

Process Review of the Somalia Common Humanitarian Fund

Final report
Submitted June 25th 2012

Barnaby Willitts-King, Glyn Taylor and Kathryn Barber
Humanitarian Outcomes

Table of Contents

Executive Summary	4
1. Introduction	10
Research Methodology	10
Background / Operational Context for humanitarian actors in Somalia	10
Common Humanitarian Funds	11
Report structure	16
2. Funding flows and resource mobilisation	17
Funding flows analysis	17
Resource mobilisation and donor coordination	18
Size of the CHF	19
Timeliness of donor pledges	20
Complementarity with other funding instruments	20
Donor coordination	21
Summary of findings	21
Conclusions	21
Recommendations	21
3. The allocation process at the strategic level and support to coordination and the HC	22
Defining the term ‘strategic’	22
The Standard Allocation Process	22
TEXT BOX: Role of the Advisory Board	23
Post-allocation review of allocation process	27
The Emergency Reserve	27
Other issues related to Allocation	28
The CHF in support of the HC and humanitarian coordination	30
Impact on coordination - strategy, clusters and the CAP	30
Impact on the HC	31
Conclusions and Recommendations	31
Recommendations	32
4. Standard allocation – partner selection, project prioritisation and review	33
Project review process	33
Project criteria	33
Findings	34
Evidence on CRC bias	34
NGO participation	36
NGO assessment	36
Using a risk management lens	37
Capacity to support the CHF process	37

Conclusions and Recommendations	38
Recommendations.....	39
5. Operational effectiveness: Timeliness of allocation and disbursement	40
Speed and timeliness of allocation and disbursement	40
Systems.....	43
Budget changes/no-cost extensions	44
Role of Funding Coordination Section, OCHA New York	44
FCU and its position with OCHA/links to the HC	45
Role of UNDP MPTF.....	45
Gender	45
Conclusions and Recommendations	45
Recommendations.....	46
6. Efficiency – Costs and value for money	47
Cost of administering the CHF	47
Paying for the CHF	48
Efficiency and value for money.....	48
Conclusions and Recommendations	49
Recommendations.....	49
7. Accountability	50
Current approach.....	50
Strengthening the system	51
Transparency and communication	53
Conclusions and Recommendations	53
Summary of recommendations	54
8. Conclusions	55
Recommendations.....	55
Annexes	60

Executive Summary

This process review aims to provide the Humanitarian Coordinator and donors with assurance that the Somalia Common Humanitarian Fund (CHF) was structured to be able to deliver against its objectives. The report is based on sixty-two interviews with UN, NGO, donor and other stakeholders in March 2012.

The Somalia CHF was launched in June 2010 as an upgrade of the existing Humanitarian Response Fund (HRF). Since it was launched, the CHF has received contributions of \$130m and disbursed \$105m in 2 standard allocations, one emergency allocation and grants from the emergency reserve. It has two main objectives:

- Strategically fund assessed humanitarian action in Somalia to improve the timeliness and coherence of the humanitarian response
- Support priority clusters and regional priorities in accordance with identified needs

Funding

The CHF has made a significant input to the funding picture for Somalia, providing 9% of CAP contributions in 2011, making it the largest single donor to Somalia. In 2010 the CERF and CHF pooled funds together constituted the largest donor to Somalia. While there is no evidence that the CHF has attracted additional net donor funds to Somalia, nine new donors have contributed to Somalia via the CHF, for a total of 13 donors. Contributions have been made in a timely manner.

The target funding level for the CHF & CERF to be used strategically is currently appropriate at 10% of the CAP - below this allocations would begin to be too small to have strategic impact, while too much rapid expansion above this would need rapid reinforcement and strengthening of the institutional structure of the CHF Secretariat in FCU, and the clusters which support the CAP and CHF processes.

Allocation

Overall, the CHF is an important instrument, both as a tool of the HC and of the clusters to further the objectives of the CAP. The overarching objectives of the Fund relate to its ability to be 'strategic'. Although a contested term, the review finds that the Fund operates in support of the CAP and uses the best available information and a consultative process through which to make the highest level of allocations. To this extent, the Fund can be said to be working in a strategic fashion. Actors who question the premise of UN coordination and the added value of cluster coordination clearly take an opposing view.

The Advisory Board plays an appropriate role in giving the HC strategic advice on allocations and the function of the fund. There has, however, been an erosion of trust between clusters and the Board such that inputs from clusters to inform the Board's discussion of allocation priorities are perceived to be given less weight than FSNAU analysis, and faith in the transparency and appropriateness of the allocation decision is lacking. The overall conclusion of the review is that the Board is functioning effectively but some aspects of process could be strengthened.

The Emergency Reserve is an important window for rapid response to unexpected needs to complement the CAP-linked Standard Allocations. Although the review finds that the ER was used with an internal logic, it risks the perception of being a generic 'slush fund'.

The CHF has acted to strengthen coordination, CAP participation, the cluster system and the Humanitarian Coordinator, although there are clear costs as well as benefits, particularly for the clusters due to the weight of the process.

Standard allocation process

Cluster review committees are the main means of prioritising and vetting projects and potential CHF grantees. Good practices include their election by cluster members, agreement on criteria for project selection by the cluster, and voting/scoring for projects according to these criteria. There are concerns about CRCs' ability to review projects fairly and effectively due to bias and a lack of technical capacity; and the burden that the CRC process places on clusters.

The CRC process does not adequately address the issue of pre-assessing NGO capacity with a risk management lens, and adjusting funding levels accordingly, as well as identifying areas in which to build NGO capacity and strengthen project quality. It is also unwieldy in terms of the consecutive reviews by CRCs and then OCHA FCU, and the multiple revision rounds.

NGOs find the budget restrictions unwieldy but the rules are important given the potential for misappropriation in the challenging operational environment of Somalia. Linking the CHF tightly to the CAP helps to ensure a strategic consistency but over-zealous interpretation of how closely the CHF project matches the CAP project can be counter-productive and unrealistic in the volatile Somali context.

Despite the concerns, the CRCs strike a good balance between inclusiveness and technical rigour, and while there are cases where CRC decisions have not been made on solely technical grounds, they provide a reasonable degree of review in a timely, transparent and accountable manner. However, pre-assessment using a risk lens is notably absent.

The burden on some cluster coordinators to manage the CRC process is significant and existing or additional capacity needs to be examined to ease this burden and enable clusters to coordinate and develop strategy, as well as manage funds and the CAP. This will only get more complicated as more capacity moves into Somalia and there are multiple centres of gravity.

A joint review process between FCU and the CRCs could assist in sharing the burden of appraisal, and improving proposal and so theoretically project quality, as well as reducing the time taken for review and reducing ambiguities/duplication in the assessment process. However FCU needs to consider the capacity that would be required for this, including spending more time in cluster meetings to get closer to the issues.

Operational effectiveness

NGO participation in the CHF has been high, which has been beneficial for access but creates challenges in terms of process and risk management, particularly with Somali NGOs.

In terms of the process, the CHF has been too slow to disburse funds, taking twice as long as planned on average for the second Standard Allocation, creating knock-on challenges for project implementation. These delays were due to specific issues such as the 'biennium', and senior attention has helped address some of the bottlenecks in Geneva and Nairobi. There is an untested perception that the process has sped up, but risks remain for future allocations.

The CHF suffered reputational damage from the slowness of disbursement, which is perhaps falsely assumed to have improved due to the relatively quicker emergency reserve disbursements in 2011. The real test will be in whether the current allocation actually disburses significantly more quickly than previous ones. FCU and OCHA more broadly need to develop a fund management culture where distributed joint teams strive for continual improvements in speed. Further strengthening could be made to the global network of fund managers and to gender mainstreaming in CHF processes.

Efficiency

The Somalia CHF is run with estimated administrative costs of about one-half that of the Sudan CHF for similar functions. The model of funding NGOs inherently incurs more transaction costs but this approach is the key value added of the CHF in terms of being able to support field implementers directly. CHF guidelines provide a reasonable balance in encouraging CRCs to make larger grants. Impending changes to the funding model for FCU present some risks in terms of perceptions of conflict of interest but these are not insurmountable.

While the cost of running the CHF is lower than other funds, the ability of OCHA to operate consistently as MA is still unproven (although to be fair, UNDP's MA role is also subject to considerable criticism in the CHF evaluation). However it offers the promise of a more cost-effective model of CHF management.

Accountability

Accountability for the Somali CHF is clear in terms of responsibility but planned systems have not been implemented, or have been put in place in a piecemeal way, which loses the potential synergies between parts of an integrated system of accountability. There has also been insufficient focus on issues of project quality.

The HC and OCHA need to prioritise making progress on accountability as a matter of urgency. In addition to the potential reputational risks of any future findings of impropriety, there is a strong sense from the CHF's donors that this is crucial to retain their confidence (and hence funding).

Key issues

The Somalia CHF is at a relatively early stage of the evolution that other more established CHFs/pooled funds have been through. While it has learnt some lessons from these funds, many of these processes of change require negotiation and discussion between the CHF stakeholders to find the right balance of the trade-offs that all such funds make - between inclusion and effectiveness, between flexibility and accountability and between speed and efficiency.

After a difficult start in its transformation from the HRF, the CHF has established an important niche in the funding landscape for Somalia with a wide base of support from the humanitarian community. It has objectives which are consistent with the overall enterprise of strengthening the humanitarian system, and has provided strategic contributions to humanitarian action in Somalia. There is a continued added value in the CHF for Somalia, although risks remain to its sustained support unless a number of issues are addressed.

Internally, staff change at junior and senior levels in OCHA presents challenges to continuity and highlights the need to institutionalise good practice to insure the fund against different approaches. A significant risk is of a change in donor attitude to one of diminishing confidence, should CHF funds be

demonstrated to have been misappropriated or used ineffectively, particularly in a context of difficult monitoring where to date OCHA has not implemented a robust M&E framework.

Recommendations (corresponding to relevant section in main report)

Donor coordination

- 2a. Donors should continue to fund the CHF in a timely way to meet its annual funding target
- 2b. OCHA FCU should propose monthly coordination meetings with in-country donors to discuss funding gaps, priorities and intentions to inform future allocations

Strategic allocation

- 3a. The CHF should be continued as a funding mechanism for Somalia with its current scope and approach
- 3b. The Board should agree to reduce the size of the unrestricted ER to 15% of the CHF and continue the use of specific more strategic emergency allocations to respond to unexpected events according to agreed criteria
- 3c. Clusters and agencies should develop more rigorous analysis capacity to complement FSNAU analysis and input to allocation decisions
- 3d. HC and FCU should engage in structured consultations on principles for each standard allocation at the HCT and ICWG with support from additional dedicated OCHA planning/analysis capacity, and field input. This could include circulating a draft allocation paper
- 3e. HC/FCU to articulate more clearly where the final allocation document deviates from discussions
- 3f. The HC should continue to propose multi-sector interventions for strategically coordinated responses, while ensuring actual implementation of multi-sector approaches
- 3g. FCU should ensure available resources are factored into allocation proposals, as well as realistic assessments of when funds would actually be disbursed to allow for planning.
- 3h. Develop a more rigorous timetable and process for Board papers and discussion: OCHA FCU to ensure board documents to be circulated at least 1 week in advance with more explicit rationale
- 3i. The post-allocation review process should be well resourced in terms of staff and time and include structured discussions on key issues and revision of guidelines

Standard allocation process

- 4a. FCU and the clusters should implement a joint review process for the next standard allocation, with explicit agreements on who is responsible for reviewing different parts of the proposal (e.g. budget logic). FCU needs a realistic staffing plan to cater for this surge activity. A maximum of three revision rounds should be permitted before proposals are automatically rejected
- 4b. Clusters to agree strengthened minimum technical standards for CRC membership and for technical aspects of proposals
- 4c. FCU cluster focal points should continue to attend monthly cluster meetings to keep abreast of emerging issues and update cluster members on CHF processes
- 4d. TORs for Cluster support officers should be reviewed by OCHA and Cluster coordinators and CSOs should be given greater responsibility for managing technical, not just administrative parts of the CRC process for the CHF
- 4e. Exceptionally and on a case-by-case basis, additional surge capacity should be provided to over-stretched clusters if needed in addition to the joint review process. This should be provided either by OCHA or by the cluster lead agency. The Board should consider the principle of funding such capacity support from the CHF

- 4f. FCU should continue to interpret budget guidelines and linkages to CAP projects in a smart way which considers cases for relaxing rules if justified
- 4g. The field should be progressively included and plans put in place for the rolling transition to greater presence in Somalia in terms of implications for the CHF, without weakening Nairobi support capacity
- 4h. FCU should implement a risk management framework for vetting NGOs on a rolling basis as a pre-assessment process in advance of allocations as prioritised by clusters, and linked to the RCO, and make funding recommendations based on risk categorisation
- 4i. Based on the pre-assessment process, FCU should elaborate a capacity building strategy for NGO partners including training on CHF processes, budget and reporting requirements
- 4j. Transparency: All cluster coordinators should publish CRC scoring formats and minutes on cluster websites

Operational effectiveness

- 5a. FCU to explore incremental changes to process with OCHA Geneva/NY e.g. rolling review of proposals rather than batching, contract signing and agreeing no-cost extensions in Nairobi
- 5b. FCU and OCHA Geneva to exchange personnel for short term temporary duty opportunities for learning and relationship building
- 5c. FCU to strengthen timeline tracking and reporting mechanisms as part of database redesign; as well as managing expectations by being transparent about real timescales & building confidence in OCHA as MA
- 5d. OCHA Senior Management to keep a close watching brief on disbursement speed
- 5e. FCU to upgrade CHF database to more robust platform with integrated project tracking, accounting and monitoring functions
- 5f. OCHA FCS in New York to explore a Community of Practice for fund managers
- 5g. OCHA to arrange another GENCAP deployment to train and support CHF and CAP staff on gender dimensions of project appraisal process
- 5h. FCU to maintain strong reporting line to HC through regular meetings, as well as links with other functional parts of OCHA

Efficiency

- 6a. FCU should track pass-through funding to implementing partners and report on an annual basis; learning should be transferred from DRC/Sudan on how to implement this
- 6b. OCHA FCS should develop comparable budgets across CHFs and assess pros & cons of different models
- 6c. FCU through commissioned evaluation studies should evaluate the cost-benefit of different delivery modalities incorporating findings from field monitoring/evaluation missions

Accountability

- 7a. FCU should urgently work with UNDP to develop a more appropriate contract vehicle for the next phase of audits, and expedite processes on current audits
- 7b. The HC through the UN Country team should generate agreement from UN agencies to provide interim standardised reporting to the CHF on a twice yearly basis according to a format also used by NGOs including progress against planned activities, key indicators, expenditure levels, implementation challenges
- 7c. OCHA should create a CHF M&E officer position in Nairobi
- 7d. The M&E officer, with senior management support, should develop a detailed implementation plan for accountability
- 7e. Firmer functional links should be developed between FCU and the RCO risk management unit

7f. FCU and the inter-cluster working group should develop agreement on how to involve clusters in CHF monitoring

7g. FCU should manage a consultative process to revise guidelines and undertake training workshops in Nairobi and Somalia for future allocations

7h. FCU should update the CHF website and assess audiences for different information products linked to database

7i. FCU should develop stronger results reporting products, linking with CAP indicators and the strengthened M&E function

1. Introduction

The major aim of this review, as set out in the Terms of Reference (see Annex), is ‘to provide the Humanitarian Coordinator (HC), CHF Advisory Board, donors and recipients with the proper level of assurance around the achievement of planned results and operational effectiveness of the CHF mechanism.’

It is explicitly a review of process rather than an impact evaluation, given the constraints of access for internationals to Somalia. A complementary process of field monitoring was underway in March-April 2012, which will feed into this report if possible.

Research Methodology

The research approach was agreed in an Inception report submitted to the CHF Advisory Board on 9 February 2012. The research methodology follows the logic of the TORs to answer the key questions through a mixed method approach. The conceptual framework is annexed as part of the Inception Report.

A comprehensive document review was undertaken based on documents provided by OCHA Somalia, as well as others obtained from the CHF and other websites, and during the field visit to Nairobi. Telephone consultations were carried out with OCHA Funding Coordination Section and the UNDP Multi-Partner Trust Fund Office in New York. OCHA Administrative Office in Geneva was visited on February 14.

The core research was a field visit to Nairobi by the lead author from February 25 to March 7, 2012. Using a standard question list customised for the specific interviewee, over 60 interviews were completed covering a representative sample of UN agencies, cluster coordinators, international and Somali NGOs, OCHA staff, donors and other stakeholders. A full list of interviewees is annexed to this report.

The findings of the field visit were discussed in draft with the team leader of the Real-time Evaluation of the 2011-12 drought. Data from the OCHA Financial tracking service (FTS) and the Somalia CHF database were analysed and incorporated into this report.

Finally, an online survey was carried out between February 21 and March 6. 138 respondents started the survey and 93 were substantively completed. A full list of questions and analysis is annexed. The survey was kept short to increase the level of response and garnered sufficient responses to be representative. Approximately 50% of respondents were Somali NGOs, who were in general more positive about the CHF than other respondents. Analysis of the survey was made with this possible skewing in mind due to the number of respondents.

Background / Operational Context for humanitarian actors in Somalia

A combination of factors makes the environment especially challenging. Somalia has been in humanitarian crisis for over two decades. This crisis deepened in 2011 as famine was declared in parts of

the South.¹ Somalia has a long history of drought, the most recurrent hazard affecting all livelihood zones, due to the country's location, fragile environment and climate. The continued political instability in the country, and the absence of an effective central government to prepare for and respond to the effects of drought, exacerbates the vulnerability of communities (pastoralist, agro-pastoralists, urban and IDPs).²

A number of evaluations and other reviews have reflected on the response in Somalia specifically and the Horn of Africa more broadly. Collectively, they raise a number of significant issues:

- The overall response represented a systemic failure of early action.
- A failure to operationalise contingency planning where it existed.
- Lack of strategic leadership from the HCT and ICWG.
- Postponement of crucial decisions due to disagreement over food security analysis and alternatives.
- Under-performance of clusters in analysis (and inter-clusters in joint analysis).

In addition, evaluations noted the severe challenges of access and related issues. The difficulties of forming new partnerships during an acute emergency phase were noted frequently.

The 2012 Consolidated Appeal for Somalia appeals for \$1.5 billion for 350 projects from 148 organisations. Humanitarian access to vulnerable populations has been challenging for many years due to insecurity and factional prohibitions, most recently the banning of ICRC from Al-Shabab areas in southern Somalia in 2012, after similar bans on WFP and other agencies in 2010-11. Even where international organisations are operational, remote management of national staff teams by international staff based in Nairobi is the norm, creating major challenges for project management, coordination and monitoring. Considerable operational capacity of varying quality is found in Somali NGOs, some of which operate nationally, often as implementing partners of international organisations.

