

# COUNTRY-BASED POOLED FUNDS

**The NGO Perspective**



Published in November 2019

This study, written by Christian Els, was commissioned by the Norwegian Refugee Council (NRC) and the UN Office for the Coordination of Humanitarian Affairs (OCHA) and partly financed through Swedish development assistance.

Author: Christian Els

Editor: Jeremy Lennard

Design: Larissa Bouquerel, [larissab.fr](mailto:larissab.fr)

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# ACRONYMS

<b>AB</b>	Advisory Board
<b>CAR</b>	Central African Republic
<b>CBPF</b>	Country Based Pooled Fund
<b>CERF</b>	Central Emergency Response Fund
<b>CPF</b>	Common Performance Framework
<b>DRC</b>	Democratic Republic of the Congo
<b>GB</b>	Grand Bargain
<b>GFGP</b>	Good Financial Grant Practice
<b>GMS</b>	Grant Management System
<b>HACT</b>	Harmonised Approach to Cash Transfers
<b>HC</b>	Humanitarian Coordinator
<b>HFTT</b>	Humanitarian Financing Task Team
<b>HFU</b>	Humanitarian Funding Unit
<b>HRP</b>	Humanitarian Response Plan
<b>K4D</b>	Knowledge, Evidence and Learning for Development
<b>IASC</b>	Inter-Agency Standing Committee
<b>INGO</b>	International non-governmental organisation
<b>ISO</b>	International Organization for Standardization
<b>MPTF</b>	Multi-Partner Trust Fund
<b>NGO</b>	Non-governmental organisation
<b>NNGO</b>	National non-governmental organisation
<b>NRC</b>	Norwegian Refugee Council
<b>OCHA</b>	United Nations Office for the Coordination of Humanitarian Affairs
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PCA</b>	Partner capacity assessment
<b>SAG</b>	Strategic advisory group
<b>SRC</b>	Strategic review committee
<b>SSHF</b>	South Sudan Humanitarian Fund
<b>THF</b>	Turkey Humanitarian Fund
<b>UNDP</b>	United Nations Development Programme
<b>UNHCR</b>	United Nations Refugee Agency
<b>UNICEF</b>	United Nations Children's Fund
<b>WASH</b>	Water, sanitation and hygiene
<b>WFP</b>	World Food Programme
<b>WHS</b>	World Humanitarian Summit

# EXECUTIVE SUMMARY

More than 1,000 non-governmental organisations (NGOs) have worked in partnership with the UN Office for the Coordination of Humanitarian Affairs (OCHA) since 2014 to implement the vast majority of funding channelled through country-based pooled funds (CBPFs). This study brings together their experiences and recommendations to improve a mechanism that has become a staple of the humanitarian landscape and financing toolbox.

The amount of funding available through CBPFs managed by OCHA doubled between 2014 and 2018 to \$950 million, and there are currently 18 CBPFs in operation. Given the growing significance of such funds and OCHA's ongoing evaluation of them, this study is intended as a comprehensive review of NGOs' operational experiences in accessing and working with CBPFs. A joint initiative between the Norwegian Refugee Council (NRC) and OCHA, it gathers NGOs' perspectives on their successes and challenges and the opportunities they see for improvement, with the aim of ensuring their voices are heard in the findings and recommendations to emerge.

The study also builds on NRC's 2017 report, *Understanding Humanitarian Funds*. It endeavours to determine whether NGOs still feel CBPFs are fit for purpose, particularly in terms of Grand Bargain commitments to reduce the earmarking of donor contributions, increase multi-year disbursements and improve local and national humanitarians' access to funding. It also discusses ways to reduce the administrative burdens on recipient organisations, and governance and decision-making issues.

A mixed methodology employing quantitative and qualitative approaches was used in the research, including key-informant interviews, an online survey and quantitative analysis of OCHA's grant management system (GMS) data. Myanmar, Nigeria, South Sudan and Turkey were selected as focus countries for more in-depth interviews. The online staff survey had significant reach. Fifteen percent of the almost 5,000 NGO focal points (registered on GMS since 2014) completed the online survey, for a total of more than 600 respondents.

## EARMARKING

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**Finding 1:** Almost a quarter of CBPF funding is available for flexible use, but budget revision rules are too rigid.

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CBPFs have allowed donors to increase their share of un-earmarked funding, but the flexibility accorded progressively reduces as funds are allocated to specific projects. Existing regulations state that up to 22 per cent of CBPF funding can be used in a flexible manner, 15 per cent budget flexibility and seven per cent project support costs. Survey respondents and key informants identified a lack of budget flexibility for staff costs, and said the need for prior approval to create budget lines was time-consuming and hindered the effective use of funding in changing operational situations.

**Recommendation 1:** The flexibility of CBPFs should be increased by extending the 15 per cent budget flexibility to staff costs, and introducing the possibility of creating new budget lines within the 15 per cent parameter without prior approval.

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**Finding 2:** A cap on sub-granting has allowed more national NGOs to access funds directly, reducing earmarking.

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OCHA's GMS data indicates that sub-granting agreements, where the CBPF recipient channels funding to an implementing partner, accounted for eight per cent of all funds allocated in 2018. Thirty per cent had a sub-granting element.

This type of funding is more tightly earmarked, because the implementing organisation has less power to decide how it is used than the direct recipient. Experiences with the South Sudan Humanitarian Fund show that after the advisory board's decision to disallow sub-granting, national NGOs that previously tended to access funding indirectly received more direct and less-earmarked funding.

**Recommendation 2:** Sub-granting agreements should be limited to projects where they add discernible value. Examples include activities that promote capacity building to improve the sub-grantee's ability to access funding directly, and those that promote integrated programming or allow operating at scale.

## MULTI-YEAR FUNDING

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**Finding 3:** Multi-year funding has not been systematically included in CBPF planning. Only three donors currently provide such commitments, and the average project duration remains below 12 months.

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CBPFs' potential to provide multi-year funding has yet to be fully realised. Only the UK, Switzerland and Germany pledge funding for more than a year. The Democratic Republic of the Congo (DRC) Humanitarian Fund is the only CBPF that systematically provides funding over 24 months, despite the absence of multi-year pledges. Key informants were clear that projects with a duration of less than a year are undesirable, in most cases because they do not allow costs associated with implementation to be optimised.

**Recommendation 3.1:** Project duration should be increased by up to 30 per cent within the existing funding landscape to reach an average of 12 months.

**Recommendation 3.2:** Policies should be adjusted to allow cost extensions and project durations of longer than 12 months.

**Recommendation 3.3:** Donors, OCHA and NGOs should advocate where relevant for multi-year Humanitarian Response Plans and matching donor commitments to allow CBPFs to provide multi-year funding.

## LOCALISATION

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**Finding 4:** Most CBPFs have increased the funding share going to local actors, by two-thirds on average, since 2015.

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CBPFs have played a significant role in providing more funding to national NGOs in recent years, and they in turn have taken an increasingly important role in decision-making bodies such as advisory boards and strategic and technical review committees. Non-donor seats are currently split between UN agencies on the one hand and NGOs without differentiation on the other.

**Recommendation 4.1:** National NGOs' role in advisory boards should be strengthened to reflect and consolidate their growing participation in CBPF governance and implementation. Advisory board seats for non-donors should be shared equally between UN agencies and national and international NGOs. This would effectively introduce a new category on the boards, increasing NGO participation and ensuring national NGOs are adequately represented.

**Recommendation 4.2:** Positive examples of capacity-building initiatives, such as walk-in clinics in Nigeria, should be built on to provide such opportunities both in-country and at the global level and contribute to national NGOs' greater participation.

## HARMONISATION

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**Finding 5:** The vast majority of international NGOs access CBPFs in more than one country.

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Ninety per cent of international NGOs access CBPF funding in various countries, and more than 40 per cent of the funding channelled to them goes to organisations that access CBPFs in ten or more countries.

OCHA has embraced the concept of simplification and harmonisation by universally rolling out the 8+3 narrative reporting template across CBPFs and the Central Emergency Response Fund (CERF), in line with the Grand Bargain commitments. OCHA-managed pooled funds constitute a formidable testing ground for global initiatives, and the CBPFs would benefit significantly from tweaks to some of their systems and the centralisation of some data collection and assessment procedures.

**Recommendation 5.1:** CBPFs should stay abreast of and contribute to harmonisation efforts in the humanitarian financing arena, particularly within the Grand Bargain.

A common due diligence system, the harmonisation of financial budgeting and reporting, and participation in the UN Partner Portal are three key initiatives that could be adopted in the short term.

**Recommendation 5.2:** Part of the data collection for due diligence and risk rating should be centralised to optimise multi-country assessments.

**Recommendation 5.3:** A set of offline templates should be created to allow for the direct uploading of project documents.

## GOVERNANCE

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**Finding 6:** Funding allocations are not always perceived as fair and transparent.

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The survey results from this study suggest that recipient NGOs perceive the decentralised processes steered by in-country decision makers as not fully transparent.

