffing budgets are being reduced. In this respect continuity of senior staff in difficult locations like Darfur is especially important.
76. In DRC the CHF has been managed since its inception by a highly motivated manager with strong support from the HC, and (as discussed below) overall accountability systems, while still imperfect within the Joint OCHA-UNDP Pooled Fund Unit are better developed. After a strong start Sudan has suffered over the last 2 years from a high turnover of OCHA staff, especially in M & E functions, and discontinuities in key posts have resulted in senior CHF staff being diverted to provide 'cover' for these posts. Technically Fund Management is the responsibility of OCHA; and Fund Administration is the responsibility of UNDP/MDTF Office, with NGO grants being channelled through UNDP acting as Managing Agent, but the evaluation found that this distinction does not work well in practice, and very little monitoring or evaluation of the CHF in Sudan is being done. The Sudan Report therefore recommends a Joint Unit be set up for the CHF in Sudan on similar lines to the JPFU in DRC.³⁶
77. Continuity of OCHA senior staff is especially important because of the very high turnover of humanitarian staff in other agencies, and there is a major need for OCHA to issue clear guidance on the CHF to all potential applicants and clusters. As the DRC Report found: *'Information about the PF and its procedures amongst UN agencies and NGOs is often erroneous and leads to misunderstandings and unnecessary tensions.'*³⁷ The conclusion of the evaluation was that **there is a need for OCHA to have sufficiently qualified staff in each CHF country to maintain an online platform, accessible by all those eligible for PF funding to ensure streamlined communication about allocation procedures:** the JPFU in DRC is already working on building up such a platform. (See recommendations below).
78. Finally both the CAR and Sudan reports view as problematic the 'ad hoc' way in which OCHA itself is funded from the CHF. In CAR *'OCHA received US\$400.000 from the CHF through the cluster allocation process in 2009 to fund coordination activities. At the same time, OCHA has an important role in assisting the clusters*

³⁵ As of November 2010 OCHA was building its own CHF database without much UNDP involvement, and the 2009 Annual Report of the CHF in Sudan was still not available.

³⁶ See Sudan Report for details

³⁷ DRC Country Report p. 4.

leads and co-leads, the HC and the advisory board decide the allocation of the CHF. There is a perceived conflict of interest arising from this dual position: OCHA is supposed to supervise the process, and remain neutral, without being granted any secure funding for this.^{38'}

79. In Sudan a specific grant of \$1million was made to cover OCHA's costs in 2010, but in previous years there were much higher allocations both to OCHA and to the RC's office, which the report estimates amount to 5.2% of all CHF allocations in Sudan since 2006. We therefore make recommendations below aimed at ensuring that in future OCHA's own costs in running the CHF are covered in a more systematic way.
80. However, even bearing all these problems in mind, in comparison with other funding streams the CHF is regarded as comparatively efficient by its recipients. The major problem is not the cost of UNDP's services *per se* but the fact that only in DRC is some of its MA fee utilised for monitoring.

³⁸ CAR Country Report p. 28.

4 CONCLUSIONS

81. In relation to **operational impact**, the conclusion is that the CHF has indeed *'contributed to improvements in the humanitarian community's ability to address critical humanitarian needs in a timely and effective manner.'*³⁹ Probably the strongest impacts are visible where HC's have made strategic use of the Emergency Reserve. There has been a more mixed impact on the cluster system: more agencies have become involved with clusters, but the competition for CHF funding often poses major challenges for cluster leads and co-leads, and the transfer of responsibilities to clusters has not yet been matched by a transfer of human and financial resources to enable them to discharge these responsibilities.
82. In relation to **operational effectiveness and coherence** a key feature of the CHF is that it is work in progress, and in all three countries there have been significant improvements made to the allocation and disbursement of grants since 2007. Through structures like the Advisory Boards there is improved complementarity and coherence between donors (including donors not funding the CHF). While the CHF has required individual clusters to prioritize, overall prioritization between clusters is still problematic and requires strong humanitarian leadership. Though DRC has done the most to correct this deficiency, the major constraint faced by the three funds is the lack of basic feedback to Clusters and Advisory Boards on project outcomes, caused by the lack of monitoring and evaluation. The use of the CHF Emergency Reserve has allowed for rapid crisis response, especially in the DRC, but for normal CHF allocations through the clusters, though timeliness has improved, the funds often arrive too late in the calendar year, and the time in which these funds have to be spent is then often too short
83. As regards **relevance/appropriateness and quality**, the process by which the CHF is allocated between different regions of both Sudan and DRC is highly contested, and sometimes seen as arbitrary. (The situation in CAR is very different, as the funding for the CHF has declined to only \$6million in 2010, enough to finance only 25 new projects.). Clusters are still seen as dominated by their lead UN Agency, and NGOs still feel that allocations of the CHF favour both these cluster leads and a small number of large INGOs.
84. Far tighter monitoring is needed to ensure the technical quality of CHF projects, and a greater attention to sustainability is needed where the same needs (for example for water supplies, or rural roads in Eastern DRC) come up for funding every year. Given the fall in donor funding for the CHF, rather than widen its scope to recovery activities, the evaluation concludes that the HC and UNCT need to ensure more referrals from the CHF to other MDTFs concerned with recovery and stabilization. In relation to **efficiency**, especially in the DRC and Sudan the huge volume of work required means that the CHF risks becoming the victim of its own success. It is very difficult for OCHA, UNDP, and the Joint PF Unit staff in the DRC, as well as clusters