Western security interests are an additional complexity as they combat the terrorist activities of Al Shabab, which is proscribed as a terrorist group under UN Security Council resolutions and national legislation of a number of countries.

Common Humanitarian Funds

Common Humanitarian Funds grew out of the humanitarian reform agenda in 2005-6. Two pilot funds were started in Sudan and DRC, followed by another in CAR, then Somalia, and most recently South Sudan. A hybrid instrument (with some attributes of a CHF and some of an ERF) continues to operate in Ethiopia. Although no two are the same, each is based on a standard model and set of operating principles.

The primary assumption underlying the CHF model is that the Humanitarian Coordinator, supported by UN OCHA and in collaboration with an inclusive Humanitarian Country Team, is well placed to make sound resource allocation decisions based on comprehensive contextual analysis, assessed needs and commonly agreed priorities.

In general terms CHFs were intended to:

¹ Somalia CAP 2012

² Food Security and Nutrition Analysis Unit - Somalia (FSNAU) 2011

- contribute to improving timeliness and coherence of response
- fill sectoral and geographic gaps
- encourage the continuous improvement of needs assessment and strategic planning / prioritisation within a CAP
- complement other funding channels and improve transparency and co-ordination of all funding flows
- strengthen the CAP's role as a clear framework in which accountability can be focused and information management can be improved
- strengthen the leadership role and accountability of the Humanitarian Coordinator
- utilise **and** strengthen leadership and accountability at the sectoral level (e.g. the cluster approach)
- foster coordination and cooperation
- attract small donors without in-country capacity

In keeping with the basic operational principles of the CHF model, the funds tend to have four key structural / functional components:

1. Governance / oversight structure
2. Allocation process
3. Disbursement and financial management function
4. Monitoring, evaluation and information management function

Now firmly established as a mechanism, CHFs have undergone multiple evaluations, including a 5 year evaluation by OCHA in 2011. A number of common threads emerge from these evaluations, some positive and some negative. A summary of these findings is described below, with a basic introduction to the Somalia CHF. A table comparing key features of the larger funds is below.

Governance / oversight

The Somalia CHF is typical in that a governance / oversight function is played by an Advisory Board. This is a committee of stakeholders to the fund, including participating UN agencies, INGO and national NGO representatives, donors and the Fund Secretariat, and chaired by the HC (discussed in full in Section 4.)

Allocation process

Simply put, the allocation process is the mechanism through which fund managers decide how, where and through which partners the fund is best spent.

In Somalia, the process is driven by the HC with advice from the Advisory Board, and then specific review and prioritisation is carried out by Cluster Review committees (CRCs) elected by clusters for the CAP and CHF processes.

Evaluations have recognised the clear trade off between speed of allocation and inclusiveness and transparency. The role of the Humanitarian Coordinator is key in the CHF and in coordination more broadly. Although carrying multiple strands of responsibility, the HC role does not carry any authority over UN agencies nor other actors in the humanitarian system. As such, and in keeping with the nature of humanitarian coordination more broadly, CHF allocation systems have evolved as largely democratic

and inclusive, centred on cluster mechanisms at national and sub-national level, often with multiple rounds of consultation and layers of decision making.

Donors acknowledge that the funds represent a transfer of their decision making role to the humanitarian system. Most evaluations acknowledge that this transfer includes significant costs, often referred to as 'transaction costs', to clusters and the UN system. INGOs generally define transaction costs as the result of the 'layering' of overhead costs, caused by passing money through a management agent; as well as the costs of attending multiple sets of meetings in search of funding, and additional reporting. UN agencies generally define these costs as any process that does not fit directly with their internal and standard procedures. This includes their having to fund raise at the local level, participate in additional meetings and having to report at the national level. In general, evaluations have found that the additional costs are outweighed by the benefits.

CHFs have consistently been evaluated as strengthening coordination, in particular strengthening the role of the HC, *in instances where leadership and coordination mechanisms are already relatively strong*. CHFs have been evaluated as encouraging participation in clusters. Where they focus on the inclusion of national NGOs (primarily in Eastern DRC), they improve participation and access to funding. At the same time, some actors believe that the funds fundamentally undermine the concept of clusters by turning their focus away from coordination to fund allocation. Actors who buy in to the value of centralised coordination structures value the way that the CHFs have strengthened the reformed structures, and believe that this increases prioritisation and participation.

Disbursement processes

Disbursement to UN agencies is done through the Administrative Agent function, where UNDP takes a pre-negotiated fee (normally 1%) to pass through funds to participating UN agencies. Unable to pass money directly to NGOs (either national or international), CHFs always contain a management agent function (MA). In legal terms, the MA becomes the agency responsible for the implementation of each project; but in reality does so through the signing of a sub-contracting agreement.

UNDP has traditionally taken both the MA and AA functions. As a non-humanitarian agency, they have played the audit function for sub-contracted projects, but have not added value in the role of technical quality control or evaluation. This role is theoretically delegated to clusters. Although some progress has been made in DRC, the clusters have not consistently added value to joint evaluation.

Accountability

Accountability is directed towards both donors and aid recipients. This strand includes:

- monitoring of outputs and results to feed back into the allocation process
- evaluation of overall results
- management of risk related to sub-contracting NGOs

Funds have a number of implications for donors:

- donors need to be able to attribute results to their funding. This now has to be done through a much more elaborate mechanism (i.e. as a percentage of outputs for the whole fund).

- through CHF, donors also delegate other responsibilities (GHD commitments) and risk management. Especially through the MA function, these are devolved to the CHF and the fund has to meet basic standards.

Comparison table of key features of Somalia, Sudan and DRC CHF/Pooled Funds

	Somalia CHF	Sudan CHF	DRC Pooled Fund
Allocations/yr	2 Standard allocations planned Emergency reserve Ad hoc emergency allocation	2 Standard Special Emergency reserve	2 Standard Special Reserve
Envelope allocation	HC presents to Board based on FSNAU and other inputs	1. Regional envelopes based on HCT advice to HC 2. Sectors divide up on regional basis Policy paper development	Strategic Committee of PF recommends to HC based on analysis
Link to CAP/HAP	Projects must be in CAP	Projects must be in Workplan	The DRC HAP is non-projectised
Prioritisation	Elected cluster review committees prioritise projects	Sector review group prioritises against priorities	Clusters prioritise summary projects, preliminary approval by HC
Review	Elected cluster review committees review full proposals	Advisory Board working group makes final review	Summary project sheets developed into proposals, tech review committee reviews (includes cluster/technical expert, donor, JPFU)
M&E	CHF Secretariat P3 M&E officer developing framework	Needs strengthening	6 person Field monitoring team funded by PF. Link to clusters weak
MA	OCHA	UNDP	UNDP – Joint UNDP/OCHA PF Unit
Average disbursement time	4 months	Data not clear	4 months
Total size	\$105m June 2010-2011	\$156m in 2010	\$91m in 2010
Average project size	\$397,800	\$616,000	\$492,000
Number of projects	264	253	185
% NGO funding	69%	34%	50%
% funded from ER	20% reserved. 32% in 2011	9% (2010)	40% (2010)
When established	June 2010	2006	2006

Source: CHF evaluation, Annual reports, fieldwork

The Somalia CHF

The Somalia CHF was launched in June 2010 as a transformation of the existing smaller Humanitarian Response Fund (HRF), after a long process of consultation and opposition from some stakeholders.

Significant differences in the setup from previous CHFs included OCHA's role as Managing Agent, since UNDP was regarded by NGOs as too closely aligned to the Somali Transitional Federal Government to be perceived as independent and impartial for the role of Managing Agent for a humanitarian fund. This marks the first time that OCHA has taken the role at a significant scale.

The current CHF guidelines describe two main objectives of the CHF:³

- Strategically fund assessed humanitarian action in Somalia to improve the timeliness and coherence of the humanitarian response
- Support priority clusters and regional priorities in accordance with identified needs

The guidelines also state that the CHF aims to contribute to:

- Improving coordination of humanitarian actors through strengthened coordination mechanisms, in particular the cluster system;
- Enhancing the Consolidated Appeals Process (CAP)
- Improving timeliness and coherence of humanitarian response
- Improving needs assessments
- Improving accountability of humanitarian action in Somalia through an enhanced monitoring and evaluation framework
- Closing gaps in priority clusters and regions, and addressing funding imbalances between clusters (in a strategic way)
- Improving predictability and sufficiency of funding
- Increasing funding flows and donor diversity; and strengthening donor funding coordination

It has disbursed funding as follows:

Summary of CHF contributions

Funding Window	No. of Projects funded	Total Cost
Standard Allocation 1 June 2010	34	\$19,700,286.79
Standard Allocation 2 Feb 2011	83	\$43,562,376.21
Emergency Allocation Oct 2011	48	\$14,466,692.03
Emergency Reserve (ongoing)	99	\$27,175,593.20

³ CHF for Somalia: Guidelines, Revision 22 November 2011

Total	264	\$104,904,948.23
--------------	------------	-------------------------

Source: CHF database

Report structure

This introduction aimed to ‘situate’ the Somalia CHF within its operational context and the brief history of Common Humanitarian Funds.

Section 2 details funding flows to the CHF and breakdown of its funding patterns. The rest of the report is structured around the three key elements of the CHF process - allocation, disbursement, and accountability, including monitoring and evaluation.

Sections 3 and 4 look at allocation from a strategic and process perspective respectively.

Sections 5 and 6 review the details of the CHF process from project prioritisation by clusters to disbursement.

Section 7 examines efficiency aspects of the CHF, and Section 8 looks at accountability, including monitoring, reporting and evaluation.

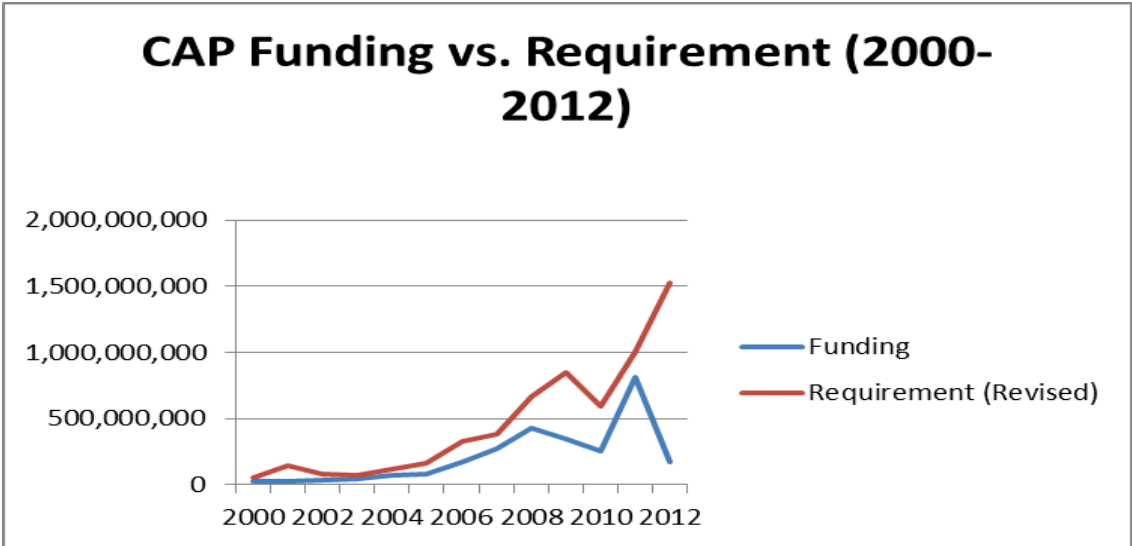
Notes on terminology: The report uses the term CHF to mean the Common Humanitarian Fund for Somalia unless otherwise specified. The report also refers to the CHF and the CERF as ‘donors’ in the broad sense of the term as used by FTS, recognising that both are financing instruments of the bilateral donors and the humanitarian system more broadly.

2. Funding flows and resource mobilisation

This section analyses funding data related to the CAP and CHF to understand the role that the CHF has played in the funding landscape for Somalia. It then examines resource mobilisation questions including donor attitudes to the CHF and the size of the CHF.

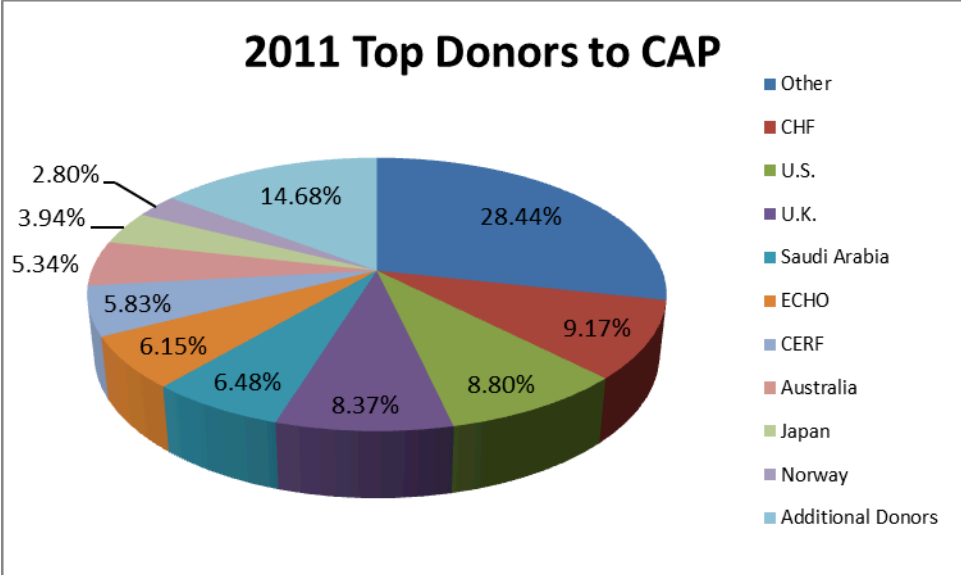
Funding flows analysis

Using FTS data and the CHF database, this section reviews funding flows and trends. Further analysis is annexed to this report.



Source: FTS

Funding requirements as described in the CAP have shown a generally increasing trend since 2000 to the CAP 2012 record of \$1.5bn. Apart from a dip in 2009/2010, donor contributions have generally kept pace.



Note: 'Other' includes carryover from 2010, and allocation of unearmarked UN funding to specific CAP projects

In 2011, the CHF and CERF together provided 15% of total donor contributions against the CAP, exceeding the 10% target for resource mobilisation. Excluding food elements of the CAP, the role of the CHF is even more significant, providing 15% of non-food CAP contributions. By both measures, the CHF was the largest single donor to the CAP in 2011 (excluding the catch-all 'other' category).

Resource mobilisation and donor coordination

Donor support for the CHF exceeded initial expectations, increasing the HRF as much as tenfold in its transformation into the CHF. The HRF disbursed between \$1.2m and \$12.7m per annum from 2004-07, while in 2011 the CHF disbursed c. \$90m: around 10% of the total CAP Appeal contributions of \$900m.

	Cumulative CHF Donor Contributions over 2010/2011 period*	million USD contribution
1	DFID	38.7
2	Netherlands	27.7
3	Norway	17.4
4	Denmark	15.5
5	Swedish International Development Cooperation	10.8
6	Finland	5.4
7	Irish Aid	4.7
8	Swiss Agency for Development and Cooperation	4.3
9	AUSAID	3.1
10	Italy	2.6

11	Poland	0.3
12	Azerbaijan	0.1
13	Guyana	0.075
14	Private Sector	0.001
	TOTAL	130.8

* From UNDP MDTF Database

Size of the CHF

Donor support for the CHF has increased for a number of reasons: perception that the fund was well managed; desire to fund humanitarian action in Somalia with a lower profile than through bilateral funding; reduced access for traditional partners; and the ability to transfer transaction costs and risks to the CHF, particularly for funding Somali NGOs, which creates administrative challenges for bilateral donors. For smaller donors without the field presence to programme funds directly, the CHF has also offered an attractive option.

In of itself, however the CHF does not appear to have led to significant additional funding for Somalia. Nine additional donors contributed to Somalia via the CHF, including some smaller donors who had not contributed to the CAP (Azerbaijan, Guyana, Poland). Without having interviewed these donors, a reasonable assumption would be that the CHF mechanism catalysed a contribution, as well as the events. The atypical year of 2011, where donor funds were low at the beginning and then spiked sharply after famine was declared also makes direct comparison with 2010 or 2009 challenging.

In 2010 pooled funds (CERF + CHF) were the largest donor to humanitarian action in Somalia. This situation continued in early 2011 with fewer bilateral contributions due to continued concerns about funding to Al Shabab areas, partly catalysed by USAID restrictions to its funding in those areas (as a result of OFAC requirements).⁴ In addition some donors saw the CHF as a way to direct funds to drought affected areas in south Somalia from which many of their traditional humanitarian partners had been banned by Al Shabab; as well as to make that funding in a lower profile way, when association with western funding was in some cases perceived to have led to agencies being banned.

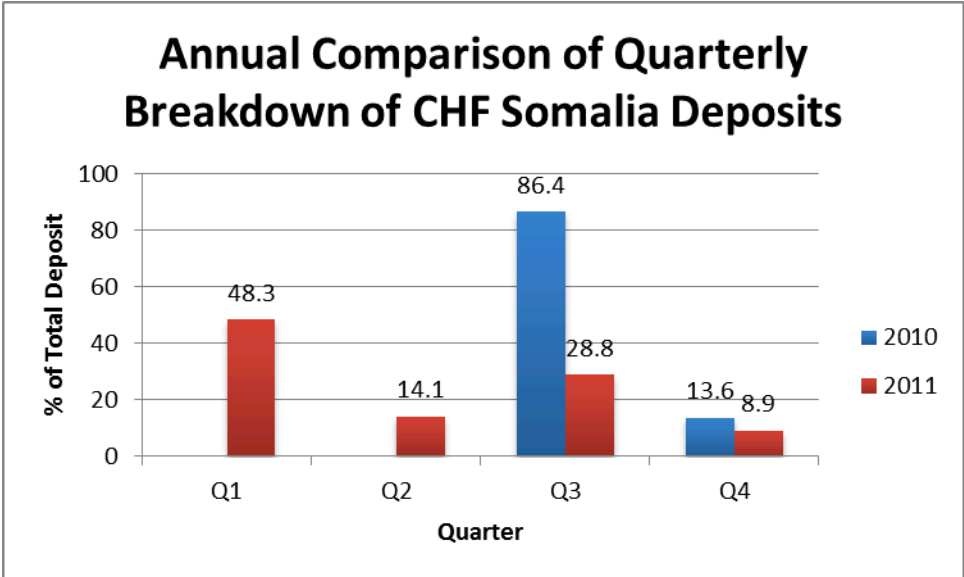
The nominal target for pooled funds in 2012 is 10% of the CAP appeal amount. For 2011 this amounted to \$90m - \$60m CHF and \$30m CERF funding. As a target this figure is appropriate - sufficient for a non-food fund to be able to make at least 2 allocations of critical mass over the year and maintain an emergency reserve, without the fund reaching an unmanageable size. Individual standard allocations of less than \$30m reduce the opportunity to use the funds strategically and would mark a return to a less strategic HRF model.