The governance system is designed to prevent mismanagement, but other measures could further mitigate this reputational risk and increase both the perceived and actual fairness of process.

**Recommendation 6.1:** A central repository for CBPF data should be established, and the timely and accurate dissemination of information ensured, including country-specific guidelines, advisory board composition and minutes, allocation papers and lists of proposals and partners that have been accepted or rejected.

**Recommendation 6.2:** To reduce perceived bias, only non-applicants to the allocation round should be selected as review committee members, as in Myanmar.

**Recommendation 6.3:** Global-to-local NGO coordination and dialogue should be fostered to ensure that field realities are considered in global policy discussions and vice versa. This would mutually strengthen the role of NGOs in CBPF governance systems at the country and global level, including advisory boards, review committees, the CBPF-NGO Dialogue Platform and the Pooled Funds Working Group.



# INTRODUCTION

## SCOPE OF STUDY

This study on country-based pooled funds (CBPFs) focuses on the operational perspective of national and international NGOs in accessing and using such funding. It extends NRC's existing research on CBPFs (Thomas, 2017) at a time of increased interest in researching and evaluating such mechanisms. Recent research has included a study by German NGOs (Koepl, 2019), a desk review by K4D (Carter, 2018) and an ongoing global evaluation conducted by the UN Office for the Coordination of Humanitarian Affairs (OCHA).<sup>1</sup>

There are currently 18 CBPFs in operation, all managed by OCHA. The UN Development Fund (UNDP) and its Multi-Partner Trust Fund Office (MPTFO) are also involved to varying degrees in the administration and management of some. The funds received \$950 million in 2018, almost double the figure for 2014, and far in excess of the average 30 per cent growth rate of the humanitarian sector over the same period.<sup>2,3</sup>

Given the rapid increase in contributions to CBPFs, this study analyses whether NGOs believe them to be an accessible, efficient and transparent funding instrument, and the extent to which they help to advance Grand Bargain commitments to reduce the earmarking of donor contributions, increase multi-year disbursements and improve local and national humanitarians' access to funding.

## METHODOLOGY

The research for this study was conducted using a mixed methodology of quantitative and qualitative elements, including key-informant interviews conducted by phone and in person, an online survey shared with all NGOs that had received CBPF funding in the last five years and an analysis of OCHA's grant management system (GMS) data.

Conducting interviews with key informants from all 18 CBPFs was not feasible within the timeframe of the study, so four were selected for more in-depth interviews. The CBPFs in Myanmar, Nigeria, South Sudan and Turkey were chosen based on aspects including their size, projects duration, funding shares received by local organisations, composition of decision-making bodies and diversity in terms of geography and administrative arrangements (UNDP and its Multi-Partner Trust Fund Office (MPTFO) exercise the management and administrative functions for the South Sudan fund). Short case studies were conducted for Myanmar and South Sudan focused on governance and sub-granting, respectively, while the Democratic Republic of the Congo (DRC) Humanitarian Fund was included as a third case study focusing on multi-year funding arrangements.

Key informants were selected to cover the perspective of recipient NGOs, but fund managers, cluster and sector members/leaders and members of the funds' advisory boards were also

1 OCHA's evaluation was ongoing at the time of this study's publication

2 See data at <https://gms.unocha.org/content/cbpf-contributions>

3 See Development Initiatives (2019), total international humanitarian response was \$22.1 billion in 2014, and \$28.9 billion in 2018

interviewed. More than two dozen interviews were conducted in total, providing both global and in-country viewpoints.

The online staff survey (see annex II) consisted of qualitative and quantitative questions, using Likert scales to cover respondents' perceptions of the CBPFs. It was shared with the focal points of all civil society organisations - both NGOs and Red Cross/Red Crescent societies - that had received CBPF funds between 2014 and 2018. The survey was sent to 4,600 people and was partially or fully completed by 602, split almost equally between representatives of national and international NGOs. As such it reached about 15 per cent of the non-UN organisations to have received CBPF funds. Responses were received from recipients of funding from all CBPFs except Haiti's, which closed in 2015.<sup>4</sup>

## CAVEATS AND LIMITATIONS

Given the CBPF's independent structures, reflected in their different operational manuals, it was not possible to review the practices and policies of all 18. As such, some of this report's recommendations might not apply to all funds or might be already in place in some cases. Participation in the survey by organisations from Sudan was minimal because of internet access limitations, so their views are under-represented. The survey was only conducted in English.

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4 Survey respondents included recipients of funding from the Colombia Humanitarian Fund, which closed in 2018. The Ukraine Humanitarian Fund was launched after the survey had been concluded

# GRAND BARGAIN

The Grand Bargain (GB) was the primary outcome of the 2016 World Humanitarian Summit (WHS). It was intended to reform the humanitarian sector and increase its effectiveness and efficiency, and has been signed by 24 donor governments and 37 aid organisations (GB, 2019). It shapes much of the policy debate on humanitarian financing, and has spawned numerous research projects and studies covering areas related to its ten workstreams, which include localisation, reducing management costs, multi-year funding and earmarking.

Donors' and aid organisations' progresses in fulfilling their commitments has been covered in various ways, including independent annual progress reports (Metcalf-Hough et al, 2018 and 2019; Horvath et al, 2017) and research on changes for beneficiaries on the ground (GTS & OECD, 2018).

In an effort to improve their impact, the workstreams focused on increasing multi-year funding and reducing earmarked disbursements were merged into one. This study, however, analyses the two issues separately.

## EARMARKING AND FLEXIBILITY

As part of the GB, donors committed to “progressively reduce the earmarking of their humanitarian contributions” and aid organisations committed to do the same with their funding when channelling it to partners (GB, 2016). According to the independent GB annual report, however, progress on this work stream has been limited (Metcalf-Hough et al, 2019).

The GB defines 12 ways that donor contributions are earmarked, which it groups into four categories - un-earmarked, softly earmarked, earmarked and tightly earmarked. Donor funding channelled through CBPFs sits toward the un-earmarking end of the softly-earmarked category. Once the CBPFs have received funding, however, allocation papers define how it will be used, placing it in the earmarked category. To avoid introducing new sub-definitions and categories, this report will interpret earmarking as the extent to which funding flexibility is maintained beyond the first recipient.<sup>5</sup>

A decision on how to use humanitarian funding has to be taken at some point in the transaction chain, but existing research attests to a lack of discussion and agreement on which organisation in the chain should take it (Poole et al, 2018). International NGOs (INGOs) interviewed for the second annual GB report requested “clarity ... on exactly how and to what extent the flexibility inherent in pooled funds is transferred along the transaction chain” (Metcalf-Hough et al, 2018). CBPFs in their current form give decision-making power over funding allocations to a range of stakeholders, from pooled fund managers, clusters, sectors, advisory boards and humanitarian coordinators (HCs).

CBPFs also do not allow unrestricted funding to be handed to recipient organisations beyond the seven per cent indirect support cost. Given that there is little leeway to increase the amount of unrestricted funding available downstream without dramatically changing the CBPFs' architecture and the way they manage risk, this study will focus on how to use funding more flexibly within the existing structures.

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5 Given that this study focuses on NGOs' perspectives, the earmarking of donor funding to CBPFs is not analysed

More specifically it will consider the preparation of allocation strategies, mid-term modifications and reducing tightly earmarked CBPF funding.

## PREPARING ALLOCATION STRATEGIES

The first point at which CBPF funds tend to become less flexible is when the allocation paper is drafted. CBPFs do, however, allow recipient organisations to be involved in making decisions about how the money will be spent at this stage, which gives them significant influence in determining that it is used to address humanitarian needs on the ground.

The extent of this inclusiveness varies between funds. Some, such as the Myanmar Humanitarian Fund, demand that each cluster lead provides a detailed list of all organisations consulted during this phase. Some key informants said the consultation process could be improved by bringing it closer to the local level and including more organisations. Recommendations to improve inclusiveness are made in the section on governance and decision making below.

## MID-TERM MODIFICATIONS

Research on the CBPFs for Iraq, Ethiopia and Myanmar suggests they were “not particularly flexible when it came to midstream modification” (Stoddard et al, 2018).

OCHA's GMS, the online platform used to manage all of the CBPFs, allows requests for project revisions. These may be no-cost extensions, project changes or budget modifications. CBPFs also allow budget category variations of up to 15 per cent without prior approval, with the exception of staff costs. Taken together with the seven per cent indirect support cost that organisations can use without restriction, up to 22 per cent of allocated CBPF funding can be said to have some degree of flexibility.

Many key informants, however, said that while the flexibility to make budget changes exists in theory,

few NGOs had been able to make use of it in managing their grants. Many survey respondents highlighted the need for more flexibility in staff costs and the creation of new budget lines, both of which currently require prior approval.