³⁹ See Key Issues and Evaluation Questions -CHF Evaluation TOR –Figure 1

to continue to cope with such an ever increasing workload, and the decline in funding has tended to exacerbate the competition for CHF funding between UN Agencies, INGOs, and local NGOs. UNDP has worked hard to improve its performance as Managing Agent (MA) for NGO recipients, but is still not able to offer a comprehensive monitoring service to justify what it charges for this MA function.

5 RECOMMENDATIONS

For donors

85. The difficulties relating to the implementation of the recommendations of earlier evaluations suggest that donors need to become more engaged in the short term to support OCHA in particular in those areas where progress has so far been limited – especially the need for adequate financial incentives for OCHA to run the CHF effectively, more appropriate management arrangements for NGO recipients, and improved M & E. Donors can provide both financial and human resources to that these important changes happen in the next two years. However this period of greater involvement should be limited to a transitional period.
86. **Donors should wherever possible make multi-year commitments to the CHF in each country so that the allocation process is not held up by uncertainty about the resources available, and the CHF can exceptionally make some grants for longer than just one year.**⁴⁰
87. **To assist planning donors should allocate funds for annual grants before the start of the calendar year.**
88. **Donors to the CHF should reserve a portion of their budget to support the cluster coordinator and co-facilitator functions, given the heavy reliance of the CHF allocation process on the clusters.**

Recommendations for OCHA, UNCTs, & HC's

89. **OCHA needs to make the successful management of funds like the CHF a far higher corporate priority** and needs to advocate more consistently both within the UN system and to its donors to ensure that it has adequate management resources for this task, especially at country level.
90. OCHA New York should also provide technical support for a small number of thematic evaluations, to be undertaken each year, on key result areas for the CHF identified by the Advisory Boards in each country. Donors should both be invited to participate in, and co-fund these evaluations.
91. As noted in both the 2007 evaluation and other recent reports⁴¹, the existence of different Pooled Funds run separately and with little communication between them is essentially problematic: **there is a need for far closer co-ordination between the different funds, and more 'referrals' so that projects that do not meet the criteria**

⁴⁰ DFID say they might be able to make such multi-year commitments.

⁴¹ See Ball N & van Beijnum M. UNDG/ECHA Task Team on Financing for Transition Pooled funding for transition at the country level (November 2010)

for the CHF can be recommended to funds concerned with recovery and stabilisation issues. (for action by HC, UNCT's, & OCHA)

92. **At country level there needs to be better communication with recipient & potential recipient agencies, making full use of the internet wherever feasible** (for action by OCHA).
93. Since OCHA's Humanitarian Financing Section is funded in an ad-hoc manner **OCHA's own fund management costs in each country should be covered by a percentage levy on the fund.**