⁴ The US Treasury Office of Foreign Assets Control (OFAC) administers the US law prohibiting resources intentionally or unintentionally supporting Al Shabaab which is designated as a Foreign Terrorist Organization. This restricted the amount of US funding to areas of South-Central Somalia under Al Shabaab control, and made US organisations very cautious about working there. Although subsequently eased a little when famine was declared in July 2011, it is still a bureaucratic maze. From www.treasury.gov

If the fund were to grow larger this would be positive in terms of increasing the scale of the strategic tool available to the HC and Advisory Board - but would raise questions over the capacity of the system in terms of OCHA and clusters to manage the volume of proposals this would imply. It would also require an even higher bar for the quality of decision making both at the level of envelope allocation, and proposal selection - as discussed below in the context of risk management in particular. An additional challenge with an expanding fund would be the need to design support structures that could flex with either on-going expansion or contraction.

Timeliness of donor pledges

For 2011, almost half of donor pledged funds for the year were pledged in the first quarter. Almost 30% were made in the third quarter, reflecting the second allocation round. While donors are encouraged to make pledges for the whole year as early as possible - ideally in December - the reality of different financial years means that some donors are more likely to tie their contribution to the most relevant window, cross referenced with perceived need on the ground. However, overall the statistics on timeliness are reasonably good.



Source: MPTF gateway

Complementarity with other funding instruments

The CHF is considered by the HC as working in a complementary manner to the CERF. As the CERF is directly accessible only to UN agencies and is allocated according to different criteria, it can be used as a different type of funding source. For example, it can be used to plug food pipeline gaps or other shortfalls. Somalia received CERF underfunded emergency funding in February 2011, bridging the gap due to major funding shortfalls between the February Standard allocation and the planned CHF Standard Allocation in August 2011. The CERF allocated \$15 million to support humanitarian action in Somalia, including livelihood support to displaced people and farmers in the south, targeted food assistance, emergency nutrition and health services, maternal and child healthcare, the provision of drinking water and latrines to displaced and drought-affected people, as well as the distribution of basic household items to the displaced. Given continued funding shortfalls and deterioration in the humanitarian situation, a further CERF request of \$27m for the rapid response window was agreed in

July 2011. This was hoped to complement the planned August CHF Standard allocation, which was ultimately postponed through lack of funds.

Donor coordination

Donor coordination occurs through an informal donor working group, and through regular meetings of the HCT with donors. The CHF is perceived to have enhanced donor coordination through greater transparency over funding intentions, but should continue to behave as a donor rather than an agency in terms of coordinating and liaising with donors to establish funding gaps and priorities, through a regular meeting.

Summary of findings

The CHF has made a significant input to the funding picture for Somalia, providing 9% of CAP contributions in 2011, putting it as the largest single donor to Somalia. In 2010 the CERF and CHF pooled funds together constituted the largest donor to Somalia. While there is no evidence that the CHF has attracted additional net donor funds to Somalia, nine new donors have contributed to Somalia via the CHF, for a total of 13 donors. Contributions have been made in a timely manner.

Conclusions

The target funding level for the CHF & CERF to be used strategically is currently appropriate at 10% of the CAP - below this allocations would begin to be too small to have strategic impact, while too much rapid expansion above this would need rapid reinforcement and strengthening of the institutional structure of the CHF Secretariat in FCU, and the clusters which support the CAP and CHF processes.

Recommendations

- a Donors should continue to fund the CHF in a timely way to meet its annual funding target
- b OCHA FCU should propose monthly coordination meetings with in-country donors to discuss funding gaps, priorities and intentions to inform future allocations

3. The allocation process at the strategic level and support to coordination and the HC

This section looks at CHF allocation processes in respect of the Fund's overarching objectives to act strategically and to support priority clusters and regions. This is an important starting point since the report as a whole takes a view on whether the structures and systems of the CHF are configured to deliver these objectives. This section also looks at the extent to which the CHF meets its objectives of strengthening humanitarian coordination, with a focus on the role of the humanitarian coordinator and the clusters.

The first stage in the CHF funding standard allocation process is the decision on the size and priorities (funding envelopes) for the allocation. This section will draw conclusions on the process of envelope allocation and the wider responsibilities of the Advisory Board (see Box). It will specifically analyse the two standard allocations to date and the emergency allocation, while drawing what lessons can be learned from the ongoing current allocation.

Defining the term 'strategic'

It is apparent from interviews that the term 'strategic' has no standard definition amongst stakeholders in the CHF, and as a result, there were divergent views on the extent to which the fund acts in a 'strategic manner'.

To a certain extent, respondents' views are aligned into two groups: one who see the CAP as a reasonably strategic document and a second who perceive it to be more of an ad hoc consolidation of agency 'asks'. In the first scenario 'gap filling' by the fund can be construed as 'strategic', in that it compensates for non-strategic funding by bilateral donors. Under the latter scenario, gap filling equates to funding which serves agency interests over assessed need. The cluster review section (below) analyses possible bias in favour of members of cluster review committees.

One set of interviewees understood that the Fund's original purpose was to fill gaps in existing project funding - rather than to fund new projects. This, however, was neither the original stated aim as reflected in the guidelines, nor desirable given the need to programme relatively small amounts of funding in a smart, strategic way. As discussed below, further efforts in clarifying and communicating the scope of the fund should be pursued.

In very simple terms, the report uses the term strategic to mean 'aligned with assessed needs and commonly agreed priorities'. Clearly a second requisite element is that the assessed needs reflect reality, and the process of agreement retains a balance of efficiency and inclusiveness. A third is that the most able partners are chosen to meet the needs.

The Standard Allocation Process

The fund works through two windows, the Standard Allocations (SA) and Emergency Reserve (ER) (described below).

SA projects can be funded for a maximum of 12 months. Eligibility criteria for the Standard Allocation are broad and the specifics are defined by the allocation document with a small number of pre-determined criteria, including:

- Strategic funding to priority clusters and regions
- Not for recovery or development assistance⁵
- May fund common services
- There is an understanding that the CHF does not fund food assistance, and WFP (though not the food cluster) has stated it will not apply for funds for food aid. This is appropriate in terms of the fund being able to focus on other priority areas without considerable funds potentially being absorbed in food

Two Standard Allocations per year is the norm, their timing corresponding to the FSNAU twice-yearly assessment of likely food security scenarios, based on weather and crop forecasts.⁶ In effect, this ties decision making to specific assessments and the timing means that the first allocation (around February) can be closely tied to the CAP, and be based on early donor pledges in the wake of the CAP launch. The second allocation - around August - can be more 'gap filling', in the wake of the CAP mid-year review and clarity on funding levels.

A standard allocation was in process at the time of this review (the Standard Allocation document for \$40m published on 15 March 2012). This has been delayed due to ongoing discussions on priorities - which was of concern to agencies which had planned activities before the Gu rains (April to June). The size of each allocation is determined by the available funds, but a benchmark minimum is \$30m for the allocation to have a strategic impact, as mentioned above. It was appropriate to defer the August allocation of 2011 as CHF funds were low after they had been set aside for an emergency drought allocation.

The standard allocation process is initiated by the publication of a draft allocation document by the HC, with OCHA support, for discussion by the Board. This is intended to analyse needs and priorities for response. According to the Guidelines, this document is based on inputs from the CAP/Mid-Year review, FSNAU assessments, the HCT and the Inter-Cluster Working Group. The document sets out proposed regional and sectoral funding envelopes, and the process and timetable for allocating these funds.

TEXT BOX: Role of the Advisory Board

The role of the Advisory Board is central to the allocation process, as well as to the general functioning of the CHF. According to the CHF Guidelines, the Board has four main roles:

1. Review CHF draft allocation document

⁵ This requirement contradicts the alignment of the CHF to the CAP 2012 which is explicitly focused on resilience

⁶ FSNAU is the Food Security and Nutrition Analysis Unit for Somalia, a 'common service' managed by FAO which 'seeks to provide evidence-based analysis of Somali food, nutrition and livelihood security to enable both short-term emergency responses and long-term strategic planning to promote food and livelihood security for Somali people'

2. Review functioning of fund after each Standard Allocation and advise the HC on necessary changes to procedures
3. Review multi-cluster and common services projects⁷
4. Review grievance and appeal cases

The Board comprises four UN agencies, four NGOs, two donor representatives (as well as a non-contributing donor as observer) and is chaired by the HC. The different groups respectively elect or select their Board members. Board members serve in an individual technical capacity, not representing their agency or cluster.

The composition of the Board was generally perceived as being representative and appropriate. However in practice the composition of the Board may lead to some sectors receiving less attention - for example with WHO's replacement by WFP in the recent scheduled change-over, there is less of a technical focus on health. This is perhaps a necessary compromise to make the Board a manageable size to have meaningful discussions and be able to make decisions. However there is a challenge in the light of concern about sufficient cluster input (see below), if members are not representing their agency or cluster. In DRC members explicitly do represent their cluster. One option would be for cluster reps rather than agencies to be on the Board but this would risk reducing the credibility of the process.

This issue is a subset of the greater one regarding the relationship between cluster lead agencies and clusters – which varies depending on how much the UN cluster lead plays a dominant role in that group and the degree to which the 2 functions are fire-walled. For example in nutrition all of the cluster members are UNICEF partners who receive UNICEF supplementary foods, while in WASH about half of the clusters members are also UNICEF partners.

Current Advisory Board members include:⁸

- Embassy of Denmark
 - Embassy of Sweden
 - ECHO (observer)
 - FAO representative
 - WFP representative
 - UNHCR representative
 - UNICEF representative
 - Save the Children UK
 - Kisima representative
 - Somalia NGO Consortium
 - Norwegian Refugee Council representative
 - HC/OCHA
-

Eighty per cent of respondents to the online survey thought that the funding envelopes corresponded to humanitarian priorities. This figure was much lower for the UN alone, where only half of respondents thought that the envelopes matched. This is indicative of concern at the process of agreeing the

⁷ The Board has not actually performed this function which is more suited to the inter-cluster working group

⁸ From CHF Somalia website list dated February 12, 2012

allocation document by some cluster coordinators, agencies and Board members. The main criticisms levelled at the process revolve around the following:

- i. Overly narrow inputs to draft allocation document, with insufficient attention given to non-FSNAU technical inputs, particularly from the clusters, on for example IDPs, protection and field perspectives
- ii. Over-manipulated outcomes of Board meeting, with insufficient space for discussion and influence by Board members

The process by which funding envelopes are decided is complex and decisions likely to be contested as funds are not infinite and there are winners and losers in the process. In keeping with the overall ethos of the Fund, however, the HC is the final decision maker and is entrusted with balancing a range of different inputs and interests. It is worth, however, looking in more detail at these two criticisms of the broader allocation process. Taking each criticism in turn:

Lack of cluster input

The initial allocation paper is drafted by OCHA. Cluster coordinators do not comment on the draft before it goes to the Board. One set of views is that the paper is influenced in advance of the Board meeting, primarily through interactions between the HC and heads of agencies, for example.

The issue appears to boil down to a) how much the clusters are trusted to provide sound strategic analysis of needs and response capacity and b) how much the Board paper should be driven by funding gaps and cluster requirements. In the view of the clusters, the Board places too much emphasis on the FSNAU analysis and discussions are insufficiently technical in respect of areas other than food security.

From the perspective of some board members, the discussion is technical but the outcome is a negotiation based on their particular perspectives. Presentations or lengthy papers from the clusters would not add value, according to some board members, while others would welcome some increased role for clusters in board discussions. FSNAU is seen as the best overall source of analysis, even though while it does cover more than food security, it is explicitly not comprehensive in nature and needs to be complemented by more detailed analysis from other sectors. There are concerns about the breadth and depth of technical capacity in some clusters; international NGOs are perceived to have been losing technical capacity in recent years. Some INGOs have also reduced their participation in clusters having found them to be overly hostile environments due to the predominance of Somali NGOs, some of which are highly critical of INGOs' high costs and lack of operational presence.

The process would undoubtedly be strengthened by a joint needs assessment and response analysis by cluster; one which instilled a similar degree of confidence as the FSNAU analysis, and could complement it. For some meetings the clusters have submitted strategy papers which may have been able to influence discussions. A pilot of an inter-cluster analysis of priorities was trialled in advance of the current allocation which could also provide a useful basis for drafting the paper. It is fairly widely perceived, however, that in the challenging context of access, the agencies and clusters lack the capacity to generate a more technically robust analysis. It might be unwieldy for clusters to present at the Board itself. Greater transparency over inputs to the allocation paper and greater discussion on the paper itself in advance of the Board discussion could add to the Board's technical rigour and to the perception of inclusiveness and participation, as long as it does not add to the timeline for the process.

When compared to the Pooled Fund in DRC, the Somalia CHF appears to have a more centralised process for agreeing envelopes. The DRC uses a Strategic Committee, introduced in 2007, to define the level of funding envelopes by province and by sector on the basis of a matrix developed by the JPFU. The Strategic Committee includes PF Board members (two donor representatives, two UN agency representatives, and two NGOs) and representatives of the JPFU acting as its secretariat. The matrix presents an analysis of needs which takes into account the strategic objectives of the HAP, funding gaps across all clusters and provinces, and the provincial strategies updated by the CPIAs before each allocation. The development of the matrix is reasonably mathematical, based on cluster requirements expressed in the HAP and funding gaps. In DRC a similar criticism exists in that the clusters feel that they are not sufficiently involved in this process.⁹

In Sudan, the CHF Advisory Group allocates sector envelopes based on its analysis, with a degree of input from sectors. This appears closer to the Somalia model but the recent evaluation of the Sudan CHF does not analyse this stage of the process in the detail required to draw pertinent lessons.¹⁰ Setting up a strategic committee as in DRC, or a Board sub-committee, would add another layer - and hence time - to the process but there would be scope for the HCT and Inter-cluster Working Group to play a greater role through informing early consultations on the principles and priorities of a forthcoming allocation. Although there is a degree of confidence that the HC successfully balances agency interests, the extra level of process would make the Fund less dependent of personality going forward.

Greater OCHA capacity through a planning or analysis unit to synthesise cluster inputs and develop a joint needs assessment would also be desirable for the response as a whole, including the CHF. This analysis could also bring in field perspectives through comment from field clusters and OCHA field offices - while these are in theory generated through Nairobi cluster inputs, the potential disconnect between the Nairobi picture and the reality in Somalia is significant.

More explicit discussion of the overall resource picture would also be useful - while this is clearly factored into the analysis, it would strengthen the case for the allocation proposal to map the funding picture and gaps, including CERF funding.

Pre-cooked Board process

On the board discussion itself, some, but by no means a majority of Board members voiced the perception that the discussion is 'pre-cooked' and overly managed. This is in part related to the process by which the draft allocation paper is produced - sometimes with insufficient time for Board members to read thoroughly, and the style of the paper which could contain greater analytical depth. In some cases specific items - such as funding UNHAS, or the use of cash vs food - were added to the allocation paper either at the end of the discussion, or decisions were made outside the Board meeting without the Board being informed.

However there was also acknowledgement that without a focus of discussion the Board would be too diffuse and wide-ranging without coming to decisions. The current allocation is taking longer than ideal due to requests for additional cluster strategies and discussion by the Board – again demonstrating the trade-off between inclusiveness and timeliness.

⁹ CHF Evaluation 2011, DRC Country Study

¹⁰ Evaluation of the CHF: Country Report Sudan, Channel Research 2011

Post-allocation review of allocation process

The Guidelines stipulate a formal review of each standard allocation. The first review led to a number of changes mainly regarding more specific guidelines and better communication of the process. CRCs were allocated an additional week for project prioritization and review.

The second Standard Allocation was reviewed by an HCT working group as well as the informal donor group in June 2011, making specific proposed changes to the guidelines. These processes identified many similar issues to those this review is finding:

- More strategic use of ER
- Lateness of SA2 due to multiple proposal revision rounds by OCHA
- Extending FSNAU assessments to capture e.g. water and market analysis; and clusters to provide response analysis on how to address needs
- Suggested additional external review of proposals
- NGO capacity not adequately assessed - need to link with risk management database
- Operational costs too low
- Modify CHF template and database
- Improved monitoring of CHF projects

While the process should be welcomed in being consultative, the process was poorly handled. OCHA did not incorporate all of the recommendations but did not engage with the working group to explain why, leaving the working group feeling its considerable work had not been taken seriously. While the working group commented on the Guidelines themselves, some Board members felt that the additional budget guidelines were not sufficiently consulted on or agreed to despite forming an important point of reference for project review.

The Emergency Reserve

The Emergency Reserve is explicitly for unforeseen or rapid-onset emergencies, or substantial changes in the humanitarian situation that have not been addressed in the CAP. Projects do not have to be in the CAP to receive funding from the ER window, and the process is lighter and quicker without review by cluster review committees. Although less strategic by definition and design, the ad hoc nature of the ER makes it complementary to the SA and in keeping with its own stated aim: 'supporting rapid response projects that are developed during the first phase of a new emergency'.

At the same time, by being a 'first come, first serve' mechanism with fewer specified criteria, the ER carries a higher risk of undue influence. The review finds that while there may have been some cases of this, the overall use of the ER has been appropriate, as evidence by interviews and analysis of ER allocations. It is important to have a more easily accessible fund, and the ER has appropriate checks and balances through the combination of the cluster coordinator and HC. Where possible, ER funding should continue to be allocated through strategic emergency allocations for specific unexpected events where multiple grants are expected to be made (such as the drought in 2011). It is important that ad hoc ER allocations are reviewed on an annual basis.

The 20% of the CHF set aside for the ER is large by the standards of global guidelines and other funds which have a 10% ER. The actual spending figures show a higher figure of 32% spent through the ER due to the special allocation for drought in 2011 – and actual ER spending in other countries is actually at

similar levels. The relatively high percentage of the CHF for the ER is argued to be necessary due to the volatility of the situation in Somalia. This is clearly an issue common to many crisis contexts but there should be pressure to minimise the level of ER funding to focus on strategic responses while maintaining flexibility and accountability/scrutiny.

A more radical option would be to remove all limits and leave the allocation of funds to the HC and Board – deciding based on the current balance how much should be disbursed through a standard allocation, how much through a ‘special’ allocation (which could be a better way to term the emergency allocations), how much for common services and running costs, and how much to retain as a reserve. This would enhance the flexibility of the fund but risks undermining donor and wider agency confidence as it would in practice vest more power in the hands of the HC and there would be fewer checks and balances on funds being allocated for HC or OCHA priorities rather than those generated by an inclusive process.

Other issues related to Allocation

Interviews and other research threw up a number of views on a number of other issues related to the allocation of the CHF.