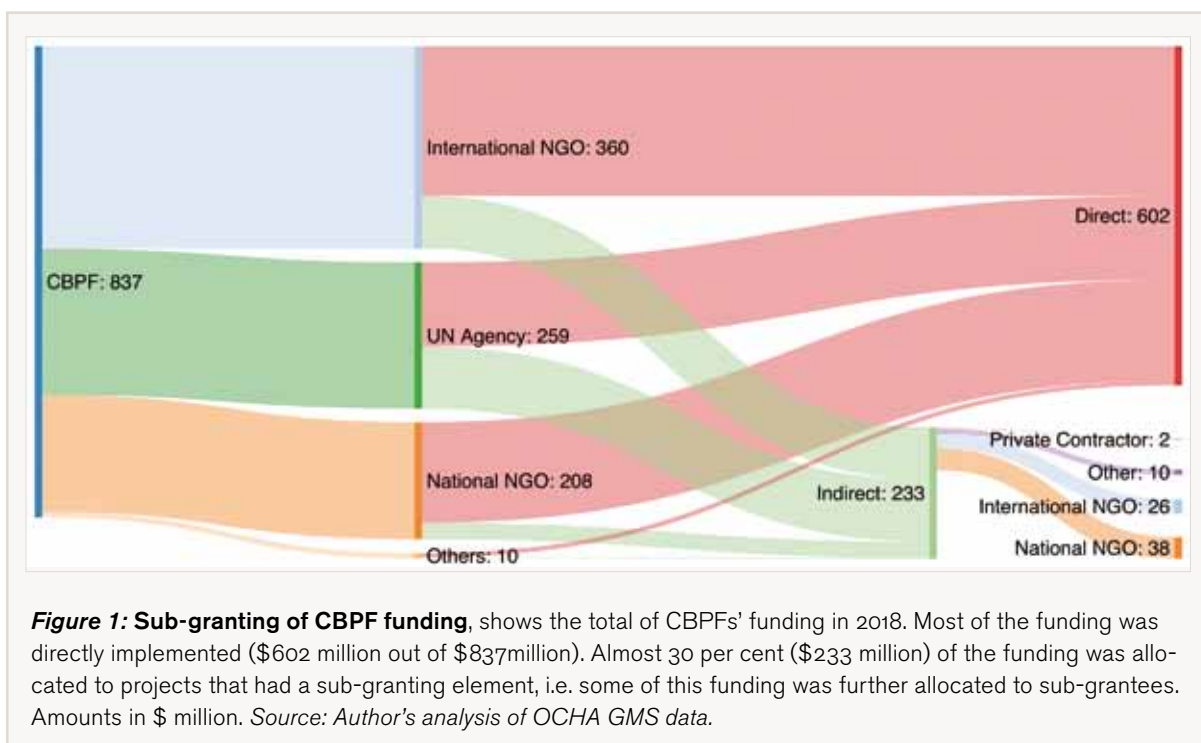
Key informants also said the project revision process could be time-consuming, but the average processing time is included in OCHA's common performance framework (CPF), which already makes it subject to tight oversight. When actual processing time, the indicator used in the CPF, is scaled against overall project duration, the average is in the magnitude of 15 per cent (see figure 1). For some funds, however, the figure is as high as 25 per cent for the standard allocation and 33 per cent for the reserve allocation. Some of these long processing times relative to project duration could be worthy of further study.

## SUB-GRANTING

Nearly all CBPFs allow recipient organisations to sub-grant their funding to implementing partners. These arrangements have been widely criticised for tending not to allow overheads and giving the implementing partners little decision-making power (NEAR, 2017; South Sudan NGO forum, 2018).

CBPF sub-granting does, however, serve several functions, and international organisations use it to allocate funding to their national and local counterparts. Ideally it should promote close collaboration, integrated responses, operational cost sharing, mentoring and capacity building. Sub-granting can also be used in consortium approaches, where a principal grant holder disburses funding to consortium members.

Grant holders with little operational capacity that rely on sub-grantees to carry out work may also make use of CBPF sub-granting, though such arrangements add transaction layers and may increase costs while reducing the flexibility of the funding for frontline responders. The GB categorises funding used in this way as tightly earmarked.



In line with GB commitments to reduce transaction costs, earmarking, and promote localisation, the South Sudan Humanitarian Fund has experimented with restricting sub-granting, which has led to an increase in funding for frontline responders (see South Sudan case study).

A general ban on sub-granting would, however, have adverse effects on arrangements that focus on capacity building or forming consortia. GMS data indicates that 30 per cent of all funding allocated in 2018 went to projects with at least a sub-granting element, and that eight per cent of the funding total for the year went to sub-grantees (see figure 1). The tightly earmarked nature of these disbursements could have been reduced by providing grants directly to the sub-grantees.

### Recommendations

**Recommendation 1:** The flexibility of CBPFs should be increased by extending the 15 per cent budget flexibility to staff costs, and introducing the possibility of creating new budget lines within the 15 per cent parameter without prior approval.

**Recommendation 2:** Sub-granting agreements should be limited to projects where they add discernible value. Examples include activities that promote capacity building to improve the sub-grantee's ability to access funding directly, and those that promote integrated programming or allow operating at scale.

### For further consideration

- The costs eligible for CBPF funding should be communicated more clearly and applied consistently by improving the roll-out of new and existing guidelines via affordable channels such as mandatory webinars with UN contract officers and NGO grant managers.
- For funds with longer revision times, the process should be sped up and measured relative to project duration.
- CBPFs should assign specific Humanitarian Financing Units (HFU) staff to specific projects wherever possible, so that NGOs deal with the same person when requesting revisions.

## MULTI-YEAR FUNDING

Major humanitarian donors have significantly increased the amount of multi-year funding they provide to first-level recipients since the 2016 WHS. Some, including Belgium, Canada, the Netherlands, and the United Kingdom provided most of their funding in this way in 2017 (Metcalf-Hough et al, 2018). In terms of CBPFs, however, only Switzerland and the UK had pledged contributions beyond the current year as of August 2019.<sup>6</sup> Germany also pledged multi-year contributions for the 2018-2019 period.

These increases for first-level recipients have not led to similar arrangements downstream, either for CBPFs or across the humanitarian sector as a whole (Metcalf-Hough et al, 2018). Nor did many CBPF countries have multi-year Humanitarian Response Plans (HRPs) in 2018. Those that did include Afghanistan, DRC and Sudan. That said, the proportion of multi-year appeals rose from below 20 per cent in 2013 to more than 40 per cent in 2017 (Development Initiatives, 2018).

The Organisation for Economic Co-operation and Development (OECD) and previous NRC research define multi-year funding as lasting 24 months or more (Fabre, 2017; FAO et al, 2017). Based on this definition, OCHA's GMS shows that multi-year funding from CBPFs was virtually non-existent in 2018. Only the funds for DRC and Sudan<sup>7</sup> provided such disbursements using standard allocations.

The majority of CBPF funding disbursed through standard allocations lasted between six to eight months, and 90 per cent of projects lasted less than 11 months. The average project duration for standard allocations actually decreased by a month between 2014 and 2017. The combined

average project duration, including both standard and reserve allocations, also fell in the same period to around nine months.

In protracted crises such as those in the Central African Republic (CAR), Pakistan, Palestine and Somalia, where there are fewer rapid responses, CBPFs mainly used standard allocations with average project durations of less than a year.

Fund managers interviewed for this study said longer project durations were limited by the lack of predictable multi-year commitments and multi year HRPs, but in principle a 30 per cent increase from nine to 12 months would be possible within existing modalities and guidelines (that only allow a maximum of 12-month duration, although no-cost extensions are permitted). The DRC case study shows that a project duration of two years was made possible even in the absence of multi-year donor funding by setting aside total project funding from the outset.<sup>8</sup>

That said, efforts to increase project durations are often hampered either by the fluidity and unpredictability of the humanitarian situation or financial restrictions and funding shortages.

Survey respondents and key informants from NGOs emphasised that project durations of less than a year were not desirable and several said they should be more than six months even in emergencies.<sup>9</sup> Both national and international NGOs' satisfaction with CBPF project durations relative to other funding sources was low, compared with other aspects surveyed (see annex II).

The average project duration for reserve allocations was a month shorter than for standard allocations in 2017 (see figure 2). Reserve allocations are intended for "unforeseen circumstances, emergencies, or contextually relevant needs" (OCHA, 2017). They could be maintained as CBPFs' short-term funding instruments,

6 Switzerland and the UK between them provided almost 30 per cent of all funding allocated to CBPFs in 2018

7 Sudan had a single-year HRP for 2018 based on a multi-year humanitarian strategy

8 Standard allocations in DRC are quite small compared with reserve allocations

9 Projects that are short by nature such as the distribution of non-food items (NFIs) should continue to be an option

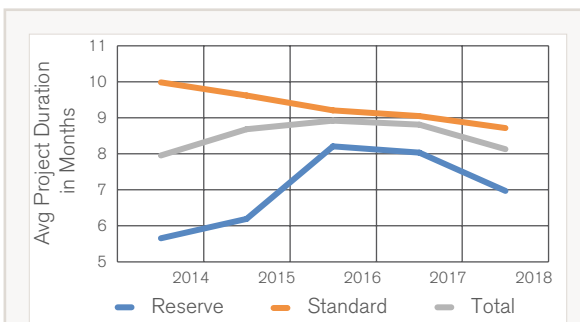
while standard allocations could be used more for longer projects to make use of some of the advantages of multi-year financing including strategic planning and economies of scale.