Recommendations regarding the Management Agent Role

94. In Sudan UNDP is currently charging 7% for indirect support costs for NGO grants, (5% in DRC) but is not providing a full service. **UNDP in Sudan should therefore immediately reduce the Management Agent fee to a level which approximates its real costs, and the money thus saved should be used to improve monitoring throughout the CHF.** (Action HC, UNCT, UNDP)
95. Many of the practical problems of the CHF stem from the way in which UNDG rules for MDTFs require that CHF grants to NGOs be treated as UNDP sub-grants. This suggests 3 possible options:
- a) **UNDP and UNDG could formulate new rules for this type of managed fund which would provide far greater flexibility;**
 - b) **OCHA could take over the Management Agent role (as recommended in the 2007 evaluation and as is now being done with ERF's in about 20 countries.)**
 - c) **OCHA could seek another management agent, using a process of competitive tender.**
96. In practice these options are not mutually exclusive, and option (a) needs to be implemented as soon as possible, while both options (b) and (c) will take longer to implement.
97. In the current MA system run by UNDP the calendar-year funding basis is a source of inflexibility in the fund, and requires frequent no-cost extensions, increasing transaction costs. **CHF allocations should therefore be for a maximum of 12 months from the payment of the first instalment.** (Action: OCHA, UNDP)
98. UNDP rules have been amended to offer the option only requiring one audit certificate for the life of the project rather than one per calendar year. **UNDP should apply this requirement to CHF projects so that only one audit certificate is needed for a 12 month project even if it spans two calendar years.**⁴²

⁴² The practice between Sudan and DRC varies in this respect. UNDP changed this requirement in response to concerns voiced by NGOs.

Alternatively, they should implement the HACT to allow audits of partners instead of projects. (Action UNDP)

Recommendations on M & E for action by OCHA and Clusters

99. UN Agencies have their own monitoring and reporting systems, and are understandably cautious about an additional ‘layer’ of monitoring being established by the CHF. We accept that monitoring requirements should be kept ‘light’ but we recommend **that monitoring requirements should be agreed across each cluster, and should be the same for all categories of partners. The performance of CHF recipients, both strong and weak, should affect future eligibility for CHF funding.**
100. **OCHA should therefore establish an adequately-staffed monitoring unit to coordinate self-monitoring and reporting by all grantees, and external monitoring by the sector leads.**
101. In the clusters, monitoring ought ideally to be undertaken by the sector leads, but they are already seriously overstretched. **The CHF Administrative Boards should allocate a percentage of CHF funding to support monitoring by the clusters/sectors, and OCHA should have sufficient senior staff in each country to co-ordinate this monitoring with the clusters and ensure that the results feed into future funding allocations.** The main focus of site visits should then be not just to check on outputs and outcomes but also to ensure that a recipient agency has a robust M & E system in place.

Other Recommendations

102. Since funding for core pipelines is contentious, especially where the pipeline management agency is seen as performing poorly **core pipelines should only be funded where the pipeline management agency can demonstrate fast and efficient performance** (Action: Clusters, CHF Advisory Boards)
103. As some core pipelines have excessive procurement costs, **Core pipeline agencies should put procurement services out to tender** (Action CHF Recipient agencies)
104. In relation to ‘Pass-through’ funding (discussed above) we recommend that normally **CHF funds should be allocated directly to implementers and not passed-through unless there is a clear rationale given for passing the funding through another agency – for instance if it is the lead agency in a consortium.** Where CHF funds are to be used for sub-grants the project application should clearly state what proportion of the funding is to be passed through and what proportion is retained for coordination, technical support, and sub-grant management. (Action: OCHA, clusters)

105. All three country evaluations point out some of the conflicts of interest which are inherent in the current humanitarian system, and in particular within the current cluster system, when agencies are sometimes “judges in their own case”. We therefore recommend that **agency staff should absent themselves from allocation discussions of their agency’s own projects.** (Action OCHA, clusters)
106. Finally the difficulty in implementing the recommendations of the two previous CHF evaluations highlights the need to resolve systemic issues that go beyond the TOR for this evaluation. These include:
- ❖ the continuing contradiction that OCHA has been forced to cut staffing and other related budgets just at a time when its workload, especially in relation to funds like the CHF, has been increasing;
 - ❖ the whole status of OCHA within the UN System, and whether restructuring it back to a full UN Department like DPKO would enable it to strengthen its financial and human resource management capacities in relation to funds like the CHF;
 - ❖ The extent to which UN Agencies can be expected to monitor, report on, and evaluate the funds they receive from the CHF and other similar MDTF’s;
 - ❖ the role of UNDP as Managing Agent for humanitarian funds disbursed to NGOs and the extent to which OCHA, working closely with donors, is prepared to put time and resources into setting up more appropriate management arrangements.

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