Multi-sectoral approaches: Responses which cut across clusters have the potential to be more strategic (for example by ensuring that health responses are coordinated with appropriate WASH activities so that health interventions are not undermined by poor hygiene). This is an important way in which the CHF has encouraged cross-cluster working, for example in response to IDP crises.¹¹ This is consistent with the CHF evaluation recommendation, and recent research on Programme-Based Approaches.¹²

Filling gaps in time: Where there is a gap in funding for accounting reasons (e.g. the end of donor financial year when funds have run short), or as was experienced in early 2011 when bilateral contributions dried up due to concerns about corruption and diversion, and by some interpretations, donor slowness to respond to early warning of impending famine, the CHF is able to ‘tide over’ critical projects until funding comes on stream.¹³

Common services: The inclusion of common services is a perennial issue for CHFs as it is consistently difficult to fundraise for services such as UNHAS from bilateral donors. As is the case in other CHFs, it is broadly appropriate to fund common services as ‘gap-filling’ in support of the whole response as much as other parts of the response. There was initial opposition from NGOs for this to be eligible, but there is now general agreement as access has become more difficult of the importance of UNHAS, and for the NGOs the NGO Safety Programme. However this is an area for caution so that the fund is not perceived as an un-transparent ‘slush’ fund, and that resources devoted to common services are in reasonable proportion to operational activities, and decisions are taken transparently and as a last resort (for example if CERF funds are not available). An unintended consequence to avoid is that donors begin to assume that common services will always be funded by the CHF.

¹¹ See Standard Allocation documents

¹² CHF eval; Stoddard paper on Programme Based Approaches to Humanitarian Financing

¹³ Famine RTE, Darcy et al 2012, SCF report

Areas where interviewees felt the Fund might be more strategic include the following, most of which have validity as a perspective but not necessarily to change the CHF fundamentally.

Looking at a medium term horizon: While the CAP takes a one year 'slice' of the humanitarian horizon, responding with humanitarian tools to the chronic nature of crisis in Somalia benefits from taking a view of processes that unfold beyond immediate crisis. This includes looking at how facilities - for therapeutic feeding, for example - can be sustained beyond short term funding cycles, and finding ways to work with local authorities. This is not really feasible with the 12 month, CAP-linked cycle of the CHF but at least as a perspective it should be considered in appraising proposals.

Taking a resilience perspective: The Fund could also attempt to work towards a 'medium' term horizon through building resilience to shocks through humanitarian action. This includes incorporating concepts of disaster risk reduction into project design, and working to build local capacity to strengthen coping capacities. Again, this is important but has been beyond the scope of the CHF in terms of direct funding, but as a cross-cutting theme for CHF-funded projects this should be considered - particularly as a more robust resilience framework is developed by agencies in Somalia.

Providing seed funding to pilot innovative approaches: Emergencies can be the enemy of innovation due to the speed with which responses sometimes need to be mounted, but difficult contexts can also stimulate innovation by driving creative solutions - in Somalia the critical issue of access, and remote management approaches are the clearest example of this. Donors are traditionally conservative and reluctant to risk scarce funds on piloting unproven, untested approaches. Another dimension of being strategic is therefore in the CHF providing seed money for potential innovation, which if demonstrated to be successful, can then attract more significant bilateral donor funding. An example of seed funding is CHF support to an FAO project for the agriculture and livelihoods cluster which supports innovative monitoring and verification approaches for the cluster.¹⁴

Not over-reacting to current events: Rapid responses can be overly focused on responding to current events and immediate, acute needs, diverting too much attention from existing needs and caseloads. The displacement of IDPs along the Afgoye corridor near Mogadishu in response to AMISOM military action in February/March 2012 was cited as an example of something unduly influencing discussions relating to the Standard Allocation underway during fieldwork for this review.

Supporting NGOs to move into newly accessible areas: Given the access challenges of Somalia, the CHF could be used to strategically catalyse agencies working in areas that become more accessible as a result of changing security conditions. This has not been undertaken specifically to date, since most Somali NGOs are able to work nationally to some extent, so the only agencies potentially benefitting would be INGOs. Here access is the main constraint rather than funding - and the perceived low level of overhead paid, with no capital costs covered, makes CHF funding less suited to activities that involve setting up new offices/project hubs.

Avoiding the allocation of too many small grants, which provide partial funding for multiple small projects (CRC criteria). Strategic *efficiency* is another priority of the fund, i.e. ensuring that funds are

¹⁴ CHF project DMA-0489-073 to FAO: Capacity building project for effective implementation, coordination and monitoring of cluster activities, \$357,000 as Common Services Project

allocated such that a reasonable a scale of impact can be presumed. The Guidelines for standard allocation grants explicitly preclude this and the risk tend to be managed (also see Efficiency section below.) There may be tensions between this priority and the benefits of funding Somali NGOs with less absorption capacity but more access - emphasising the need for a risk management lens (also below).

The CHF in support of the HC and humanitarian coordination

As noted in the introduction, evaluations of CHF's note their mutually reinforcing effect on coordination structures and humanitarian reform more broadly (including support to the leadership role of the HC, clusters and CAP.) The majority of interviewees agreed that this was also the case in Somalia. Three quarters of respondents to the online survey saw the CHF as having strengthened the role of the HC and clusters either 'greatly' or 'significantly').

There is, however, a mixed picture on how much the CHF has so far actually managed to contribute to these wider aims of strengthening the humanitarian system. Underlying this are a number of factors which in part reflect wider challenges in the system:

- i. Ambivalence towards some features of standard humanitarian architecture - scepticism among some NGOs particularly about the utility of the CAP, the added value of the clusters, and the space for the HC to lead the system;
- ii. How effectively the CHF has been implemented in practice; and
- iii. The value for money of the system, particularly additional costs for the clusters which are responsible for CHF project prioritisation and review.

Impact on coordination - strategy, clusters and the CAP

At a strategic level, the CHF is seen (particularly by the HC) as providing an important forum for strategic discussion on assistance to Somalia. 85% of survey respondents agreed or strongly agreed that the CHF had strengthened coordination. While this is a significant result, breaking the figures down shows that NGOs were relatively more positive than the UN (90% of NGOs agreed or strongly agreed, compared to 60% of UN respondents). Interviews suggested the impact had been through increasing participation in both the CAP and clusters. This is clearly driven by the requirement that CHF applicants are registered with a cluster and clusters make project funding recommendations; as well as the requirement that for Standard Allocation proposals, the project must be in the CAP.

Increased participation in the CAP and clusters is generally seen as positive since participation derives greater shared benefits than just receiving CHF funding. By being inside the common process, there are more opportunities to be part of strategic discussions and avoid duplication. For some clusters the increased participation of particularly Somali NGOs is welcome from the point of view of their greater involvement, but the size of cluster meetings in some cases has become unmanageable. For the larger clusters this has driven the formation of working groups and executive sub-groups to make specific tasks feasible to accomplish.

A wider issue has been the concern from some cluster coordinators that while broader cluster participation is to be welcomed, the time taken on the CHF, as well as the CAP, crowds out the ability of the cluster to focus on its primary purpose of operational coordination and strategic analysis. Some cluster coordinators estimated that as much as 30% of their time was devoted to the CHF. This is clearly

disproportionate to the amount of funds that the CHF disburses compared to the overall priorities of each cluster.

The implications of this, and possible solutions, will be discussed further in the section on cluster review and allocation. At the strategic level, however, the solution would appear not to be to reduce cluster involvement in the CHF, but rather to find ways to alleviate the burden on clusters by streamlining the process and providing targeted and appropriate capacity support where necessary. It is unclear at this stage what the implications of the IASC transformative agenda will be on the cluster role on the CHF, given the stated aim that they should focus on their core task of coordination rather than supporting funding mechanisms.

Multi-sector strategies driven and funded by the CHF have been important to stimulate cross-cluster working, for example on IDPs. There needs to be clarity that this is a cluster responsibility to manage and follow through on in terms of implementation. In some cases the timescales for developing sector strategies has been unreasonably short - the process has been more ad hoc than necessary for the current allocation, leading to some inefficient working and undermining support for the CHF.

Involvement in the CAP is perceived to have increased, and the quality of CAP project sheets is seen as having improved as a result of the CHF. On the other hand this has fed the tendency of the CAP to be an inflated and non-strategic statement of requirements - as viewed by some NGOs - as there is no reason to put in modest budgets. In addition, since CHF SA funding has to be linked to CAP project sheets, NGOs have learnt to keep CAP projects very broad so as to retain subsequent flexibility in CHF applications. Again this is partly an issue with the lack of flexibility of the CAP rather than something the CHF needs to fix, although as discussed below the way that OCHA reviews CHF proposals needs to avoid over-zealous adherence to the letter of the CAP project.¹⁵

Impact on the HC

Three quarters of online survey respondents felt that the CHF strengthened the HC's capacity to lead the humanitarian system. The HC himself sees the CHF as an essential part of his toolkit to support the system and provide strategic inputs, as well as giving him more influence in discussions with the Humanitarian Country Team. As the final arbiter of CHF decisions, agencies are incentivised to influence the HC, brief him on their programmes and 'market' their approaches. As discussed in the section on determining funding envelopes, the HC plays a careful balancing act in deciding the use of the CHF, factoring in the interests and agendas of different stakeholders including UN agencies, donors and NGOs.

Conclusions and Recommendations

Overall, the CHF is an important instrument, both as a tool of the HC and of the clusters to further the objectives of the CAP. This applies predominantly to the SA, but the ER plays a complementary role. The overarching objectives of the Fund relate to its ability to be 'strategic'. Although a contested term, the review finds that the Fund operates in support of the CAP and uses the best available information and a consultative process through which to make the highest level of allocations. To this extent, the Fund can be said to be working in a strategic fashion. Actors who question the premise of UN coordination and the added value of cluster coordination clearly take an opposing view.

¹⁵ CHF Guidelines

The Advisory Board plays an appropriate role in giving the HC strategic advice on allocations and the function of the fund. While there may be variations in the representation of different interests/clusters, the balance of efficient size and representativeness is about right. Common services are now agreed to be appropriate for the CHF to fund, covering underfunded critical enabling activities such as UNHAS and the NGO Safety Programme.

There has, however, been an erosion of trust between clusters and the Board such that inputs from clusters to inform the Board's discussion of allocation priorities are perceived to be given less weight than FSNAU analysis, and faith in the transparency and appropriateness of the allocation decision is lacking. The overall conclusion of the review is that the Board is functioning effectively but some aspects of process could be strengthened. An additional step of strategic discussion/consultation would help to inform the draft allocation paper both in terms of substance and transparency of consultation. This would also insure the fund against changing leadership which might take a different approach to deciding allocations. The recommendations below include measures which should increase trust.

The Emergency Reserve is an important window for rapid response to unexpected needs to complement the CAP-linked Standard Allocations. Although the review finds that the ER was used with an internal logic, and in specific targeted strategic emergency allocations, it risks the perception of being a generic 'slush fund', particularly given its size relative to other CHF emergency reserves globally.

The CHF has acted to strengthen coordination, CAP participation, the cluster system and the Humanitarian Coordinator, although there are clear costs as well as benefits, particularly for the clusters due to the weight of the process. Issues of cost and timeliness are discussed below.

Recommendations

- a. The CHF should be continued as a funding mechanism for Somalia with its current scope and approach
- b. The Board should agree to reduce the size of the unrestricted ER to 15% of the CHF and continue the use of specific more strategic emergency allocations to respond to unexpected events according to agreed criteria
- c. Clusters and agencies should develop more rigorous analysis capacity to complement FSNAU analysis and input to allocation decisions
- d. HC and FCU should engage in structured consultations on principles for each standard allocation at the HCT and ICWG with support from additional dedicated OCHA planning/analysis capacity, and field input. This could include circulating a draft allocation paper
- e. HC/FCU to articulate more clearly where the final allocation document deviates from discussions
- f. The HC should continue to propose multi-sector interventions for strategically coordinated responses, while ensuring actual implementation of multi-sector approaches
- g. FCU should ensure available resources are factored into allocation proposals, as well as realistic assessments of when funds would actually be disbursed to allow for planning.
- h. Develop a more rigorous timetable and process for Board papers and discussion: OCHA FCU to ensure board documents to be circulated at least 1 week in advance with more explicit rationale
- i. The post-allocation review process should be well resourced in terms of staff and time and include structured discussions on key issues and revision of guidelines

4. Standard allocation – partner selection, project prioritisation and review

Project review process

Once the allocation document is published, proposals are submitted within one week via an online database managed by OCHA. Responsibility for processing, prioritising and reviewing proposals then passes to the clusters, with roles for the cluster coordinator, cluster members and cluster review committees.

Cluster review committees play a central role in project review for both the CAP and CHF. They include equal elected representation from the UN, national and international NGOs, plus the cluster coordinator and co-chair. Specific numbers depend on the size of the cluster. The nutrition cluster, for example, has 3 of each organisation type. CRC members must be a member of the cluster and have relevant technical expertise.

The CRC undertakes a technical review of the submitted proposals and prioritises proposals for funding within the agreed cluster envelope. This review is supposed to include views from regional cluster representatives and be carried out in a transparent way according to criteria agreed by the cluster in addition to generic criteria for the CHF. Voting for projects is carried out and for some clusters, proposals are scored against the criteria and reported on standard formats. These are posted on some of the cluster websites.

Currently once the CRC has produced its prioritised project list, the entire list is passed to OCHA for 'procedural review', including analysis of the budget, unit costs, and maximum/minimum limits on overheads, for example.¹⁶

Project criteria

The budgetary guidelines which supplement the CHF guidelines stipulate a number of requirements intended to ensure SA projects are delivering outputs rather than paying for staff costs. Key elements are that at least 70% of total project costs should be project inputs other than personnel; staff costs are limited to 10% of the project cost (excluding direct technical inputs such as medical staff), indirect/HQ costs must not exceed 7% of the total direct costs (and indirect/other direct costs combined should not exceed 10%) and no procurement of capital assets is allowed. Projects have a recommended minimum of \$250,000 but exceptions can be made where Somali NGOs are funded.

Feedback from NGOs since the first allocation has argued that the budget limits do not cover the full cost of running projects in the challenging environment of Somalia (such as for security, communications, transport), nor are they suitable for projects which are more technical/monitoring than directly implementing (i.e. with high staff rather than material costs). This means other donor contributions are used to cover the real cost of implementing projects for which the CHF takes credit. While many donors are comfortable with sharing costs of co-funded projects and the fungible use of

¹⁶ Guidance Note on budgetary requirements for CHF funded projects, OCHA Somalia Funding Coordination Unit

contributions, they also try to operate in a collegiate way where co-funding and shared achievement of results is acknowledged – particularly if they risk being perceived as contributing to less visible or tangible components of projects. There is also a danger of partners being scored poorly by the CRC process specifically because they cannot raise other donor funds (particularly relevant to Somali NGOs), or because the lack of matching funds might lead to poor quality implementation.

Equally procuring capital assets up to a certain level should be permitted even for an emergency operation, particularly for smaller/Somali NGOs which cannot rely on other donors. The issue here is where the capital items are handed over to at the end of the project, given the ease with which corrupt practices could go undetected. While some flexibility is needed, and there should be space for arguing for rules to be eased in special cases, it is also important for the CHF to keep control over projects, particularly when monitoring can be such a challenge. A pragmatic solution to the capital procurement would be to set a relatively low ceiling below which procurement was not considered a capital asset (e.g. \$1500).

According to the CHF guidelines, ‘if the project is part of the CAP the activities in the CHF project submission should be identical to or a subset of those in the CAP project sheet. Standard Allocation submissions must be based on the CAP.’ This is criticised by NGOs for being too rigidly adhered to, especially when the volatile situation in Somalia makes it entirely possible that projects formulated for the CAP are no longer in the right geographical area, or in the right sectors. This is an issue of interpretation by the clusters and OCHA in particular rather than rigidly applying this guideline.

Findings

CRCs are widely commented on and are one of the most contested parts of the CHF process. On the positive side, they are seen as part of an inclusive process which provides useful balance/support to the Cluster Coordinator. The 2nd Cluster Evaluation highlighted the need to balance strategic leadership and participation, which overall this review assesses the CRC’s manage to achieve.¹⁷

The major criticism of CRCs is that they are overly political and insufficiently technically grounded. There is a perception that CRC members have excessive influence, are able to ensure funding of their own agencies, and also that the time spent on working in a CRC distracts from wider cluster coordination. On the technical side CRCs do have minimum technical standards, although these are not always adhered to or possible to achieve due to varying quality of available staff.

Evidence on CRC bias

An analysis of funding by cluster for SA2 shows an interesting picture where some CRCs do receive considerable shares of the funding while others do not:

	% CRC of Overall Contribution	Average CRC Allotment	Average Allotment
Agriculture & Livelihoods	10.1%	\$331,311.33	\$426,456.17
Nutrition	78%	\$739,745.26	\$510,463.08
WASH	50.4%	924,611.61	612,143.96

¹⁷ Cluster Evaluation 2

The table shows that for the Agriculture/livelihoods cluster, CRC members receive less than the cluster average per project and the CRC as a whole receives only a tenth of funds allocated by the CRC. Nutrition by contrast, is striking in that almost 80% of allocated funds went to the CRC, with CRC members receiving larger amounts of funding. In WASH, half the funds go to CRC members but those that go to CRC members are much larger grants than to non-members. The ER allocations are quite different with less funding going to CRC members.

While it would be simple to interpret the table as showing that the nutrition CRC is biased towards its own members, and that the WASH CRC grants itself larger amounts, there are other factors to consider. A particular issue is the role of UNICEF in both nutrition and WASH where it may receive large grants as it is the technical lead agency with reach and capacity. In practice interviews focused less on cluster lead agency bias towards itself, and more on the role of Somali NGOs in overly monopolising the process.

The overall finding of this review, based on the prevailing view of those interviewed, is that the CRCs are not perfect, but provide a sufficient balance of participation and accountability as they are currently configured.

By contrast to the Somalia CRCs, Sudan and DRC have an additional layer of review in the form of the DRC technical review committee and the Sudan advisory working group. These were set up as a balance to the perceptions of bias among the equivalent of CRCs. In DRC the CRCs prioritise a list of projects but the TRC actually reviews and approves the proposals. The TRC includes a donor rep, a cluster rep/technical advisor, and the Funding Unit as Secretariat. The taskforce which reviewed the Guidelines after SA2 recommended an independent Project Review Committee along these lines to make the final decision and assessment of proposals rather than CRCs.

Given the already major weight of the CRC process on clusters as mentioned above, lack of evidence of widespread & consistent bias, and need for rapid disbursement this review does not support adding another layer (see timelines section). However there does need to be some additional strengthening of cluster technical and administrative capacity for some clusters, and additional due diligence/pre-assessment requirements to ensure quality of funded agencies. Combined with further efforts on transparency and communication the review finds this should allay some concerns.