Despite the small number of donors that offer multi-year arrangements, funding for CBPFs has been highly predictable over the last four years. None showed a decrease of more than 41 per cent from the previous year's level (see figure 3).<sup>10</sup> In other words, at least 59 per cent of the funding allocated in a given year was also provided the following year, for which multi-year or cost extension agreements could in principle have been put in place.

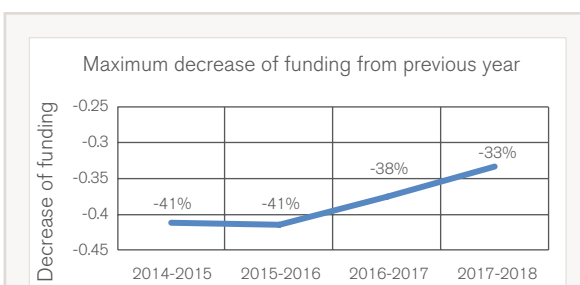
A large number of survey respondents said there was often too little time between the announcement of an allocation and closing date for applications. Several said it was impossible to develop the high-quality proposals that some larger INGOs need to have approved by their headquarters within a week. Nor does a short timeframe allow for proper consultations between applicants and prospective sub-grantees, which hampers a fair and inclusive process based on equal partnership.

Such comments, however, must be put in the wider perspective of the allocation process as a whole - from drafting the allocation paper to the review of proposals - during which fund managers face pressure from donors and the public to allocate funding quickly, and partners have the opportunity to engage through the humanitarian coordination structure.

The issue of short turnaround times for project applications could be reduced by providing longer-term funding and extending project periods, and as such projects would also warrant longer planning periods. In some cases, however, the extension of project durations is also hindered by context-specific factors. OCHA, for example, has contingency plans in place for the Turkey Humanitarian Fund (THF), but its cross-border



**Figure 2: Average project duration**, shows the average project duration in days of standard and reserve allocation between 2014 and 2018. *Source: Author's analysis of OCHA GMS data.*



**Figure 3:** The maximum decrease in funding from the previous year for all CBPFs except Colombia, Haiti and Nigeria. *Source: Author's analysis of OCHA GMS data.*

operation depends heavily on the extension of the UN Security Council resolution.

Key informants expressed the need for an instrument that allows the duration of existing projects to address ongoing humanitarian needs such as water, sanitation and hygiene (WASH) in camps to be extended, so that implementing organisations can extend costs without having to reapply for funding. Such extensions are already possible in DRC as a result of legacy practices that pre-date the CBPF operational handbook. For multi-year funding, total project budget needs to be allocated (i.e. frozen) upfront, but the option of cost extensions could be conditional on the funding available at the time of the request.

<sup>10</sup> All CBPFs except Colombia, Haiti and Nigeria were considered. The first two were no longer operational

### DRC: multi-year funding

The CBPF in DRC was the only fund besides Sudan's to allow for multi-year projects in its standard allocations in 2018, with project durations ranging between 18 and 24 months. Multi-year projects were first conceived in 2014 when the humanitarian situation in DRC stabilised and organisations' attention shifted toward resilience building. The DRC Humanitarian Fund has since made four standard allocations for multi-year projects.

To increase the strategic impact of this funding and build more resilient local communities, the fund's advisory board has over the years demanded more geographical and sectoral focus areas, and partnership approaches have been introduced. The partnerships consist of several NGOs, including at least one NNGOs, all of which sign individual contracts with UNDP as the fund-managing agent. The NGOs also sign memoranda of understanding (MoUs) among themselves that commit them to coordinate extensively in various ways, including joint log frames, monitoring and evaluation and activities such as community outreach.

The strong focus on resilience building means that other advantages of multi-year funding have not featured much in discussions in DRC. These advantages include having a long-term strategic presence in areas where the humanitarian situation might deteriorate, and cost efficiency factors.

OCHA's operational handbook for CBPFs only allows for project durations of up to 12 months, but as one of the oldest pooled funds, the DRC's has been able to maintain some legacy practices that pre-date the handbook, including longer project durations and the possibility of cost extensions.

Operating under a three-year HRP, the fund's advisory board has even extended

project lengths for the standard allocation up to 36 months. This has been included in the fund's operational manual, but no three-year projects have been funded yet.

One major obstacle to multi-year funding in DRC is the absence of multi-year donor commitments. Some of the fund's donors have pledged multi-year funding, but no agreements have been signed. This means the fund is forced to set aside the total amount needed for the entire project duration from the outset to ensure availability for the implementing organisations, even though the full amount is not initially disbursed. This frozen funding, however, might be required for more immediate needs addressed through reserve allocations. To scale multi-year projects without affecting the integrity of the fund, multi-year donor agreements are desirable.

### Recommendations

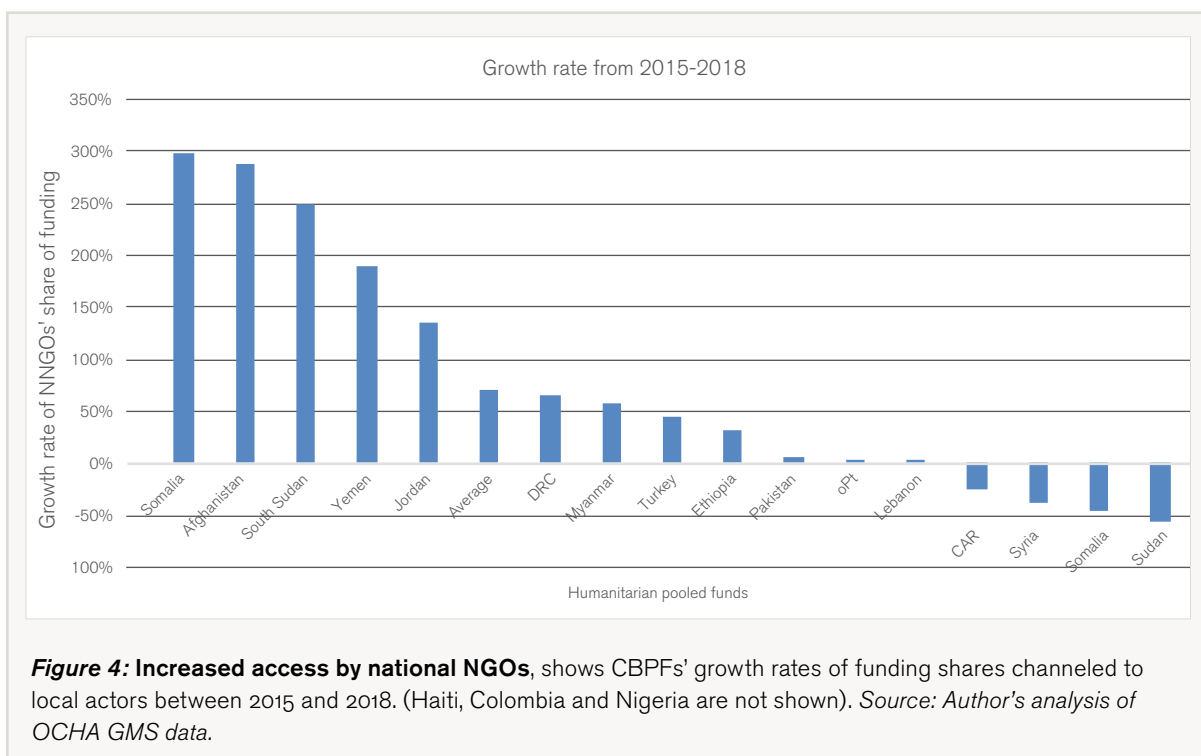
**Recommendation 3.1:** Project duration should be increased by up to 30 per cent within the existing funding landscape to reach an average of 12 months.

**Recommendation 3.2:** Policies should be adjusted to allow cost extensions and project durations of longer than 12 months.

### For further consideration

- Donors, OCHA and NGOs should advocate where relevant for multi-year Humanitarian Response Plans and matching donor commitments to allow CBPFs to provide multi-year funding.
- Ways of using the empirically high predictability of annual funding for the multi-year funding or cost extension of projects should be explored.
- The experiences from multi-year projects in DRC should be evaluated and, if appropriate, scaled up.





## LOCALISATION

The GB workstream on localisation has received much attention in recent years, and many organisations and initiatives have endeavoured to increase local actors' access to funding and decision-making power (ICVA, 2018; Els, 2018). Donors frequently equate localisation commitments with increased funding for CBPFs, which they see as a pragmatic way to channel increasing amounts of funding to local organisations (Metcalf-Hough et al, 2018).

OCHA has taken this commitment seriously. It has not only increased the funding allocated to national NGOs (NNGOs) significantly, but also their involvement in CBPF governance by giving them a presence on advisory boards and strategic review committees. OCHA's HFUs have also supported NNGOs during the application process, including with walk-in clinics in Nigeria, where those seeking funding were able to discuss and receive feedback on their proposals.

The CBPFs have also increased the amount of funding they allocate to NNGOs by an average of

two-thirds since 2015, and in some cases by as much as 300 per cent (see figure 4).

Several of the CBPFs, including those in the focus countries of Myanmar, Nigeria, Turkey and South Sudan, have taken measures to ensure that NNGOs are able to access funding more easily. The strategic review for the Myanmar Humanitarian Fund, for example, gives higher scores if the applying organisation is a NNGO, or an INGO that channels sub-grants to NNGO partners.

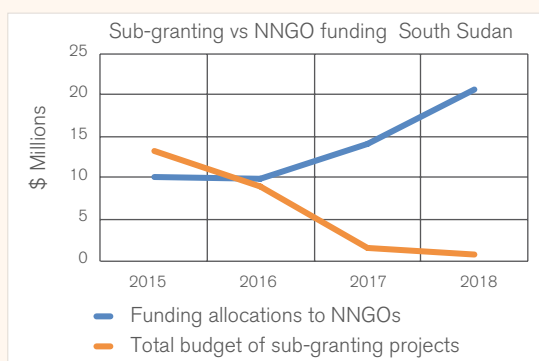
### Case study

#### South Sudan: increased access by local actors

The South Sudan Humanitarian Fund has adopted a deliberate strategy to increase the flow of funding to local organisations in recent years, based on a HRP that cites the GB and localisation (OCHA, 2019). The strategy has been implemented by promoting a wider understanding of the coordination architecture

among local organisations, supporting NNGOs in strengthening their capacity for proposal writing and reporting, and disallowing sub-grants. The first two measures have been taken in many other countries, but restricting CBPF sub-grants is unique to South Sudan (ICVA, 2018).

Sub-granting in South Sudan was mainly employed by UN agencies that used NNGOs as implementing organisations. After evaluating the added value of the intermediary UN agencies, the fund's advisory board decided in 2017 to disallow sub-granting. The restriction has not, however, been included in the operational manual, which leaves the option of allowing sub-granting again in the future open.



**Figure 5:** shows the increase in funding flows to local organisations, plotted against the use of sub-grants to implementing partners which decreased at almost the same rate. *Source: Author's analysis based on GMS data.*

The quantitative data collected during the online survey indicates a gap between how INGOs and NNGOs perceive the administrative burden of applying for and managing CBPF funding (see figure 6). INGOs tend to see CBPFs as more burdensome than NNGOs in terms of application and grant management when compared with their other funding sources. These other sources were not surveyed, but for INGOs they would in many cases include UN agencies and government donors, and for NNGOs their international counterparts.

One possible explanation for this gap is that INGOs tend to have greater and easier access to government donor funding that allows for longer projects and larger grants. NNGOs on the other hand may be more used to working as sub-grantees for INGOs and UN agencies and the administrative processes that entails, making those associated with CBPFs seem less burdensome. CBPF funding also provides NNGOs much needed cost coverage with its seven per cent indirect rate, and a more flexible funding source that many UN agencies and INGOs.

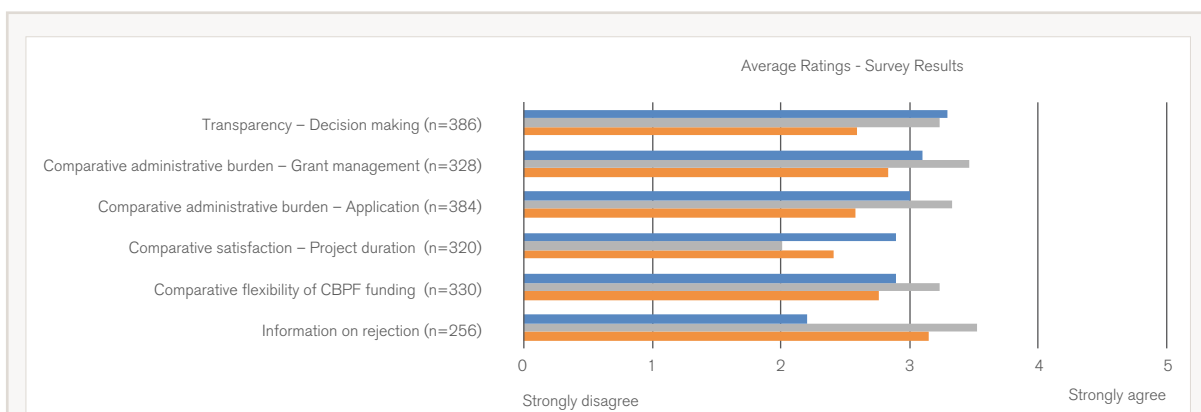
## LOCALISATION V FRAGMENTATION

The average CBPF grant size for NNGOs was \$400,000 in 2018, smaller than the \$1.1 million for UN agencies and \$500,000 for INGOs. In some countries, notably South Sudan, the average grant size was much smaller, at \$170,000 for NNGOs and \$260,000 for INGOs, which allows a large number of grants to be allocated. This raises the question of whether a high number of small projects is a more efficient and effective way of providing assistance on the ground than a smaller number of larger projects.

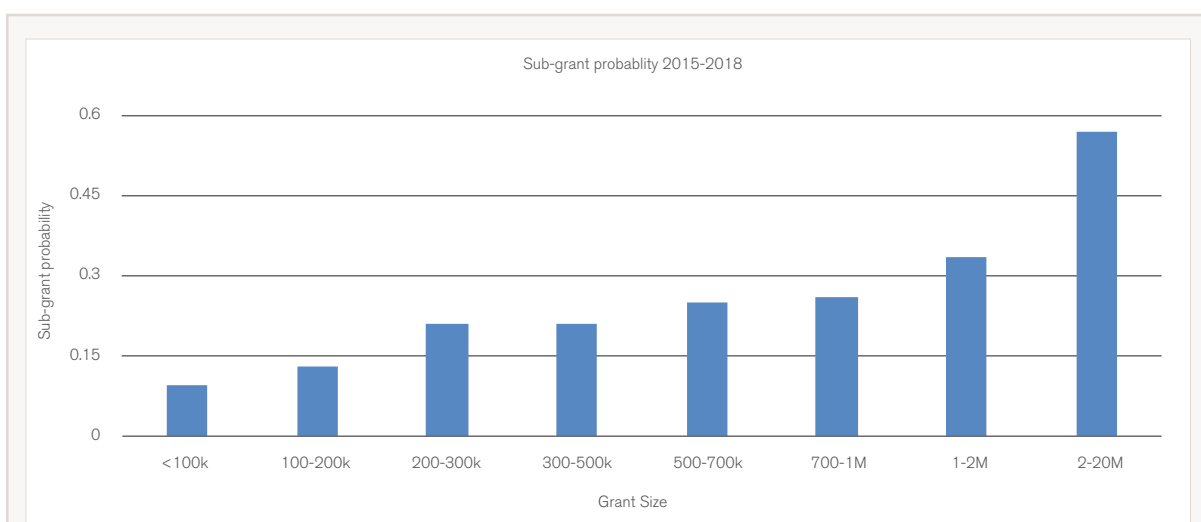
This study is unable to provide an unequivocal answer and the issue warrants further investigation, but some preliminary observations can be made. On the one hand, larger grants have lower average overhead costs per dollar allocated, both for OCHA and the implementing partner, assuming some economies of scale in grant management, monitoring and evaluation and other areas.

On the other, they are much more likely to be disbursed to implementing partners, which means the first-level recipients use some of the funding to manage their sub-grantees. This effectively means that some overhead costs are transferred from OCHA to the first-level recipients. More than half of the projects that received funding of more than \$2 million involved sub-granting, compared with only ten per cent of those that received less than \$100,000 (see figure 7).

In terms of funding flexibility, a higher number of small projects that do not involve sub-granting is



**Figure 6:** NNGOs are, on average, more satisfied than INGOs with the flexibility of the funding, the application process, managing the grant, and decision making on their projects. The only area in which they were less satisfied was feedback on rejected projects. Values in parenthesis refer to the number of INGO responses, the number of NNGO responses and the two-tailed p-value (aka probability value). P-values below 0.05 indicate statistically significant differences. *Source: Author’s analysis of online survey data conducted for this study.*



**Figure 7: Project size v sub-granting.** The larger the project, the more likely that some implementation will be sub-granted. *Author’s analysis based on GMS data .*

generally preferable to a smaller number of big projects implemented largely by sub-grantees. Less sub-granting through international organisations also appears more favourable in terms of their national counterparts’ access to funding (see South Sudan case study).

Further research is needed, however, to better understand the most appropriate mode of delivery in terms of grant size and direct or indirect implementation. Any study of efficiency and effectiveness would need to look at the entire transaction chain, including

possible effects of cross-subsidies and economies of scale, and risk-sharing considerations.

The issue of funding fragmentation is further complicated by the fact that in many cases UN agencies do most of the procurement and NGOs receive food and relief items for delivery, further reducing the size of projects compared to countries where NGOs also engage in procurement.