The CHF unit has floated a different revised approach in which upgraded CAP project sheets – with more narrative and budget detail - are used by CRCs to construct prioritised lists. Only these partners would be invited to develop more detailed proposals for comprehensive review by such a technical review committee. This approach would theoretically reduce the amount of time needed for CRCs to process proposals, and could also speed up fund transfer as funds could be ‘pre-positioned’ in Nairobi from Geneva on the basis of the prioritised list of CAP projects, and funds released on a rolling basis once approved. This might be a sensible future direction for the CHF but it would depend on increasing the work done by agencies for the CAP, including updating CAP project sheets during the year to ensure accuracy. While it could be argued this would be a good investment, it would be a hard sell to many agencies which already see the CAP as unwieldy and unnecessary.

NGO participation

International NGOs were very concerned about the conversion of the HRF to the CHF when discussions were underway for its being setting up. As detailed in a position paper, NGOs had the following concerns:¹⁸

- Better NGO consultation needed respecting Principles of Partnership
- UNDP too politicised to be involved
- Uphold diversity in funding pools
- Direct access needed for NGOs to funds
- Greater transparency on functioning
- Flexible application system
- Effective M&E required
- Rapid allocation & disbursement
- Strengthened needs assessment (the latter three points are covered in section 5)

Again, many of these issues are still of concern as set out in this review. The appointment of OCHA as MA was in part to allay NGO concerns. While INGOs are now more supportive of the fund than at the beginning, in part due to the amount of funding they have been able to secure, the conflictual nature of negotiations at the inception of the CHF continue to resonate in some of the ensuing discussions.

The statistics on NGO involvement in the CHF are significant (see summary figure). This is greater than in DRC or Sudan: 69% of funds disbursed to date have been to NGOs, Somali and international. The figure is reversed in Sudan, where over 60% of CHF funds went to the UN in 2010, and in DRC for 2010 the figure is 50/50. The specific challenges of access in 2011, which continue now, are the main explanation for the high level of funding to Somali NGOs. The CHF is the sole funding source for many Somali NGOs. Where they are appropriately funded, direct funding offers good value for money and a targeted response. However there are higher risks attached due to the absence of quality assurance mechanisms found among international NGOs and the UN, and the risks of the CRC process being dominated by Somali NGOs.

NGO assessment

Current NGO requirements for receiving funding include:

- Membership of cluster
- For SA projects, inclusion in the CAP
- Valid bank account
- Up to date with reporting to CHF

However there is no rigorous assessment of agency capacity to implement or formal link of past performance to future funding. The CRCs are assumed to have good knowledge of the partners and be able to make sound judgements. However there is ambiguity over the role the CRC plays in assessing the risks of funding a particular NGO - essentially there is no filter or mechanism by which new, small or underperforming NGOs can be assessed for their likelihood of delivery. This either leads to agencies being excluded, or inappropriate agencies being funded. Without inputs from field monitoring it is

¹⁸ Somalia NGO Consortium Discussion Paper

difficult to assess the extent to which this is a problem. Certainly a number of interviewees felt that while the CRC process was reasonable, there were examples of projects funded which were either beyond the capacity of the NGO or were not appropriate.

Using a risk management lens

This is part of a wider observation that the CHF process does not sufficiently take an approach of risk management despite the inherently high risk environment.¹⁹ This takes available information to assess the risks of funding a particular agency and puts into place appropriate mitigating measures such as lower levels of funding, phased funding, specific budget guidelines and increased monitoring/reporting requirements.²⁰ This is implemented for the DRC Pooled Fund, where NGOs are put in one of four risk categories. For an NGO – national or international - to become a partner of the DRC pooled fund, the M&E Section carries out an organizational capacity and risk assessment at the request of cluster coordinators who can each request up to five assessments prior to a Standard allocation (i.e. a potential 45 requests per allocation). The entire process takes about one week. For the first allocation round in 2010, 32 out of 38 NGOs passed the selection.²¹

The risk management unit in the Resident Coordinator's office exemplifies the approach and has useful tools including 'Minimum standards for due diligence', a draft guidance which should be an important reference for the CHF review stage. It is also populating a database which can be used as part of a risk filter to ensure NGOs are not on UN Security Council resolution lists, for example, as well as to provide a clearing house for blacklisting NGOs which are shown to be corrupt. In its most comprehensive approach this would map out the different elements of risk management and how they are linked in the project cycle from partner and project appraisal following principles of due diligence, performance and capacity assessment, through monitoring, verification, audit and evaluation. A rolling programme of pre-assessment/vetting NGOs in Somalia would add an additional layer of credibility to the CRC process, as well as identifying areas in which they could be supported to build capacity, and linked to efforts to improve project quality.

Capacity to support the CHF process

The issue of providing capacity to support the process is central. While some clusters feel that the CHF and CAP are manageable, complementary processes, others find the CHF process takes significant time. Combined with the need for a more rigorous risk management approach and potential grey areas of responsibility, and the need to find ways to speed up the process, a joint review process by the CRCs and the OCHA CHF team would be desirable. OCHA would not be second-guessing technical decisions - as would happen if clusters were not involved - but would be involved in the final stage of project review, adding its own questions to those of the CRC, highlighting issues of project quality and ensuring

¹⁹ The CHF sets out operating principles in a December 2011 paper on Risk management & due diligence, covering responsibilities of partners, the role of audit, monitoring and the RCO risk management database

²⁰ For example all agencies are currently provided 80% of project funds on contract signature and 20% on completion of audit. This compares with UNDP's usual approach as MA of a 30/40/30 split of tranches. The former could be nuanced depending on the risk assessment

²¹ DRC PF evaluation 2011

oversight of some areas of due diligence.²² Nor would the process be divorced from the context and existing structures by outsourcing project review to external consultants. A joint review would reduce the phenomenon of OCHA making suggestions which contradict the clusters, and vice versa; and potentially save a week of time that currently OCHA spend reviewing after the cluster process is complete.

This would also reduce the number of rounds of project revision that have occurred in the past, which add significant time to the overall process for NGOs that do not address reviewers' concerns. In DRC a maximum of 3 rounds of 'back and forth' are permitted. Such a limit would be advisable for Somalia to improve this area. The CHF unit has already made plans to institute such an approach, possibly from the next allocation, but will need to give careful thought to the capacity that will be needed to be involved in the joint review process without slowing it down. Again, robust timelines and planning will help manage the workload.

Conclusions and Recommendations

Cluster review committees are the main means of prioritising and vetting projects and potential CHF grantees. Good practices include their election by cluster members, agreement on criteria for project selection by the cluster, and voting/scoring for projects according to these criteria. There are concerns about CRCs' ability to review projects fairly and effectively due to bias and a lack of technical capacity; and the burden that the CRC process places on clusters.

The CRC process does not adequately address the issue of pre-assessing NGO capacity with a risk management lens, and adjusting funding levels accordingly, as well as identifying areas in which to build NGO capacity. It is also unwieldy in terms of the consecutive reviews by CRCs and then OCHA FCU, and the multiple revision rounds.

NGOs find the budget restrictions unwieldy but the rules are important given the potential for misappropriation in the challenging operational environment of Somalia. Linking the CHF tightly to the CAP helps to ensure a strategic consistency but over-zealous interpretation of how closely the CHF project matches the CAP project can be counter-productive and unrealistic in the volatile Somali context.

Despite the concerns, the CRCs strike a good balance between inclusiveness and technical rigour, and while there are cases where CRC decisions have not been made on solely technical grounds, they provide a reasonable degree of review in a timely, transparent and accountable manner. However pre-assessment using a risk lens is notably absent.

The burden on some cluster coordinators to manage the CRC process is significant and existing or additional capacity needs to be examined to ease this burden and enable clusters to coordinate as well as manage funds and the CAP. This will only get more complicated as more capacity moves into Somalia and there are multiple centres of gravity.

²² The Famine real-time evaluation (VALID 2012, forthcoming) recommends that clusters are not involved in vetting proposals

A joint review process between FCU and the CRCs could assist in sharing the burden as well as reducing the time taken for review and reducing ambiguities/duplication in the assessment process. However FCU needs to consider the capacity that would be required for this, including spending more time in cluster meetings to get closer to the issues.

Recommendations

- a. FCU and the clusters should implement a joint review process for the next standard allocation, with explicit agreements on who is responsible for reviewing different parts of the proposal (e.g. budget logic). FCU needs a realistic staffing plan to cater for this surge activity. A maximum of three revision rounds should be permitted before proposals are automatically rejected
- b. Clusters to agree strengthened minimum technical standards for CRC membership and for technical aspects of proposals
- c. FCU cluster focal points should continue to attend monthly cluster meetings to keep abreast of emerging issues and update cluster members on CHF processes
- d. TORs for Cluster support officers should be reviewed by OCHA and Cluster coordinators and CSOs should be given greater responsibility for managing technical, not just administrative parts of the CRC process for the CHF
- e. Exceptionally and on a case-by-case basis, additional surge capacity should be provided to over-stretched clusters if needed in addition to the joint review process. This should be provided either by OCHA or by the cluster lead agency. The Board should consider the principle of funding such capacity support from the CHF
- f. FCU should continue to interpret budget guidelines and linkages to CAP projects in a smart way which considers cases for relaxing rules if justified
- g. The field should be progressively included and plans put in place for the rolling transition to greater presence in Somalia in terms of implications for the CHF, without weakening Nairobi support capacity
- h. FCU should implement a risk management framework for vetting NGOs on a rolling basis as a pre-assessment process in advance of allocations as prioritised by clusters, and linked to the RCO, and make funding recommendations based on risk categorisation
- i. Based on the pre-assessment process FCU should elaborate a capacity building strategy for NGO partners including training on CHF processes, budget and reporting requirements
- j. Transparency: All cluster coordinators should publish CRC scoring formats and minutes on cluster websites

5. Operational effectiveness: Timeliness of allocation and disbursement

Speed and timeliness of allocation and disbursement

The calendar for Standard Allocations envisages an 8 week process from the publication of the allocation document. If achieved, this would be faster than most bilateral donors. To date, however, this timetable has not been met in either of the two standard allocations. SA1 took an average of 85 days against a plan of 49 days from project submission, while SA2 was even slower, taking an average of twice the target number of days at 100 days (i.e. 14 weeks) on average from submission to disbursement. While almost 60% of online survey respondents felt that the CHF disburses funds quickly, this was the lowest scored feature of the CHF.

Table: timelines for SA1 and 2 against planned

Planned no of days	SA1 average	SA2 average
56	92	107

No of days from launch of Allocation document

Text Box: Speed in DRC

According to JPFU data and the calendar annexed to allocation guidelines, it takes around 8 weeks to complete the steps between the launch of the allocation process and the submission of project documents to the JPFU and another 6-7 weeks to complete the technical review of projects. This brings the total duration of the allocation and administrative processes to around **4 months**.

Further breakdown: Preparation of provincial strategies (10-12 days); analysis of priority needs and funding gaps, meeting of the Strategic Committee on envelopes, decision of the HC, and circulation of the information (7-8 days); cluster consultations and submission of the list of priority projects (13-14 days); CPIA review of lists (3-4 days); JPFU consolidation and submission of recommendations to the PF Board (4 days); PF Board decision-making meeting and HC decision (2 days), submission of project documents to JPFU (6-7 days), technical review (40-45 days), with about one week between the submission of the project documentation and the beginning of the disbursement process.

The timelines were unsatisfactory and at the time led to considerable criticism and reputational damage to the CHF. As Somalia was the first (and currently only) CHF in which OCHA performed the role of Managing Agent - disbursing grants to NGOs directly rather than via UNDP - this reflected badly on OCHA. The decision to have OCHA as MA stemmed from i) evaluations of other CHFs where UNDP was seen as not able to provide the right service as MA in terms of speed, and ii) more significantly, a major objection from NGOs in the inception discussions that UNDP was regarded as too partial in terms of its support to the Transitional Federal Government of Somalia in transition and reconstruction - and the tension between the HC and RC roles in such complex crises. Their concern was that too direct an association with the UN would jeopardise humanitarian space for CHF partners to operate in Somalia.

There were a number of reasons for the delays:

- Teething problems with various parts of the system
- Repeated revision rounds on proposals as agencies got used to CHF requirements
- Bureaucratic requirements and capacity constraints OCHA Geneva
- 'One-off' issues including cash grant query and biennium
- UNDP transferring each grant individually to OCHA Geneva
- Standard processing time by UNOG could be as much as 1 week
- Bank account/transfer agent details clarification, particularly for Somali NGOs

Initially the main delays occurred in Geneva, where for SA2 for NGOs it took an average of 60 days from the HC agreeing the project list to disbursement: almost three times the time it should have taken (21 days according to calendar). The reasons for this were exceptional - OCHA Geneva needing to query proposed cash grants as part of some projects, but more significantly the implications of closing OCHA accounts for 'biennium' accounting. Initially all projects which would run past the end of the accounting year had to be split into two so that they could be closed from an accounting perspective. This required significant processing time as project documents and budgets had to be revised. Once this had taken place, the decision that required this was reversed, so the work had to be undone, adding more delays.

In itself this is a highly unsatisfactory episode which does not reflect well on OCHA's ability to manage funds. While this issue is in theory resolved, and other capacity challenges faced by Geneva have reportedly been addressed, the concern is that with the forthcoming allocation further 'one-off' issues could emerge. Informal discussions with the Ethiopia HRF - for which OCHA acts as Managing Agent - suggested these issues were all too familiar and not specific to Somalia. While there is clearly more to be done corporately to maintain consistency and a focus on operational delivery in Geneva, there is also a need for the CHF team to provide high quality documentation for processing to avoid delays. More broadly, some distrust has built up between the Nairobi and Geneva teams which is understandable due to the pressure, but this is unconstructive and steps should be taken to build warmer relations, for example through exchange visits between the two locations of key staff to better understand working practices and constraints and build personal relationships.

The delays in Geneva are in addition to an extended process for cluster review which was increased from 2 to 3 weeks to enable necessary cluster discussion and review to take place.

Currently there is no single database for tracking projects from proposal submission to disbursement, so data are not completely comparable and not straightforward to obtain. Timelines were announced for the standard allocations including the current ongoing one. Communicating timelines clearly and then being able to track timelines better through a 'cradle to grave' database system, from the initial consultations on the allocation document, would be an important step towards stronger management and communication, and accountability of the process.

When the specific emergency allocation was made for the drought in October 2011, the declaration of a corporate emergency and a major institutional push encouraged by donors led to a perception of major improvements in speed which has changed the perception that the CHF is slow. Interestingly the database shows that while the ER timeline was quicker than SA, it was still a lot slower than the guideline calendar and than it should be expected to work, particularly for NGOs - taking an average of 11 weeks (and minimum of 5) rather than the guideline of 4 weeks from project submission to first disbursement for the emergency allocation.

	Project Submission to Approval (Avg. no of days)		Project Submission to 1st Disbursement (Avg. no of days)	
	AA	MA	AA	MA
EA	40	51	n/a	78
Reserve	16	91	19	62
Guideline Expectation	6	6	11	16

NB Based on available data, which is incomplete for the Emergency Reserve

It is also important to remember, however, that the ER window dispenses with some of the more time consuming parts of the SA, particularly the 3 weeks of cluster review. OCHA Geneva has also put in place fast track procedures with UNOG which can be used sparingly for 'urgent' projects; as well as planning to train surge capacity staff to work on processing when there are spikes in workload.

While there are clearly some parts of the system that have been fixed - although these remain untested in a Standard Allocation – the fundamental speed of the process is limited by the time needed for proper review and consultation in the clusters; the time taken to agree the allocation document; and necessary due diligence on grantees. In a complex system with many steps, a day or two added to each stage is inconsequential to the individual concerned, but adds up to significant delays in total. Part of the challenge is in harnessing UN Secretariat systems which are not built for speed, in changing mindsets towards one of fund management and operational delivery away from bureaucratic risk aversion, and in ensuring clear messaging from senior leadership on institutional priorities and individual responsibilities regarding fund management. There still appears some ambivalence on OCHA's role as a fund manager emanating from senior levels of OCHA, which plays out at working level as potential delays or a reluctance to invest sufficient staffing resources.

Timeliness is of crucial importance in making the CHF a useful tool, and it is too easy to point to the complexity of the process as an excuse for not making time savings at every stage where possible. Specific areas where time could be saved are:

1. Agreeing allocation document more rapidly
2. Overlapping/joint review by CRCs and OCHA - which would also be more effective and avoid duplication (see below)
3. Further developing fast track procedures in Geneva/NY
 - a. Delegating contract authority to Nairobi
 - b. Agreeing bulk transfer procedures with UNDP MPTF

A current bottleneck that is under discussion is the process by which funds are transferred from UNDP MPTF (which receives and manages donor funds). In order for OCHA Geneva to sign agreements with NGOs, it must have received funds from UNDP based on the HC's agreement. Currently each transfer is approved and sent individually which adds significantly to the transaction costs for all parts of the system and slows down disbursements. OCHA Somalia is discussing with Geneva and New York a system of bulk transfer where funds are requested based on the HC's approval of the provisional list of projects to be funded. The sticking point is the need to reconcile amounts transferred with final expenditure, and UNDP's confidence in OCHA to manage this process.

An additional or alternative efficiency would come from being able to sign contracts in Nairobi as HC or Head of OCHA office rather than having to send document packages to Geneva for sign-off.

The added step of OCHA as MA - involving UNDP transfer to OCHA and UNOG processing payments to NGOs means that the disbursement process itself for NGOs takes two weeks on average compared to 3 days for the UN. An additional few days is required for transfers to Somali NGOs without international bank accounts - the UNDP Country Office makes transfers for these partners through the Dahabshill money transfer network which very reliably transfers funds into any part of Somalia.

The DRC process takes around 4 months from the launch of the allocation to disbursement. This is a useful benchmark as this is a mature CHF where kinks have been worked out. This is fairly similar to the actual timeline achieved in the Somalia CHF but the time is used very differently. There is much less time devoted to administration and disbursement - because the UNDP MA role is fundamentally quicker, though probably more expensive, and creates other challenges in terms of OCHA's reliance on the UNDP country office which may not be accustomed to working on urgent disbursement timescales. The time saved on administration is balanced by a longer process of technical review (6-7 weeks in DRC compared to 4 weeks for cluster + OCHA review in Somalia).

An element of expectation management is required. Bilateral donors generally take at least 10 weeks to disburse funds even for a simple continuation of a previously supported project. There is still a perception that because the CHF is closer to the operational agencies by being managed by the UN system, it ought to be able to almost immediately disburse funds. However desirable this might be, the need to be consultative and accountable means the process is always going to take at least weeks - and the Somalia process is lighter in terms of consultation than DRC for example. The aim should be to have a robust and predictable process so that agencies can submit appropriate projects that if funded can start at the right time in terms of seasons, and also so that at critical points they can reasonably assume the funds will arrive in due course, subject to meeting basic contractual requirements - so that project activities or at least preparations, can start in advance of receipt of funds. OCHA needs to demonstrate it can manage the MA function.