One possible way of addressing the issue of a large number of grants without accumulating

overheads down the transaction chain would be to allow NGO partnerships or consortia to apply for funding for multi-sectoral projects.<sup>11</sup> Doing so could also help to open CBPFs to such projects, a suggestion made by a number of NGOs in the survey.<sup>12</sup> This would need to be reflected in HRPs, which in many cases already include multi-sector approaches.

## COMPLEMENTARITY

CBPFs are designed to “enhance complementarity among humanitarian financing mechanisms”, in particular with the Central Emergency Response Fund (CERF) (OCHA, 2017; OCHA, 2013).<sup>13</sup> More than half of the CBPFs were operational in countries where CERF funding was also allocated in 2018, and allocation papers emphasise the importance of their complementing and not duplicating other funding sources (OCHA, 2018b).<sup>14</sup>

The level of complementarity with other funding sources varies between the types of organisation that access CBPFs. GMS data shows that INGOs and UN agencies have greater amounts of additional funding available. The average across all CBPFs in 2018 was 20 per cent, but the figure was much higher for INGOs in Myanmar, South Sudan and Turkey. The additional funding comes mainly from government sources or internal streams, including private donations.

NNGOs tend to have significantly less access to complementary funding. Only in South Sudan and Turkey did they receive substantial funding from other sources for CBPF projects in 2018, at 27 and 29 per cent respectively. For almost all the remaining funds, they received no complementary funding. The high figure for Turkey

stems from a small number of Syrian NGOs that access funding from Gulf governments and the Syrian diaspora.

This data taken together with the perception gap discussed above suggests that CBPF funding plays a much more important role for NNGOs and their strategic planning than for INGOs. Further evidence for this emerged from INGO key informants, who said CBPF funding was often used to extend the scope and duration of existing projects rather than for new ones.

There is, however, no universal dataset to show how different donors complement each other's funding. The only data available is on the amount of supplementary funding received for CBPF projects, and as a result it is not possible to determine the general extent to which CBPFs complement other funding sources.

## THE MATTHEW EFFECT

Many CBPFs have taken action to increase the funding share that goes to NNGOs. Local funding levels in CAR, Ethiopia, Iraq, Nigeria, Sudan and Syria were below 10 per cent in 2018. Country-specific issues such as government regulations explain such low levels in many cases, but other reasons may include a perceived lack of local or national organisations with the required capacities, and perceived high standards for due diligence and risk ratings which are difficult for them to comply with.

OCHA faces considerable pressure from donors to have clear risk management tools in place when it channels funding to organisations that have not previously received CBPF

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11 A detailed discussion of the absence of multisectoral approaches and fragmented aid delivery (see for example Konyndyk, 2018) is beyond the scope of this paper and would need to be addressed more widely than CBPFs

12 This issue was also mentioned by NGOs operating in South Sudan during the CBPF-NGO Dialogue Platform meeting in Juba in March 2019

13 Other aspects of complementarity beyond financial considerations, including targeted people, regional prioritisation and the organisations involved are also important, but are not discussed in detail here

14 There were 12 countries with both CERF and CBPF funding allocations in 2018, based on OCHA FTS data

disbursements. Given that simply lowering risk management standards is not an option, any realistic recommendation to enable more well-placed organisations to access funding has to take this reality into account. That said, some of the administrative burdens and strategic disadvantages of smaller NGOs may be reduced without compromising the standards in place to reduce risk and prevent misuse of funds.

To better understand some of the strategic disadvantages involved in accessing funding, the so-called Matthew principle is enlightening. First formulated by the sociologist Robert Merton in 1968, it is often summarised as “the rich get richer and the poor get poorer” and it plays out in various ways in terms of CBPFs.

Larger NGOs and UN agencies tend to have lower risk ratings and so are able to access funding relatively easily and with fewer conditions in terms of reporting and field visits. This means they are also likely to receive more funding upfront. They also have fewer liquidity problems and so are less concerned about delayed payments, and they tend to have more access to complementary funding, which makes them less dependent on CBPFs. They often receive support from headquarters for due diligence and risk rating, and are able to draw on staff from the wider organisation to meet their needs for specific sectoral expertise.

Smaller, less well-resourced NGOs, often national or local organisations, tend to have a greater reporting burden because of their higher risk rating. As a result they receive less funding upfront and incur higher overhead costs per dollar received. Many CBPFs are aware of this competitive disadvantage, and have policies and practices in place to counter it. These include giving priority to NNGO funding applications and building their capacity through workshops and training.

Other measures to promote NNGOs' participation may be required to further increase their funding allocations. Any CBPF policy changes should be looked at with the Matthew principle in mind, particularly those that would allow

NNGOs to access the pooled fund market in a more harmonised way.

One way to reduce their barriers to access might be to review the risk ratings that are constantly updated based on the organisations' performance and make them less demanding for small NGOs. Their management of CBPF funding could also be facilitated by enabling them to modify projects more quickly and easily, for example by prioritising their revision requests. Longer reporting periods might also be an option.

A number of NNGO survey respondents suggested funding could be earmarked specifically for local and national organisations, but experiences with such allocations in Iraq have not been very positive. Overall, a delicate balance is required to create an environment in which they are encouraged to increase their capacity..

## Recommendations

**Recommendation 4.1:** National NGOs' role in advisory boards should be strengthened to reflect and consolidate their growing participation in CBPF governance and implementation. Advisory board seats for non-donors should be shared equally between UN agencies and national and international NGOs. This would effectively introduce a new category on the boards, increasing NGO participation and ensuring national NGOs are adequately represented.

**Recommendation 4.2:** Positive examples of capacity-building initiatives, such as walk-in clinics in Nigeria, should be built on to provide such opportunities both in-country and at the global level and contribute to national NGOs' greater participation.

## For further consideration

- The Matthew effect should be considered in all policy decisions and compensatory measures to counter the disadvantages small NGOs face in accessing funding should be offered, including making allowances in score cards when reviewing their proposals.

## HARMONISATION

There has been progress on the GB workstream on harmonised reporting in various ways. A standard narrative reporting template has been developed and piloted in several countries, and OCHA has universally rolled it out across CBPFs and CERF (Gaus, 2018; ICVA, 2018). OCHA also commissioned a study on partner capacity assessments (PCAs) in 2017 as part of the workplan of the Inter-Agency Standing Committee (IASC)'s humanitarian financing task team which laid out detailed recommendations on how PCAs could be harmonised at the regional level (Van Houten, 2018).

The African Academy of Science launched a global portal in January 2019 that allows donors and auditors to request, access and share recipient organisations' capacity assessments. The assessments are based on the good financial grant practice (GFGP) standard, which has been submitted to become a global International Organization for Standardization (ISO) standard. Its potential application in the humanitarian sector is currently being explored with funding from the IKEA Foundation.

A common partner portal has also been developed within the UN. It allows the UN Refugee Agency (UNHCR), the World Food Programme (WFP) and the UN Children's Fund (UNICEF) to access information on partners, and enables NGOs to access new funding opportunities and reduce the number of capacity assessments.

Further collaboration with the UN partner portal or GFGP could benefit CBPFs by reducing recipient organisations' administrative burden. Key informants from both NNGOs and INGOs repeatedly said that CBPFs' due diligence and capacity assessments were particularly burdensome. CBPFs have very similar ways of conducting capacity assessments, but they use slightly different criteria. That means the many INGOs that access a number of CBPFs have to go through these procedures for each fund separately, even though many of the necessary documents are the same or very similar.

Analysis of GMS funding allocation data for 2014 to 2018 reveals the widespread nature of this burden. More than 40 per cent of the CBPF funding allocated to INGOs went to organisations that operate in more than ten countries, another 30 per cent to those that operate in six to ten countries and 15 per cent to those working in two to five countries. Only ten per cent was allocated to INGOs that access CBPF funding in just one country. An interactive infograph on NRC's website (<https://www.nrc.no/globalassets/INGO-recipients-of-country-based-pooled-funds-2014-2018.html>) gives a more detailed overview, including the names of the organisations concerned.

## GLOBALISING THE POOLED FUND MARKET

Given the large share of funding allocated to INGOs accessing CBPFs in more than one country, substantial efficiency gains could be made by harmonising due diligence and capacity assessments among CBPFs, donors and UN agencies. There are a number of potential ways of doing so, ranging from highly centralised approaches such as developing a single global standard to less centralised methods such as identifying a core of common due diligence requirements and allowing NGOs to provide the required documents to a central platform. Even the latter has the potential to reduce INGOs' administrative burden significantly, and relatively few changes would be required, mainly technical GMS modifications. Both models would still preserve at least some of the CBPFs' autonomy in defining their risk levels.

Applying centralised due diligence and capacity assessments can be compared to similar processes in the private sector such as market liberalisation and globalisation, which have made it easier for transnational companies to access new markets around the world because standards and regulations are harmonised. This has, however, often had adverse effects on small local businesses that are unable to compete with transnational companies' economies of scale and cost structures, and such concerns would have to be addressed if applied to CBPFs.

In order not to increase NNGOs' relative administrative burden, the local harmonisation of capacity assessments would also have to be prioritised. As with INGOs that work with more than one CBPF, their national counterparts also have to conduct various capacity assessments when working with several international partners. The UN partner portal or GFGP standard could help with this process, and OCHA could take a more proactive lead in coordinating the use of PCAs harmonised at the regional level (Van Houten, 2018). UN agencies in South Sudan already use standardised assessments in form of the harmonised approach to cash transfers (HACT) micro-assessment.

Harmonisation with and reliance on another party's assessments also have some drawbacks. Some donors in Turkey, for example, aimed to provide funding only to organisations already eligible to access CBPFs. OCHA was asked to provide information on potential recipients, but such requests can be questionable. The Turkey fund's risk ratings should be closely related to its operation and not seen as a general standard to assess an organisation's capacity.<sup>15</sup> Using the CBPF risk rating as a universal standard could constrain the HFU in modifying risk ratings according to the situation on the ground.

GFGP has been established through extensive consultations around the world and is already mandated by the Rwandan government for all international organisations that channel funding to national counterparts.<sup>16</sup> A four-tier standard of bronze, silver, gold and platinum enables potential recipients to conduct self-assessments that can be shared with several donors and external auditors, in a similar way to OCHA's internal and external capacity assessments.

The GFGP portal could also be used to outsource some of OCHA's capacity assessments and reduce workload for OCHA staff, particularly during the inception phase of a CBPF. Rather than

seeking GMS registration and conducting due diligence, NGOs applying for funding could fill in a self-assessment on the portal, from where OCHA could then consider whether they meet the conditions for a particular tier level. This would also help to create a larger pool of pre-vetted potential CBPF recipients for sudden-onset disasters.

## REDUCING ADMINISTRATIVE BURDENS

Many survey respondents suggested ways of reducing their organisation's administrative burdens in applying for and managing CBPF funds, including simplifying GMS, relaxing tight proposal deadlines and avoiding long back-and-forth processes during technical reviews.

The most common comments in the survey in terms of the administrative burden of the application process concerned GMS. Many respondents specifically suggested a tool to upload whole files that would remove the need to enter budget and other data line by line. Data could be imported in spreadsheets and text documents, which are widely used to create budgets and proposals.

A large proportion identified short deadlines, combined with the level of detail proposals require, as a significant burden. Suggestions for improvements include the use of concept notes rather than full proposals, demanding less information on details unknown at the beginning of projects, combining context and needs analyses, and only reporting against log frames.

A number of survey respondents and key informants said the technical review process was also burdensome, particularly the need to go through several rounds of revision during which comments by new parties are only received after finalising earlier changes. This could be resolved to some extent by establishing deadlines for comments and feedback.

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<sup>15</sup> OCHA tightened the criteria for accessing funding in May 2018, making 49 NGOs that had previously received funding ineligible

<sup>16</sup> <https://www.globalgrantcommunity.org/>

Given that all exchanges between funding applicants, HFUs and all other stakeholders are stored in GMS, OCHA could put a quality assurance process in place, in which HQ-level staff review some of the exchanges and provide feedback to colleagues and cluster leads about unnecessary details and change requests. This is not to suggest the permanent addition of a new review layer, but a one-off review of some of the communications held within GMS might help to better understand the issues raised during the research for this study.

Some of these smaller suggestions would be relatively straightforward to put into practice, but they do not adequately reduce an overall administrative burden that many survey respondents perceive as considerable. How can a fund's risks be managed while reducing the regulatory load? One example worth highlighting is the recent establishment of an effectiveness working group in Myanmar, where the INGO forum is working on proposals to reduce paperwork and simplify CBPF-related processes.

To fully answer the question, more detailed research is needed to highlight the effectiveness of the use of conditionalities such as reporting frequency and proposal details in preventing fraud and mitigating risks. Importantly, country-level consultations should be mirrored at the global level, where working groups could consolidate best practices and recommendations for the overall improvement of CBPFs. The CBPF-NGO Dialogue Platform could play a central role in strengthening local-to-global linkages.

## ◦ Recommendations ◦

**Recommendation 5.1:** CBPFs should stay abreast of and contribute to harmonisation efforts in the humanitarian financing arena, particularly within the Grand Bargain.

A common due diligence system, the harmonisation of financial budgeting and reporting, and participation in the UN Partner Portal are three key initiatives that could be adopted in the short term.

**Recommendation 5.2:** Part of the data collection for due diligence and risk rating should be centralised to optimise multi-country assessments.

**Recommendation 5.3:** A set of offline templates should be created to allow for the direct uploading of project documents.



# GOVERNANCE AND DECISION MAKING

CBPFs rely on various bodies for their decision making and governance:

1. The HC acts as the custodian of the CBPF on behalf of the ERC, who decides the strategy for the use of the fund and ensures that the fund is delivering on its key objectives.
2. The Advisory Board which advises the HC on the allocation of funds and other strategic issues, including allocation strategies, resource mobilization and any other major decision taken by the HC. The AB should include an equal number of stakeholder representatives (donors, UN agencies, NGOs and OCHA).
3. Strategic and technical review committees that oversee the strategic alignment of proposals with the respective allocation priorities and assess the technical soundness and quality of the proposal. The committees should ensure an equitable representation of UN and NGOs. At all times, OCHA/HFU will take part in decision making, and support review committees in discharging their functions.

As CBPFs' importance and share of total HRP funding continues to grow, so will scrutiny of their decision making on allocations. Many European donors already channel significant funding through CBPFs rather than allocating it directly to INGOs and as the sums increase, competition for disbursements may also shift from donor capitals to the affected countries. These trends are likely to increase the pressure on CBPF's governance and decision-making bodies to be perceived as unbiased and transparent.<sup>17</sup>

## TRANSPARENCY AND ACCOUNTABILITY

Existing literature and the responses to this study's online survey both highlight the importance of transparency and accountability. Existing research also suggests that CBPFs' decision-making processes are sometimes perceived as biased. "Agencies have complained of donors colluding with the managers of the pooled funds to incentivize actors to change track and work in areas that they deem underserved" (Stoddard et al, 2017). A recent study commissioned by a group of German NGOs described "non-transparent decision-making processes and power imbalances" (Koepl, 2019).

In any discussion of this nature, it is important to distinguish between reputation and reality. Decision-making processes perceived as biased may actually be entirely free and fair. Research on reputational risk highlights the gap between perceptions and reality, and the importance of closing it if the issue is to be successfully managed (Eccles et al, 2007). This can be done both by actually making decision-making processes fairer and/or better communicating their fairness to improve perceptions. The findings and recommendations below encapsulate both approaches.

The recipient NGOs that participated in the online survey rated their satisfaction with the information provided on rejected projects much lower than any of the other rating questions, at an average of 2.2 on a scale of zero to five (n=256). NNGOs were particularly negative on

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<sup>17</sup> Inclusiveness in decision-making is important, but fund managers, cluster coordinators and the humanitarian coordinator also need to consider factors such as timeliness and risk management, which may mean the decision-making process is perceived as less transparent

this point. On all rating questions, their satisfaction with CBPFs was higher than for INGOs (see figure 6). That said, 44 per cent felt they had had projects rejected unfairly, compared with 36 per cent among INGOs, the latter still a significant proportion.

Survey respondents also suggested a number of ways in which they thought decision making and transparency could be improved. Around 20 per cent of those who left comments felt communication of the outcomes of strategic and technical reviews should be better. They were almost unanimous in calling for more detailed information on organisations that were awarded funding and those that were not. Many also asked for more details about decisions made by the strategic review committees, including the scoring for all projects, both those accepted and those rejected.

Several respondents noted that the lack of feedback on rejected projects prevented learning and improving future submissions. Around 15 per cent perceived favouritism in the selection process. Others described what they saw as a conflict of interest for applicant organisations that also serve as members of review panels. The extent to which these views stem from issues of reputation or reality is not clear.

Around 20 per cent of respondents felt that CBPFs' decision-making bodies should be made more inclusive. Suggestions included reducing the role of the cluster lead, rotating review committee members, increasing NNGOs' involvement and establishing a neutral body to review applications.

Ten per cent of respondents felt the scoring and selection criteria of project proposals and concepts could be improved. They suggested including scoring methods in allocation papers, using standard evaluation criteria, communicating selection criteria upfront and other measures. This further emphasises the point that the criteria for selecting projects are often felt to be unclear and that more information is desirable.

## Case study

### Myanmar: transparent decision making

Established in 2007, the Myanmar Humanitarian Fund (MHF) was one of the smallest CBPFs as of 2018, both in terms of total funding allocations and number of partners.

The global CBPF guidelines do not specifically cover how to avoid the risk of biased decision making in the process of reviewing project applications. MHF does have various measures in place to reduce potential favouritism and bias, whether real or perceived. These include tight control of the clusters in developing an allocation strategy, whereby the cluster leads provide fund managers with a list of organisations consulted to ensure an inclusive process.