Assuming the process were to take 4 months from initial consultations on priorities, to receipt of funds by NGOs, the consultations on standard allocations would need to start in December (after the CAP launch) and June (after the CAP MYR) - slightly earlier than currently envisaged. This would need to be adjusted depending on actual timescales achieved, and inputs such as the FSNAU post-Gu and Deyr assessments included when available (normally published in February/March and August/September).

Systems

The CHF team manages an online database which has a number of excellent features, with some areas for improvement. Partners enter proposals themselves onto the database, which increases accuracy and reduces transaction costs as CHF officers do not need to upload proposals as with other CHFs. Review and comment is done through the online system by the CHF team, clusters and partners, with notifications by email when comments are posted and to prompt other actions such as an impending report deadline. Centralising the process on the database is a good use of technology - the only constraint is for NGOs with limited internet access in Somalia, although being web-based reduces the amount of emailing of attachments required which can be difficult with slow connections. Most users were satisfied with the system, although it had some glitches in terms of online availability and speed,

particularly approaching submission deadlines. The online helpdesk using Skype was noted as helpful and responsive. The system also facilitates adherence to deadlines as the windows for submission can be specifically controlled. Reports are also uploaded to the database and there are a number of standard management reports that can be generated automatically.

Overall, the CHF database is a very strong foundation from which to expand to a more comprehensive project management system. In particular, the system needs to track projects from submission to disbursement so that management information is more readily available. Currently the database has to be interrogated manually to generate such reports. The database also needs to be designed to support monitoring and evaluation as this function is implemented more fully. Similarly, an integrated accounting/financial module bringing together the existing databases tracking expenditure with OCHA and UNDP financial tracking, would support the strengthening of this aspect of the office.

Budget changes/no-cost extensions

Budget revisions are processed efficiently - 58% of online survey respondents agreed or strongly agreed that re-programming CHF funds was easy. No-cost extensions have been increasingly common and are expected to increase in number as more projects funded in the second allocation reach the end of the project cycle (see table below). No particular concerns were raised by NGO partners but OCHA Somalia has some concerns that the need for OCHA Geneva to agree no-cost extensions is an unnecessary burden.

No Cost Extension by Allocation Type

	EA 2011	Emergency Reserve	SA1	SA2
Number of NCEs	1	15	12	38
Out of:	48	98	34	82
% NCEs	2.0%	15.3%	38.2%	46.3%
No of days extended (average)	29	40	119	142
No of days extended (range)	n/a	17-151	46-166	31-196

Role of Funding Coordination Section, OCHA New York

The role of FCS in New York, according to the guidelines, is to support financial analysis, provide programmatic support and donor liaison, review annual reports and facilitate contact with the UNDP MPTF office. It plays a key role in providing training, surge capacity and start-up support - acting as a repository for best practice and lessons learned for different funds across the world. It has provided important support during the start-up of the Somalia CHF and continues to be a resource for sharing of practice. It has played an important role in bringing focus to some of the challenges over speed and delays in the process.

While FCS has been an important resource, the degree to which evaluations and reviews have found similar issues with which all funds have to grapple raises the question of whether New York could do more to transfer lessons and avoid the wheel being reinvented. The challenge is to provide templates and support without imposing centralised control which stifles the benefits of local adaptation. On the other hand there could be gains to be made, whether through greater adoption of standardised

databases or rules, or guidelines on the pros and cons of different options for various issues such as M&E and allocation, for example.

Considerable learning occurs informally through staff transfer and missions, including surge capacity. FCS should consider how it can facilitate and manage a community of practice of fund managers so that collectively they can learn from each other and tap into the significant and growing body of knowledge within OCHA globally.

FCU and its position with OCHA/links to the HC

The Funding Coordination team in OCHA Somalia is regarded as supportive and communicative by its stakeholders. Almost 60% of online survey respondents were satisfied that OCHA was running the CHF either efficiently or very efficiently, though 9% felt that OCHA was not running the fund efficiently at all. The Head of FCU reports to the Head of the OCHA Office, with an additional line to the HC. It is important that the Head of FCU has a strong working relationship through regular, perhaps weekly, meetings with the HC given the importance of the tool to the HC's ability to lead the humanitarian system. Similarly, functional links between FCU and other parts of OCHA are crucial to maintain to ensure that the CHF's work is fully connected with analysis and information management, in particular.

Role of UNDP MPTF

The relationship with UNDP as AA is functional and no major issues were identified. The online survey reflected this: while 8% of respondents felt UNDP was not performing its role efficiently at all, 36% rated it as fairly efficient and 39% as efficient or very efficient. Negotiations over bulk transfers to OCHA are ongoing, with some small areas of tension stemming from the different cultures of OCHA and UNDP, but this is not insurmountable.

The MPTF website provides a very clear and user-friendly live database of contributions and disbursements for the Somalia CHF, as well as documents archive. This could be a model for some features of the future CHF database.

Gender

Gender considerations are incorporated into the CHF insofar as CAP projects are 'gender marked'. A recent Gencap deployment made good progress on strengthening gender dimensions of the CAP, but further support would be appropriate to consolidate and make specific inputs to the CHF. Specific gender/protection projects have not been prioritised as they have not been seen as lifesaving priorities (see discussion on protection).

Conclusions and Recommendations

NGO participation in the CHF has been high, which has been beneficial for access but creates challenges in terms of process and risk management, particularly with Somali NGOs.

In terms of the process, the CHF has been too slow to disburse funds, taking twice as long as planned on average for SA2, creating knock-on challenges for project implementation. These delays were due to specific issues such as the 'biennium', and senior attention has helped address some of the bottlenecks in Geneva and Nairobi. There is an untested perception that the process has sped up, but risks remain for future allocations.

The CHF suffered reputational damage from the slowness of disbursement which is perhaps falsely assumed to have improved due to the relatively quicker emergency reserve disbursements in 2011. The proof of the pudding will be seen in whether the current allocation actually disburses significantly more quickly than previous ones. FCU and OCHA more broadly need to develop a fund management culture where distributed joint teams strive for continual improvements in speed. Further strengthening could be made to the global network of fund managers and to gender mainstreaming in CHF processes.

Recommendations

- a. FCU to explore incremental changes to process with OCHA Geneva/NY e.g. rolling review of proposals rather than batching, contract signing and agreeing no-cost extensions in Nairobi
- b. FCU and OCHA Geneva to exchange personnel for short term temporary duty opportunities for learning and relationship building
- c. FCU to strengthen timeline tracking and reporting mechanisms as part of database redesign; as well as managing expectations by being transparent about real timescales and building confidence in OCHA as MA
- d. OCHA Senior Management to keep a close watching brief on disbursement speed
- e. FCU to upgrade CHF database to more robust platform, with integrated project tracking, accounting and monitoring functions
- f. OCHA FCS in New York to explore a Community of Practice for fund managers
- g. OCHA to arrange another GENCAP deployment to train and support CHF and CAP staff on gender dimensions of project appraisal process
- h. FCU to maintain strong reporting line to HC through regular meetings, as well as links with other functional parts of OCHA

6. Efficiency – Costs and value for money

Cost of administering the CHF

The current cost of administering the CHF includes the following costs, many of which are estimates as there is no consolidated budget specific to the CHF Somalia. These costs do not include indirect costs to cluster and applicant agencies in terms of their time managing the process/applying for grants.

Cost incurred by	Rate/annual cost	Amount spent from 2010-2011 (est)
UNDP AA	1%, paid from CHF	\$620,000
OCHA HQ	3% of half of SA ER cost not clear	\$900,000 ? \$600,000 assuming same as SA
OCHA Somalia salaries	\$859,020 est for 2012 (cost of JPO donation not included) JPO value c. \$100,000 Paid from OCHA CO budget Assumes 100% on CHF	\$1,500,000
OCHA Somalia running/travel costs	Est \$100,000 Paid from OCHA CO budget	\$150,000
	TOTAL	\$3.77m
	As % of funds disbursed (\$105m)	3.5%

As a very rough estimate, this figure compares favourably with other CHFs. The Sudan CHF evaluation in 2011 estimated an **11.5%** cost for administering, based on UNDP charging 1% as AA, 7% as MA (for NGO projects) and the OCHA Secretariat costing 3.5%. This figure should be adjusted downwards to 2.4% to reflect that the 7% MA cost is only incurred for NGO projects which make up 34% of CHF disbursements, for a total of 6.9%.

In DRC UNDP charges 1% as AA and 5% as MA (on NGO projects which make up half of disbursements – so equivalent to 2.5%), with a further c \$2m per annum funded from the Pooled Fund for the Joint Pooled Fund Unit costs. On an annual disbursement of an average of \$116m, this is equivalent to a 1.7% charge for a total of **5.2%**.

Estimated administration cost:

CHF country	% admin charge
Sudan	6.9
DRC	5.2

Somalia	3.5
---------	-----

While these are fairly rough comparisons, the cost of administering the CHF Somalia comes out as less than that of the DRC Pooled Fund and a half that of the Sudan CHF.²³ The main saving is in avoiding the UNDP MA cost of 5-7% on NGO grants. It is certainly not clear that the Somalia CHF is significantly under-resourced compared to the Sudan and DRC funds, and indicates that an increase in the budget requirement, for example to strengthen monitoring, would be well within the parameters of other CHFs. In particular, if greater resources were required to improve OCHA's MA capacity, the benchmark of UNDP costs would suggest OCHA could increase its investment in this function without becoming overly expensive. As noted in the relevant section, the issue is not necessarily one of staffing capacity, though.

Paying for the CHF

As noted in the above table, funding for running the CHF Somalia is partly directly from the fund - the percentage levied by UNDP and OCHA for their AA and MA roles, and partly from OCHA country office funding. Interviews with FCS NY suggest that CHFs will move towards self-funding in future so that they do not have to depend on being sufficiently resourced from OCHA country office costs - particularly where the CO is under-funded, or there are competing priorities for these scarce funds. The rationale is that managing funds requires predictable capacity to be able to deliver effectively and retain donor confidence. This is the funding model in DRC.

The prospect of the CHF funding the CHF Secretariat for Somalia raised concerns with the HC, NGOs and some donors in terms of the potential conflict of interest and perceptions that it might lose its neutrality in the process if it was benefitting directly from the fund, and competing with those partners who were bidding for funds. This is a genuine concern but one that is not insurmountable. The CHF already pays for AA and MA costs, and the running costs of the CHF unit would be more transparent if charged specifically to the Fund. A perhaps greater concern would be the risk that the OCHA office took advantage of the CHF unit resources and used the team for other activities, or that by being self-funded the CHF unit became perceived as separate from OCHA, and less connected to other parts of the team. All of these potential risks are manageable through pro-active and transparent communications and responsible oversight by the Board of the CHF Secretariat budget.

Efficiency and value for money

Beyond the question of whether the CHF Somalia is administered efficiently in terms of its costs, is whether the CHF model being used is the most efficient way to deliver the desired outputs. For example, a number of donors questioned whether spending \$40m through 83 partners in SA2 was efficient when they as donors themselves are under pressure from their administrations to reduce transaction costs and write bigger cheques to fewer partners. The question also relates to the efficiency (or not) of the sub-contracting chain whereby some donors write a big cheque to a UN agency, which takes its percentage, funds some international NGOs who take their own percentage and ultimately the same implementers on the ground actually undertake the projects. In theory each level adds value in terms of quality control, accountability and technical consistency for which the donor is happy to spend

²³ M&E costs are likely to increase for Somalia, which will increase this marginally - this could be budgeted as a percentage of project costs or on an actual basis. On the other hand, the FCU unit also has a donor coordination role beyond managing the CHF, so FCU costs are not 100% devoted to the CHF

additional resources. In addition the sub-contracting chain also transfers transaction costs and risks away from the donor, which is increasingly appealing to over-stretched donors.

Without a clear picture of what outputs the CHF has actually been responsible for, conclusions are necessarily tentative here. What is clear is that in the Somali context, implementation is carried out by remote management to a large extent, and most donors other than the CHF are not able to fund Somali NGOs directly. The CHF therefore appears to be an efficient way for donors to direct assistance to implementers - assuming its processes make the right decisions about priorities, and fund the right implementers in a way that ensures effective implementation without cutting out important added value from the UN and INGOs who were previously funded. Given the CHF still funds the UN and INGOs, the CHF does not represent a total break from the past. In addition, the explicit guideline criterion mentioned above is relevant in terms of efficiency by not making multiple small grants except where justified by access needs.

Other CHFs have started tracking the value chain of sub-contracting by including the amount of pass-through funding explicitly in proposals. This would be useful for the Somalia CHF to do.

Conclusions and Recommendations

The Somalia CHF is run with estimated administrative costs of about one-third that of the Sudan CHF for similar functions. The model of funding NGOs inherently incurs more transaction costs but this is the value of the CHF in terms of being able to support field implementers. CHF guidelines provide a reasonable balance in encouraging CRCs to make larger grants. Impending changes to the funding model for FCU present some risks in terms of perceptions of conflict of interest but these are not insurmountable.

While the cost of running the CHF is lower than other funds, the ability of OCHA to operate consistently as MA is still unproven (although to be fair, UNDP's MA role is also subject to considerable criticism in the recent evaluation of other CHFs). However it offers the promise of a more cost-effective model of CHF management. The concern of some donors that the funding of many small NGOs is less efficient has some relevance but the true value of this can only really be determined with a more detailed evaluation of relative outputs delivered by different types of organisations.

Recommendations

- a. FCU should track pass-throughs to implementing partners and report on an annual basis; learning should be transferred from DRC/Sudan on how to implement this
- b. OCHA FCS should develop comparable budgets across CHFs and assess pros and cons of different models
- c. FCU through commissioned evaluation studies should evaluate the cost-benefit of different delivery modalities incorporating findings from field monitoring/evaluation missions

7. Accountability

This section reviews the different dimensions of accountability for the CHF and how effective they are. Whilst distinct, these elements share a common thread of providing assurance to different stakeholders that the CHF is operating appropriately and effectively. The different objectives range through the project cycle from enforcement of rules, capacity assessment and due diligence to lesson learning and 'course correction' as well as results reporting to build confidence and 'market' the CHF.

These are challenging issues in all humanitarian contexts. All donors struggle with this set of issues in Somalia particularly due to the access challenges. And all pooled funds struggle with this set of issues, as shown in the CHF evaluation (2011), due to the complex nature of the mechanism and the multiple stakeholders involved. It should therefore come as little surprise that there are a number of areas where the Somalia CHF is correspondingly weak.

Current approach

The line of accountability is clear in terms of the contractual basis of the CHF. While UNDP as Administrative Agent receives donor funds, its MOU with UN agencies stipulates that 'Participating UN Organizations assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent, and the Humanitarian Coordinator assumes overall responsibility for the operations of the Fund.' OCHA as Managing Agent signs agreements with NGOs and therefore assumes responsibility for their operations, which therefore also falls within the HC's responsibility. The Advisory Board has no formal oversight role, although it is expected to review each allocation and the general functioning of the CHF.

OCHA as CHF Secretariat acts to support the HC in discharging his responsibilities. The Guidelines set out a framework for 'Reporting, monitoring and evaluation' at three levels:

- project level, at which organisations are responsible to report on and monitor project activities, and be accountable to beneficiaries; OCHA and clusters organise site visits or remote monitoring in order to verify information and implementation
- cluster level, where cluster coordinators analyse and provide technical advice on aggregated information from CHF projects
- fund level, where OCHA is responsible for reporting annually on progress against CHF objectives, as well as arranging for a regular external evaluation

The guidelines set out a draft framework which will be progressively implemented, with further details on monitoring, reporting and evaluation, with linkages to risk management. Elements of this are in operation:

- The CHF has a draft monitoring, reporting and evaluation framework²⁴
- A recently appointed P3 M&E officer position attached to the FCU but based in Somaliland is responsible for expanding and progressing the framework, and field monitoring
- NGOs produce interim and final narrative and financial reports

²⁴ Drafted in July 2011

- All NGO projects are externally audited
- The current process review and ongoing Somali monitoring consultancy
- Risk management is a well-used concept but actual implementation is limited - see above section for details on approach and progress on pre-assessment

While there are elements of an M&E framework, these have not been brought together in a clearly communicated comprehensive framework which is progressively being implemented within the very real constraints of operating in Somalia. On the contrary, there is a sense that as with many organisations working in Somalia, the challenges overwhelm to the degree that opportunities to pilot and develop something 'good enough' are not taken in favour of focusing on the obstacles to producing something perfect. Explicit accountability to beneficiaries is absent from the framework.

Reviewing documents from early discussions on the CHF, through Board minutes to current plans, shows that M&E has always been identified as a priority but little progress has been actually been demonstrated. The draft M&E framework, guidelines and other documents point to various directions but this has not been prioritised and implementation has been slow overall.

This leaves the CHF in a vulnerable place - as one donor said, 'all it will take is one scandal to damage the reputation of the fund'. In many ways the lack of access is probably meaning that scandals are harder to discover, but as access may begin to open up, there will be more anecdotal evidence of funds being misappropriated or outputs not produced. Given the context, and from the experience of other countries in conflict, it would be inconceivable if such problems were not uncovered. The issue is not so much whether they exist but how the CHF is prepared to uncover and deal with them - and inspire confidence that it has taken a mature approach to dealing with the very real risks of operating in Somalia.

Strengthening the system

Overall framework

There is an opportunity to bring together a number of different strands where organisations have made progress on accountability in Somalia. A good M&E system relies on having the framework and capacities to find the synergies between different elements of M&E, and developing the balance of enforcement and creating a learning culture so that partners feel appropriately supported as well as checked.

Options mentioned for regular monitoring include: (and/or a combination of these)

1. In-house monitoring team with rolling visit plan based on risk assessment
2. Review of reports by field/clusters
3. Joint verification visits with cluster coordinators
4. Externally commissioned (third party) monitoring for harder to access areas, learning from UNHCR PDM and UNICEF 3rd party monitoring
5. Use of new technologies - remote sensing, phone surveys
6. Targeted use of developing RCO monitoring capacity

OCHA capacity

In order to implement an M&E framework, having a dedicated CHF M&E officer, as recently appointed, is the right resource - though this is long overdue and as a field-based officer, is in the wrong location. What is needed is someone to bring together the detail of a framework with an implementation plan,

generate buy-in from OCHA and Nairobi-based clusters and agencies, and then roll it out to the field. There is new momentum with the new M&E officer and a monitoring plan/framework is being developed, for finalisation in May 2012. However this field position should be additional to a Nairobi-based position.

Reporting

Partners see current reporting demands as reasonable. However OCHA has neither the administrative capacity to follow up on late reports, nor the technical capacity to review reports for technical aspects. The online database now automatically generates reminders for reports which is a useful function, but to date around 50% of reports have been late, which if not followed up sends out the wrong signal to partners (see table). Two agencies have been temporarily excluded for late reporting, as stipulated in the Guidelines.