The fund manager then ensures that none of the applicant organisations are able to vote on their own project or receive any information on competing projects. For at least one cluster in Myanmar, organisations that submitted a funding proposal are not allowed to sit on the strategic review committees. The committees are created on an ad-hoc basis for each allocation, no applicant organisations are allowed to be members, and both the strategic and technical review committees must include at least one NNGO, one INGO and one UN agency. Committee members also have to declare any potential conflicts of interest.

This process of establishing the review committees entails more administrative work for the cluster lead and the strategic advisory group, but it reduces the likelihood of bias and favouritism, both real and perceived. The regular rotation of committee members also improves knowledge and understanding of the decision-making process across a large pool of organisations.

**Recommendation 6.1:** A central repository for CBPF data should be established, and the timely and accurate dissemination of information ensured, including country-specific guidelines, advisory board composition and minutes, allocation papers and lists of proposals and partners that have been accepted or rejected.

**Recommendation 6.2:** To reduce perceived bias, only non-applicants to the allocation round should be selected as review committee members, as in Myanmar.

**Recommendation 6.3:** Global-to-local NGO coordination and dialogue should be fostered to ensure that field realities are considered in global policy discussions and vice versa. This would mutually strengthen the role of NGOs in CBPF governance systems at the country and global level, including advisory boards, review committees, the CBPF-NGO Dialogue Platform and the Pooled Funds Working Group.

◦ For further consideration ◦

- NGOs are an integral part of decision making, and their coordination systems should be strengthened to allow for peer-to-peer feedback and learning, including on the allocation process. This could be achieved by allocating specific sessions in formal coordination bodies such as in-country NGO forums.

# CONCLUSION

This study provides an overview of recipient NGOs' perspectives on the administrative procedures and governance of CBPFs and associated GB commitments. Overall, the NGOs expressed above average satisfaction with the processes of applying for and managing CBPF funding, project durations and funding flexibility when compared with their other donors' requirements.

Donors have been using CBPFs to increase the share of their funding that is un-earmarked. Most CBPF funding is then channelled directly to implementing partners, which in principle are able to use up to 22 per cent of the sums they receive in a somewhat flexible manner. To further increase the flexible use of funding for frontline responders, budget flexibility should be further improved. Sub-granting agreements, which translate into more tightly earmarked funding for the implementing organisations should also be limited to where they add discernible value.

CBPFs' potential to provide multi-year funding has yet to be fully realised. At the time of writing, only Germany, Switzerland and the UK have pledged funding for more than a year, and the average project duration for most CBPFs' standard allocations is less than 12 months. Only those for DRC and Sudan provided multi-year funding in 2018 with project durations of 24 months, despite the absence of multi-year donor commitments.

To increase project durations and benefit fully from the advantages of this type of funding, in the longer term more multi-year HRP and associated multi-year donor commitments are required. In the short term, OCHA should adjust its policies to allow project durations of more than 12 months and create options for cost extensions. OCHA should also extend project durations by 30 per

cent within existing funding streams to increase the average to 12 months.

CBPFs have played an important role in providing more direct funding to NNGOs in recent years, and some funds have also given them a greater role in their decision-making bodies. NNGOs role in advisory boards should be further strengthened to ensure that they are more equally represented alongside INGOs and UN agencies. This would also better reflect the growing share of funding that NNGOs handle.

To make CBPFs as inclusive as possible from the outset, the vetting process, including due diligence and capacity assessments, should be supported by external tools and should be well-enough staffed to process a larger number of potential applications. Allowances should be made for smaller NGOs, which operate at a strategic disadvantage to larger organisations in many countries, in the score cards that rate project applications. This would also help to ensure that more NNGOs access CBPF funding.

OCHA's universal roll-out of the harmonised narrative template was a positive step toward harmonising administrative procedures across all CBPFs and should be built on by allowing recipients to provide and update documents related to due diligence and risk rating in a centralised way. OCHA's GMS should allow for project documents to be simply uploaded during the application process, rather than applicants having to enter data line by line. Information on all CBPFs, including guidelines and regulations, allocation papers and minutes of meetings, should also be made available on a centralised platform.

As donors increase the amount of funding they channel through CBPFs, decision-making power

will shift from donor capitals to CBPFs' in-country decision makers, including fund managers, review committees, advisory boards and humanitarian coordinators. This shift is likely to be accompanied by greater scrutiny of the fairness and transparency of decision-making processes. Systems are already in place to avoid bias and favouritism, but OCHA should manage any reputational risks related to decision making more proactively.

This could be done by rotating the members of decision-making bodies, and the use of ad-hoc review committees made up only of non-applicant members. Decisions on which organisations receive funding and are considered for the reserve allocation should also be made public. This would help to reduce any perceptions of lack of transparency and allow them to learn lessons for future applications.

To ensure continuity in understanding the perspective of implementing NGOs, the CBPF-NGO Dialogue Platform should foster accountability for this study's recommendations by providing regular updates on progress toward achieving them. It should also conduct regular surveys among NGOs that receive CBPF funds to identify best practices, challenges and potential improvements. This in turn would ensure that the NGO perspective is adequately represented in global forums on pooled funds.

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# ANNEX I

## KEY INFORMANTS INTERVIEWED

**Global:** Two UN agencies, four INGOs and two others

**Myanmar:** One UN agency, three INGOs and one NNGO

**Nigeria:** One UN agency, one INGO and two NNGOs

**South Sudan:** One UN agency, three INGOs and three NNGOs

**Turkey:** One UN agency, one INGO and three NNGOs



# ANNEX II

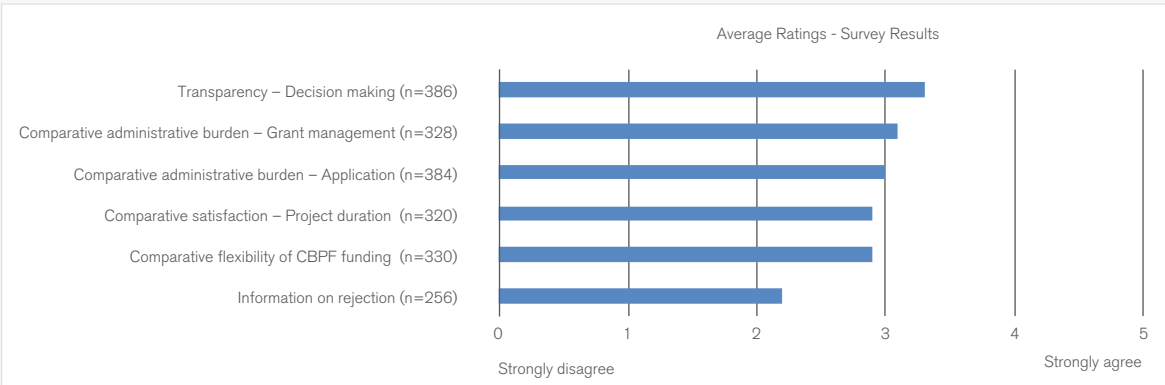
## QUESTIONNAIRE ONLINE SURVEY

### Country-Based Pooled Fund Survey - The NGO Perspective

1. Please select your type of organization
2. Have you applied for funding from a country-based pooled fund?
3. Please select the country-based pooled fund for which you have applied for funding
4. How transparent would you rate the decision-making process on your project(s)?
  - not transparent at all (0)
  - fully transparent (5)
5. How can the transparency of the decision-making process be improved?
6. APPLICATION PROCESS: Compared to your other funding sources, please rate your administrative burden when applying for the country-based pooled fund
  - more COMPLICATED than other funding sources (0)
  - EASIER than other funding sources (5)
7. What can be improved to reduce your administrative burden in the application process?
8. Has one of your projects been rejected?
9. Have you received sufficient information on why your project was rejected?
  - No, did not receive sufficient information (0)
  - Yes, received sufficient information (5)
10. According to your perception, was your project rejected justifiably?
11. Have you received funding from a country-based pooled fund?
12. Compared to your other funding sources, please rate the flexibility of the funding you received from the pooled fund
  - more RIGID than other funding sources (0)
  - more FLEXIBLE than other funding sources (5)
13. What can be improved to make funding from country-based pooled funds more flexible?
14. GRANT MANAGEMENT: Compared to your other funding sources, please rate your administrative burden with managing funding received from the pooled fund.
  - more COMPLICATED than other funding sources (0)
  - EASIER than other funding sources (5)
15. What can be improved to reduce your administrative burden of MANAGING funding received from country-based pooled funds?
16. Compared to your other projects, rate your satisfaction with the duration of your country-based pooled fund projects
  - too short (0)
  - sufficiently long (5)

### Survey results

Average values for all rating questions in the online survey



This study, written by Christian Els, was commissioned by NRC and OCHA and partly financed through Swedish development assistance.



[www.nrc.no](http://www.nrc.no)

CONTACT:  
Norwegian Refugee Council  
[nrcgeneva.policy@nrc.no](mailto:nrcgeneva.policy@nrc.no)