	INGO		LNGO		UN	
	Interim	Final	Interim	Final	Interim	Final
Average days overdue	70	75	77	82	38	117
Number of Overdue reports	54	46	49	68	6	10
% Overdue	53%	46%	37%	51%	21%	36%
Maximum days	443	401	345	285	111	211
Minimum days	1	2	1	1	1	62

Data from CHF database

UN reporting follows the same pattern as in most countries - the minimum formal standardised reporting on an annual and aggregated basis. This is a perennial bugbear which is of little operational value in monitoring progress and contributing to reporting on results in a timely way. The model followed in DRC is innovative in requiring UN agencies to provide standard monitoring reports in the same format as NGO recipients of pooled funds. This allows aggregation of reporting data in a meaningful way.

Role of clusters

The Guidelines refer to clusters undertaking technical review of narrative reports but this is also not occurring due to capacity constraints and disagreement over whether this is actually part of clusters' responsibilities. Similarly they are included in monitoring frameworks but there is little sense that clusters see this as something that is their responsibility, or something they have capacity for. This is a crucial issue to resolve - and which extends beyond Somalia given the transformative agenda's position that clusters should not be distracted by fund management. The tension is that OCHA is not in a position to make or necessarily commission technical reviews, the clusters are the logical source of technical support and advice, but they are not able to commit resources.

Evaluation

The Guidelines include an evaluation plan which would cover external evaluation of a sample of projects developed with the clusters, along with an external evaluation of the Somalia CHF as a whole, and being part of global evaluations of all the CHFs. These are appropriate plans, with the comment that

innovative approaches need to be considered to ensure that field perspectives from Somalia are included as far as possible. However as with monitoring, the external evaluations of projects have been delayed, in the absence of a clearly staffed and resourced implementation plan. Monitoring visits to 13 projects in Somalia were undertaken in April by a Somali consultancy.

Audits

The audit framework meets a financial requirement which can also have spin-off benefits if linked to the overall accountability framework. These audits have been useful and led to partner improvements but delays are significant and increasing due to an inflexible UNDP contracting mechanism which requires audits to be contracted and completed as batches. Some audits have taken place as long as a year after project completion. Since the final 20% payment on the contract is tied to a satisfactory audit, this has created major cashflow challenges particularly for smaller NGOs which depend on the CHF.

Transparency and communication

The CHF is generally seen as providing adequate levels of information and being transparent. The CHF website and mailing lists are easily accessible with comprehensive information. Guidelines and allocation/policy documents are clearly written. The first CHF Annual Report 2010, and annual MPTF report provide a good overview of activities and challenges.

Key concerns raised related to the Board process, which was not always seen as transparent - minutes were satisfactory but there were perceptions that much went on outside the formal discussions, and the minutes did not necessarily capture areas of disagreement.

The overriding sense is that the CHF has made a good start but needs to continue to strengthen communication activities.

For example OCHA itself needs to focus on developing systems where it can aggregate results reported by grantees into results reporting giving an overview of what has been achieved by the CHF. This should be harmonised with CAP monitoring and make use of the same systems. This will be enhanced if UN agencies can report results on a more frequent basis to the CHF.

The website and database function well but it is important to keep the information updated, and expand the ways in which the database can provide useful reporting - for example through custom 'channels', such as for donors and wider public information audiences

The Guidelines are clearly written but as part of the next review, they should be checked against the actual reality, as there are a number of mismatches. There is also a proliferation of additional notes and additional guidelines, such as on due diligence and budgetary requirements. These should be integrated into a single Guidelines document. Further work should be done to support understanding of the CHF process and build capacity through Nairobi and field workshops and training.

Conclusions and Recommendations

Accountability for the Somali CHF is clear in terms of responsibility but planned systems have not been implemented, or have been put in place in a piecemeal way, which loses the potential synergies between parts of an integrated system of accountability.

The HC and OCHA need to prioritise making progress on accountability as a matter of urgency. In addition to the potential reputational risks of any future findings of impropriety, there is a strong sense from the CHF's donors that this is crucial to retain their confidence (and hence funding).

Overall, the CHF's communication and transparency has been good but the review detected a risk of complacency and settling into a rut rather than taking this up a level.

Summary of recommendations

- a. FCU should urgently work with UNDP to develop a more appropriate contract vehicle for the next phase of audits, and expedite processes on current audits
- b. The HC through the UN Country team should generate agreement from UN agencies to provide interim standardised reporting to the CHF on a twice yearly basis according to a format also used by NGOs including progress against planned activities, key indicators, expenditure levels, implementation challenges
- c. OCHA should create a CHF M&E officer position in Nairobi
- d. The M&E officer, with senior management support, should develop a detailed implementation plan for accountability
- e. Firmer functional links should be developed between FCU and the RCO risk management unit
- f. FCU and the inter-cluster working group should develop agreement on how to involve clusters in CHF monitoring
- g. FCU should manage a consultative process to revise guidelines and undertake training workshops in Nairobi and Somalia for future allocations
- h. FCU should update the CHF website and assess audiences for different information products linked to database
- i. FCU should develop stronger results reporting products, linking with CAP indicators and the strengthened M&E function

8. Conclusions

The Somalia CHF is at a relatively early stage of the evolution in comparison to longer established CHFs. While it has learnt some lessons from these funds, many of these processes of change require negotiation and discussion between the CHF stakeholders to find the right balance of the trade-offs that all such funds make - between inclusion and effectiveness, between flexibility and accountability and between speed and efficiency.

After a difficult start in its transformation from the HRF, the CHF has established an important niche in the funding landscape for Somalia with a wide base of support from the humanitarian community. It has objectives which are consistent with the overall enterprise of strengthening the humanitarian system, and has provided strategic contributions to humanitarian action in Somalia. There is a continued added value in the CHF for Somalia, although risks remain to its sustained support unless a number of issues are addressed.

Key strengths of the CHF are in being able to support Somali NGOs directly, allowing humanitarian action to continue even in difficult to access areas. For donors, the CHF provides a channel particularly for small and medium sized donors to reduce their transaction costs - and for all donors to transfer risks. Overall, the fund has operated in a strategic way, including filling gaps where priority areas were underfunded. It has done so in a way that costs significantly less than other comparable pooled funds.

However the weak points of the CHF are in the area of accountability, with major challenges in confidently vouching for the effectiveness of funded projects, in being confident of partner capacity to implement and in reporting results convincingly. While the allocation process is learning, there remain weaknesses at both the level of the Advisory Board and the clusters that risk reducing the effectiveness of the fund. A key dimension of the CHF - timeliness - is still unproven, connected to OCHA's still unclear capacity to be an effective Managing Agent.

As a result, the CHF faces a number of risks going forward. Internally, staff change at junior and senior levels presents challenges to continuity and highlights the need to institutionalise good practice to insure the fund against different approaches. A significant risk is of a change in donor attitude to one of reducing confidence, should CHF funds be demonstrated to have been misappropriated or used ineffectively, particularly in a context of difficult monitoring where to date OCHA has not implemented a robust M&E framework.

Recommendations

The priority should now be to use the strong start to building a sustainable and resilient CHF for the future challenges that will be faced. The following matrix lists the recommendations made in this report by section and orders them according to the timescale for action. Recommendations further down the lists are not viewed as lower priority, and for many of them actions are required immediately, but the order aims to give a sense of the order in which stakeholders should devote their attention.

Recommendation	Responsibility, timescale	Action initiated by
----------------	---------------------------	---------------------

Overall		
3a. The CHF should be continued as a funding mechanism for Somalia with its current scope and approach	HC, donors	Strategic
2b. Donors should continue to fund the CHF in a timely way to meet its annual funding target	Donors	Strategic
Donor coordination		
2c. OCHA FCU should propose monthly coordination meetings with in-country donors to discuss funding gaps, priorities and intentions to inform future allocations	OCHA FCU	3Q2012
Strategic allocation		
3b. The Board should agree to reduce the size of the unrestricted ER to 15% of the CHF and continue the use of specific more strategic emergency allocations to respond to unexpected events according to agreed criteria	HC to table to at Board	2Q2012
3i. The post-allocation review process should be well resourced in terms of staff and time and include structured discussions on key issues and revision of guidelines	FCU	2Q2012
3d. HC and FCU should engage in structured consultations on principles for each standard allocation at the HCT and ICWG with support from additional dedicated OCHA planning/analysis capacity, and field input. This could include circulating a draft allocation paper	HC and FCU before next allocation	3Q2012
3e. HC/FCU to articulate more clearly where the final allocation document deviates from discussions	HC and FCU at next allocation	3Q2012
3f. The HC should continue to propose multi-sector interventions for strategically coordinated responses, while ensuring actual implementation of multi-sector approaches	HC and FCU	3Q2012
3g. FCU should ensure available resources are factored into allocation proposals, as well as realistic assessments of when funds would actually be disbursed to allow for planning.	FCU	3Q2012
3h. Develop a more rigorous timetable and process for Board papers and discussion: OCHA FCU to ensure board documents to be circulated at least 1 week in advance with more explicit rationale	FCU	3Q2012
3c. Clusters and agencies should develop more rigorous analysis capacity to complement FSNAU analysis and input to allocation decisions	Cluster coordinators and agency technical	4Q2012

	leads	
Standard allocation process		
4a. FCU and the clusters should implement a joint review process for the next standard allocation, with explicit agreements on who is responsible for reviewing different parts of the proposal (e.g. budget logic). FCU needs a realistic staffing plan to cater for this surge activity. A maximum of three revision rounds should be permitted before proposals are automatically rejected	FCU to agree process with cluster coordinators in advance of next allocation	2Q2012
4h. FCU should implement a risk management framework for vetting NGOs on a rolling basis as a pre-assessment process in advance of allocations as prioritised by clusters, and linked to the RCO, and make funding recommendations based on risk categorisation	FCU to develop as a priority	2Q2012
4b. Clusters to agree strengthened minimum technical standards for CRC membership and for technical aspects of proposals	Cluster coordinators with cluster and CRCs	3Q2012
4c. FCU cluster focal points should continue to attend monthly cluster meetings to keep abreast of emerging issues and update cluster members on CHF processes	FCU	3Q2012
4d. TORs for Cluster support officers should be reviewed by OCHA and Cluster coordinators and CSOs should be given greater responsibility for managing technical, not just administrative parts of the CRC process for the CHF	OCHA and cluster coordinators	3Q2012
4e. Exceptionally and on a case-by-case basis, additional surge capacity should be provided to over-stretched clusters if needed in addition to the joint review process. This should be provided either by OCHA or by the cluster lead agency. The Board should consider the principle of funding such capacity support from the CHF	Cluster coordinators to discuss with FCU	3Q2012
4f. FCU should continue to interpret budget guidelines and linkages to CAP projects in a smart way which considers cases for relaxing rules if justified	FCU to review procedures before next allocation	3Q2012
4g. The field should be progressively included and plans put in place for the rolling transition to greater presence in Somalia in terms of implications for the CHF, without weakening Nairobi support capacity	FCU and cluster coordinators	4Q2012
4j. Transparency: All cluster coordinators should publish CRC scoring formats and minutes on cluster websites	Cluster coordinators at next allocation	3Q2012
4i. Based on the pre-assessment process, FCU should elaborate a capacity building strategy for NGO partners including training on CHF processes, budget and reporting requirements	FCU	3Q2012

Operational effectiveness		
5d. OCHA Senior Management to keep a watching brief on disbursement speed	HC, OCHA New York and Geneva	2Q2012
5h. FCU to maintain strong reporting line to HC through regular meetings, as well as links with other functional parts of OCHA	FCU and OCHA to discuss with HC	2Q2012
5a. FCU to explore incremental changes to process with OCHA Geneva/NY e.g. rolling review of proposals rather than batching, contract signing and agreeing no-cost extensions in Nairobi	FCU to discuss with OCHA Geneva	3Q2012
5e. FCU to upgrade CHF database to more robust platform with integrated project tracking, accounting and monitoring functions	FCU	3Q2012
5c. FCU to strengthen timeline tracking and reporting mechanisms as part of database redesign; as well as managing expectations by being transparent about real timescales and building confidence in OCHA as MA	FCU	3Q2012
5g. OCHA to arrange another GENCAP deployment to train and support CHF and CAP staff on gender dimensions of project appraisal process	OCHA FCU to request	3Q2012
5b. FCU and OCHA Geneva to exchange personnel for short term temporary duty opportunities for learning and relationship building	FCU to initiate with OCHA Geneva	4Q2012
5f. OCHA FCS in New York to explore a Community of Practice for fund managers	FCS	4Q2012
Efficiency		
6a. FCU should track pass-throughs to implementing partners and report on an annual basis; learning should be transferred from DRC/Sudan on how to implement this	FCU	3Q2012
6b. OCHA FCS should develop comparable budgets across CHFs and assess pros and cons of different models	OCHA FCS	3Q2012
6c. FCU through commissioned evaluation studies should evaluate the cost-benefit of different delivery modalities incorporating findings from field monitoring/evaluation missions	FCU	4Q2012
Accountability		

7d. The M&E officer, with senior management support, should develop a detailed implementation plan for accountability	FCU M&E	2Q2012
7a. FCU should urgently work with UNDP to develop a more appropriate contract vehicle for the next phase of audits, and expedite processes on current audits	FCU and UNDP Somalia	2Q2012
7b. The HC through the UN Country team should generate agreement from UN agencies to provide interim standardised reporting to the CHF on a twice yearly basis according to a format also used by NGOs including progress against planned activities, key indicators, expenditure levels, implementation challenges	HC to gain agreement of UNCT	3Q2012
7c. OCHA should create a CHF M&E officer position in Nairobi	OCHA	3Q2012
7e. Firmer functional links should be developed between FCU and the RCO risk management unit	FCU to liaise with RCO	3Q2012
7f. FCU and the inter-cluster working group should develop agreement on how to involve clusters in CHF monitoring	FCU/ICWG	3Q2012
7g. FCU should manage a consultative process to revise guidelines and undertake training workshops in Nairobi and Somalia for future allocations	FCU	3Q2012
7i. FCU should develop stronger results reporting products, linking with CAP indicators and the strengthened M&E function	FCU	4Q2012
7h. FCU should update the CHF website and assess audiences for different information products linked to database	FCU	3Q2012

Annexes

A: Terms of reference

Terms of Reference for a Process Review of the Common Humanitarian Fund for Somalia

FINAL 14 December 2011

Background

Numerous evaluations and reviews have been carried out around humanitarian pooled funds. Three, specifically focused on Common Humanitarian Funds (CHF), were undertaken in 2006, 2007 and 2010. The most recent review in 2010 was commissioned by OCHA to assess the three CHFs in the Central African Republic (CAR), Democratic Republic of Congo (DRC) and Sudan, and its results were published in 2011. As the CHF-Somalia was newly established at the time it was not included as it was deemed premature to assess its performance.

The Common Humanitarian Fund for Somalia (CHF) was established in June 2010, as an upgrade from a previous Humanitarian Response Fund (HRF). Since then, the Humanitarian Coordinator (HC) has allocated more than \$100m to more than 250 projects, through two standard allocation rounds (July/August 2010 and February/March 2011), two emergency allocations (January and October 2011), and from the emergency reserve. The Somalia CHF has the following two main objectives:

1. Strategically fund assessed humanitarian action in Somalia to improve the timeliness and coherence of the humanitarian response
2. Support priority clusters and regional priorities in accordance with identified needs

Scope and Purpose:

The first external review of the CHF-Somalia will be conducted by a third-party organization. It will look at both funding windows of the CHF: standard allocations and the emergency reserve, including emergency allocations. A major aim of the review will be to provide the Humanitarian Coordinator (HC), CHF Advisory Board, donors and recipients with the proper level of assurance around the achievement of planned results and operational effectiveness of the CHF mechanism. The review will also include realistic and actionable recommendations aimed at improving operational aspects of the CHF and will identify relevant policy issues which need to be addressed, either at the country level or the HQ level.

Methodology:

Key components of the methodology will include a rapid desk review and interviews with key stakeholders in Nairobi, Kenya and telephone interviews with stakeholders in New York and Geneva. The CHF policies and procedures will be reviewed including the strategic use of the fund and administrative processes, transparency, user-friendliness, and flexibility in regard to revisions, reprogramming and no-cost extension requests.

Desk review: A quantitative analysis will be conducted on the data, reports and files available. Documents will be reviewed with the purpose of determining the internal logic and the extent to which they help facilitate the CHF processes in an efficient and transparent manner. These include:

- Funding data, including funding from other sources (e.g. FTS, CERF)
- Timelines on sums requested, contract clearance and disbursement throughout the project process.
- Narrative and financial reports, audits and monitoring reports
- CHF Advisory Board meeting minutes
- CHF project files, website and database

- CHF Guidance and TORs

Semi-structured interviews will take place in Nairobi. These will include but are not limited to the HC, CHF Advisory Board, cluster leads, heads of agencies, I/NGO partners (both recipients and non-recipients), UNDP, donors, OCHA-Funding Coordination Unit. CHF recipients will be asked to provide relevant documents and indicate interview partners to facilitate the review. Telephone interviews will be conducted with OCHA's Administrative Office in Geneva, the Multi-Partner Trust Fund (MPTF) Office, OCHA's Funding Coordination Section in New York and partners in Somalia. The standard questions will be presented in the Inception Report.

A survey will be considered as a method to collect information.

Key Issues and Review Questions:

A draft list of key questions to be addressed in the context of the review is presented below. They are intended to answer the question whether the current system is designed in such a way that the CHF can deliver according to its key objectives.

Operational Impact:

- 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?
- How are projects being monitored and how can monitoring and evaluations improve?

Operational Effectiveness, Coherence, Connectedness

- Has the CHF mechanism contributed to enhancing coordination within and across clusters and to strengthening the role of the RC/HC?
- Has the CHF helped improve prioritization discussions and decisions within and across clusters?
- Has the use of CHF funds improved operational outcomes of the humanitarian response? Specifically, has the un earmarked nature of the Fund and focus on quick turnaround of monies affected the timeliness of the humanitarian response?

Efficiency

- What is the value added of having a CHF as a complement to other humanitarian funding streams?
- How is CHF balancing accountability and inclusiveness with flexibility and speed?
- What measures are taken to reduce the transaction costs associated with the Fund being addressed?
- What are the strengths and weaknesses of the processes given the unique role that OCHA plays as Managing Agent of the CHF?
- What are the strengths and weaknesses between OCHA as the Managing Agent and MPTF as the Administrative Agent?
- What are the strengths and weaknesses of the approaches employed by the CHF and cluster coordinators to ensure that the agencies receiving funds have a comparative advantage in terms of performance (capacity to implement within the timeframe of the grant, past performance, efficiency and effectiveness, speed of disbursement and absorptive capacity)?

Relevance, Appropriateness and Quality

- Has the CHF allowed the HC to channel more funding to the highest priority areas (geographical, thematic, sectoral) within the response?
- Has the CHF funding been directed to the most pressing, underfunded humanitarian needs at the time of the allocation?
- Has the CHF allowed the clusters to channel (more) funding to the highest agreed priority activities within the cluster?
- To what extent does the CHF complement other humanitarian funding streams as intended? How does the CHF link with other pooled funds – namely the CERF

Processes and Inputs

Are the systems required for effective operation of the CHF during its entire life cycle in place and themselves functioning successfully?

Deliverables and Reporting Requirements

Inception Report	20 January 2012
Desk Research	January/February 2012
Meetings in Nairobi (5 to 8 working days)	27 February
Review report (first draft)	One week after field meetings
Submission of final report	March 30 (pending timely feedback on first draft)

Inception Report

A report not to exceed 2500 words, excluding annexes, setting out:

- The team's understanding of the functioning of the CHF including the Somali context in which its operating;
- Overview of how the CHFs is being used in Somalia showing basic allocation patterns of the CHF (thematic (cluster), geographic)
- Stakeholder analysis
- Data collection plan
- Methodology
- Plan articulating how the review approach and methodology will employ gender analysis
- Any suggested deviations from the ToR
- A review matrix showing, for each question, the criteria proposed on which the evaluative judgment will be based, and the anticipated sources of information
- Draft outline for the Final report
- Interview guide, survey instruments, and/or other tools to be employed for the review

The inception report will be approved by the CHF Advisory Board.

Final Reports

A report will be produced including the following:

- § Executive summary of 1,500 words or less
- § Table of contents
- § List of acronyms
- § Methodology summary – a brief chapter of no more than 1,000 words with a more detailed description provided in the annex
- § Brief analysis of the context in which the CHF was implemented and operating
- § Core report of 25 pages or less excluding annexes with chapters structured around the review criteria. The chapters should answer the questions outlined in the ToR. Each chapter should present: exactly what was reviewed; what evidence was found; what conclusions were drawn; what lessons were learned; and recommendations that do not exceed twenty in number and that are clearly stated and draw logically from the review findings and conclusions, and are actionable.
- § Document review, including annotated bibliography of documents (including web pages, etc.) relevant to the review. The bibliography should have a brief description of the document and a separate comment on how useful the document was for the review.
- § Funding flows study showing trends from 2010 onwards
- § Annexes will include: (1) ToR, (2) funding flows analysis, (3) list of persons met, (4) detailed methodology, (5) details of all surveys undertaken, (6) details of any quantitative analysis

undertaken, (7) team itinerary, (8) all review tools employed, and (6) the annotated bibliography.

For accuracy and credibility, recommendations should be the logical implications of the findings and conclusions. Recommendations should:

- § Follow logically from the review findings and conclusions
- § Be relevant to the intervention
- § Be clearly stated and not broad or vague
- § Suggest specific actions that can be taken to improve the CHF
- § Be realistic and reflect an understanding of OCHA and potential constraints to follow-up
- § Be prioritized with a timeframe for follow-up
- § Suggest where responsibility for follow-up should lie

The draft and final report should be shared with the key stakeholders including the clusters, Agencies, NGOs, Donors and CHF Advisory BOD for comment.

Organization of the Review:

The CHF will provide funding to hire consultants using UNOPS as a procurement mechanism. The HC with the support of OCHA will:

- Advise on strategic directions of the review and provide guidance and input on methodology, content and recommendations
- Manage progress of the review in accordance with the agreed budget and timeline
- Ensure all stakeholders are kept informed
- Serve as principal interlocutor between the review team and the Advisory Board
- Help organize and design final learning workshop
- Monitor and facilitate follow up and a management response to the review

The current CHF Advisory Board will function as a reference group to the review and provide guidance, helping to ensure its relevance and independence throughout the review process. The main roles of the Advisory Board are:

- Provide background information and contextual knowledge, so as to help ensure that review is relevant, appropriate and adds value to the existing body of work on CHFs, and also that the review contextualizes the CHF within the overall humanitarian architecture.

Professional requirements:

- The consultants are expected to have expertise in humanitarian financing (a minimum of two years' experience).
- They should have considerable documented experience of carrying out evaluations of humanitarian interventions for multilateral and bilateral organizations and NGOs. Experience in evaluating projects in conflict-affected countries will be an added advantage (a minimum of five years' experience).
- Excellent level in written and spoken English.

Application details

Interested candidates are requested to send the following documents:

- Technical application: a) Proposed methodology and work plan (maximum five pages) and b) detailed profile of expertise and experience of the organization/evaluators.
- Financial: Detailed budget keeping in mind the time line/work plan **in a separate document and separate envelope.**

B: Inception report

INCEPTION REPORT

Process review of the Common Humanitarian Fund for Somalia Humanitarian Outcomes, February 10 2012

Introduction

This inception report details the approach to be taken in the Process Review of the Common Humanitarian Fund (CHF) for Somalia, to be carried out from January to March 2012 by a Humanitarian Outcomes team.

As set out in the Terms of Reference for the review (see Annex 1), a major aim will be: 'to provide the HC, CHF Advisory Board, donors and recipients with the proper level of assurance around the achievement of planned results and operational effectiveness of the CHF mechanism.'

The review will also include 'realistic and actionable recommendations aimed at improving operational aspects of the CHF and will identify relevant policy issues which need to be addressed, either at the country level or the HQ level.'

The scope of the review does not extend to the final impact of projects funded through the CHF. It is primarily a review of process, leading to a view on the added value the CHF brings across a range of standard evaluation criteria. A parallel process is currently being elaborated which might engage a Somali consultancy to review project outputs. If the findings of this consultancy are available they will be used to inform this process review where possible but it is unclear whether this will occur.

The review team finds no areas to suggest deviating from the TORs but seeks guidance from the Advisory Board on the following questions/comments:

- To what extent should the HRF be reviewed/referenced to understand the genesis of the CHF?
- The review will aim to balance a thorough review of systems with more strategic questions. Is this in line with the Board's thinking?
- The funding flow study is currently envisaged as analysing from 2010. Would there be value in extending this back before 2010 to be able to make comparisons with the pre-CHF period?

Context

Key aspects of Somali context:

Somalia has been in humanitarian crisis for over two decades. This crisis deepened in 2011 as famine was declared in parts of the South.[1] Somalia has a long history of drought, the most recurrent hazard affecting all livelihood zones, due to the country's location, fragile environment and climate. The continued political instability in the country and the absence of an effective central government, to prepare for and respond to the effects of drought, exacerbates the vulnerability of communities (pastoralist, agro-pastoralists, urban and IDPs).[2]

Humanitarian access to vulnerable populations has been challenging for many years due to insecurity and factional prohibitions, most recently the banning of ICRC from Al-Shabab areas in southern Somalia in 2012, after similar bans on WFP and other agencies in 2010-11. The 2012 Consolidated Appeal for Somalia appeals for \$1.5 billion for 350 projects from 148 organisations. At the strategic level, the review will offer an opinion on the fund's added value in dealing with this specific and very challenging context.

The CHF for Somalia

The Somalia CHF is the fourth pooled fund of this type to be established by OCHA. It joins similar funds established in Sudan, DRC and Central African Republic as part of the humanitarian financing element of the humanitarian reform agenda aiming to improve the predictability and prioritisation of funding. CHFs are country level pooled funds, designed to support the Consolidated Appeals Process (CAP) and provide

strategic funding to priority needs in the CAP, as well providing an emergency funding reserve for events unforeseen when the CAP was formulated.

As set out in the Somalia CHF Guidelines - the main policy document guiding the fund - the CHF is overseen by the Humanitarian Coordinator with close involvement of clusters and the Humanitarian Country Team, with the support of an Advisory Board representing donors, NGOs, and the UN.

The Somalia CHF has two main objectives:

1. Strategically fund assessed humanitarian action in Somalia to improve the timeliness and coherence of the humanitarian response
2. Support priority clusters and regional priorities in accordance with identified needs

The CHF was established in June 2010 as an expansion of the existing Humanitarian Response Fund (HRF). 80% of the fund is disbursed through Standard Allocations planned to take place twice yearly; the remaining 20% is held as an Emergency Reserve which can be accessed at any time or through specific Emergency Allocation rounds. The following disbursements have been made to date:

Funding Window	No. of Projects funded	Total Cost
Standard Allocation 1 June 2010	34	\$19,700,286.79
Standard Allocation 2 Feb 2011	83	\$43,562,376.21
Emergency Allocation Oct 2011	48	\$14,466,692.03
Emergency Reserve (ongoing)	99	\$27,175,593.20
Total	264	\$104,904,948.23

Data source: CHF project database

Funding for the CHF attracted significant donor support in 2010 despite an overall decline in humanitarian funding levels (even when non-DAC donor contributions were received). Together with the CERF, funding levels meant that pooled funds constituted the largest humanitarian funding channel for Somalia in 2010.[3] The 2011 drought and famine prompted a major response from the humanitarian community, including a specific emergency allocation from the CHF.

To date, the fund has received a total of US\$131 million (including carry over funds from HRF) since its inception in 2010.

Preliminary issues identified:

From initial review of documents and preliminary interviews, a number of themes merit close analysis in the data/document review and field interview phases:

- Speed of fund disbursement, especially in light of OCHA's role as Management Agent in making disbursements to NGOs - administrative processes
- Role of cluster review committees in managing prioritisation process in terms of capacity and inclusiveness
- Positioning of CHF within OCHA globally and in Somalia Country Office, including funding of CHF team
- Developing a strong monitoring framework to manage risk and ensure a flow of appropriate management data for fund managers and donor accountability
- Developing a strong evaluation framework to ensure accountability to recipient communities

A specific and significant contextual challenge in Somalia is the security situation which means programmes are managed remotely from neighbouring Kenya, and largely implemented through Somali NGOs. This has implications for CHF processes particularly in monitoring and evaluation, with the risk of processes not being grounded in field realities.

Preliminary data analysis

This section presents summary data, initial analysis and suggested lines of enquiry as specified in the TORs. All data is sourced from the CHF database. Figure 1 illustrates the breakdown of funding through different CHF allocations:

The second standard allocation was significantly larger than other allocations. Emergency allocations, comprising the original reserve and the emergency allocation of October 2011, make up almost 40% of the funding - above the 20% guideline in the CHF guidelines and the indicative 10% suggested in the global guidelines. The review will explore the strategic use of the fund and the balance between standard allocations and the emergency reserve.

Sector-wise, as shown in Figure 2, WASH and Agriculture/Livelihoods together make up 50% of CHF disbursements presumably reflecting significant needs and gaps in those sectors. Figure 3 shows the shift in emphasis between 2010 and 2011 from nutrition, health and WASH to shelter and agriculture/livelihoods. How appropriate were these shifts in terms of the needs and gaps?

Figure 4 shows the geographical distribution of CHF funding - does this pattern of CHF funding primarily reflect needs or agency presence? To what extent has security and access predetermined allocation and to what extent has the fund been able to encourage operations in challenging areas?

As shown in Figure 5, compared to other CHFs, the level of funding to NGOs is significant (69%), and particularly to local NGOs. This presumably reflects the high degree of remote programming that is necessary in Somalia. The percentage of funding via NGOs in general, and particularly local NGOs, increases significantly between 2010 and 2011, as shown in Figure 6. The regulations of traditional donors often place restrictions on direct funding to national NGOs, even if they are the best placed to deliver assistance. Has the CHF been better able to balance accountability to aid recipients with accountability to donors?

Methodology

The Humanitarian Outcomes team comprises Barnaby Willitts-King who will undertake the field mission and lead on drafting the review report, Glyn Taylor who will provide quality assurance and backstopping, and Kathryn Barber who will provide research and administrative support.

The review will take place between January and March 2012 according to the following timetable as set out in the TORs:

Milestone	Date
Document review and data analysis Online survey Telephone interviews	January-February (ongoing)
Inception report submitted	Feb 10

Field mission to Nairobi	Feb 27-Mar 7
Review report draft submitted	Mar 15
Feedback received	Mar 21
Final report submitted	Mar 30

The Terms of Reference for the study specify the use of standard OECD DAC criteria. All of the research instruments will be geared towards the provision of a summary view of the Fund against these criteria. The principle research streams, discussed further below, are:

- a rapid desk review for the purpose of producing this inception report
- a full review of CHF policies and procedures including the strategic use of the fund; administrative processes; transparency, user-friendliness, and flexibility in regard to revisions, project amendments and requests for project extensions.
- telephone interviews with stakeholders in New York and Geneva
- interviews with a full range of stakeholders in the CHF in Kenya
- an internet based survey to extend the range of respondents

Review matrix

A review matrix showing the criteria for evaluative judgements and anticipated sources of information is annexed to this inception report as Annex 2. This was developed through analysis of the questions raised in the TORs, based on the OECD/DAC evaluation criteria and cross referencing with CHF guidelines and evaluations, along with reference to other accountability frameworks, notably the CERF Performance and Accountability Framework (PAF).

Stakeholder analysis

The following table maps the key stakeholders in the CHF and the focus of their interest. The final column suggests specific areas of questioning for each stakeholder group.

Stakeholder	Interest	Questions to ask
Financing Coordination Unit, OCHA Somalia	Responsible for policy and management of CHF	Strategic and operational questions from review matrix
CHF Advisory Board	Key governance and oversight mechanism	Effectiveness of Board mechanism Key issues of CHF
OCHA Funding Coordination Section, NY	Oversight of all CHFs Lesson learning	What are main issues they see? Findings from other CHFs
CERF Secretariat, FCS, OCHA NY	CERF funds Somalia CHF, many similar processes	How well are CHF systems aligned with CERF
UN Administrative Office, Geneva	Key role in disbursement process as Managing Agent for CHF	What are main challenges? What have been bottlenecks and what timelines are achievable? What changes/resources are needed to streamline processes?

UNDP MPTF, NY	Administrative agent for CHF	How does Somali CHF perform compared to other CHFs? How different is role as just AA? Bottlenecks
Donor reps in country and HQ	Funding to CHF, coordination with CHF funding, impact on overall response	How has CHF affected funding landscape? Key successes/challenges?
IASC principals	Represent agency in inter-agency discussions	How has CHF strengthened HC/coordination?
UN agencies	Recipients of CHF funds Cluster members	Assessment of strengths/weaknesses of CHF
International NGOs	Recipients of CHF funds Cluster members	Assessment of strengths/weaknesses of CHF
Somali NGOs	Recipients of CHF funds Cluster members	How successful have applications to CHF been? How accessible is process to national NGOs?
Somali beneficiaries	Recipients of CHF-funded assistance	What has impact of CHF been on response?
Humanitarian Country Team	Key senior coordination forum in-country, strategic oversight of coordination	Impact of CHF on funding and coordination
Humanitarian Coordinator	Responsible for CHF Somalia	Strategic perspective on strengths, weakness and future
Cluster leads	Key implementers of CHF process in cluster review committees	How effectively do clusters play their role in CHF?
Project auditors	Auditing selected CHF projects	What are main areas of concern on CHF from audit perspective?

Data collection plan

Document and data review:

As set out in the TORs, a quantitative analysis will be conducted on the data, reports and files available. Documents will be reviewed with the purpose of determining the internal logic and the extent to which they help facilitate the CHF processes in an efficient and transparent manner.

An ongoing process of review of relevant project documents will be undertaken and key findings tracked in an annotated bibliography. Key documents will be CHF guidelines, annual reports, evaluations and reviews. Comparative reports will be reviewed from other CHF countries.

Data will be used from FTS and the CHF database and tracking spreadsheet as the basis for analysis of both funding flows and project timelines.

Semi-structured interviews:

Face to face and telephone interviews will be carried out with key stakeholders in Nairobi, Somalia, Geneva and New York following a standard question list linked to the review matrix and taking a process approach suited to the focus of the TORs (see Annexes 2 and 3 for review matrix and question list). These interviews will include the Humanitarian Coordinator, OCHA, Humanitarian Country Team, Cluster coordinators, Advisory Board members, recipient and non-recipient agencies (including UN, INGO, Red Cross movement and national NGOs), donors and UNDP. OCHA Funding Coordination Section in New York and Administrative Office in Geneva will be interviewed. Project auditors will also be interviewed if available.

Learning workshop at end of field mission:

A learning workshop of key stakeholders will be held at the end of the field mission to present and discuss draft findings and recommendations.

Online survey:

A survey will be carried out from Feb 10-21 using an online form which all CHF (and wider humanitarian) stakeholders will be asked to complete by OCHA FCU. The on-line survey tool will be derived from the research framework and styled to maximise the number of responses. The purpose of the survey will be to generate a number of high level findings from a representative sample of stakeholders - including recipients, non-recipients, donors and other observers - regarding the effectiveness and functioning of the CHF. It will potentially allow a greater number of respondents to inform the review in a more quantitative way, providing the field mission with specific findings to explore in more qualitative detail. See Annex 4 for further details.

Gender analysis

The incorporation of the IASC gender marker tool into Somalia as part of the first phase of its global rollout provides a useful framework from which to incorporate gender analysis into the review approach and methodology.

The review will incorporate gender analysis in three ways:

1. Inclusion of questions on use of gender marker to review matrix and question guide
2. Assess approach of clusters to gender analysis in prioritisation process through document review and interviews
3. Interview agency gender focal points in country where relevant possible

Draft outline for final report

The review report will be organised around the questions outlined in the Terms of Reference with a logical chain of evidence from findings to conclusions and recommendations. The core report will be a maximum of 25 pages as specified in the TORs and provisionally structured as follows:

- Executive summary of 1500 words or less
- Table of contents
- List of acronyms
- 1. Methodology: summary (1000 words max)
- 2. Context
- 3. Operational impact
 - a. Funding flows study - summary
 - b. Monitoring and evaluation
- 4. Operational effectiveness, coherence and connectedness
- 5. Efficiency
- 6. Relevance, appropriateness and quality
- 7. Processes and inputs
 - a. Governance
 - b. Management - staffing
 - c. Guidelines

- d. Systems and processes
- 8. Conclusions and summary of recommendations
- 9. Annexes
 - a. TORs
 - b. Funding flows analysis (from 2010 on)
 - c. List of persons met
 - d. Detailed methodology
 - e. Details of all surveys undertaken
 - f. Details of quantitative analysis
 - g. Team itinerary
 - h. Review tools employed
 - i. Annotated bibliography

C: List of organisations interviewed

In total, sixty two individuals were interviewed in New York, Geneva and Nairobi

United Nations

OCHA Funding Coordination Section, New York
 OCHA Administrative Office, Geneva
 OCHA Somalia
 UN Resident Coordinator's Office
 UNICEF
 UNDP Multi-Partner Trust Fund Office, New York
 UNDP Somalia
 UNHCR
 WHO
 WFP
 FAO
 FSNAU

Inter-cluster Working Group
 Cluster coordinators

NGOs

NGO Consortium
 Danish Refugee Council
 COOPI
 Trocaire
 Solidarites
 Norwegian Refugee Council
 Mercy Corps
 International Medical Corps
 Swiss Kaalmo
 SADO
 SSWC

Donors

Denmark
 Netherlands

UK DFID
Swiss Development Cooperation
ECHO
Finland
France
Sweden
USAID
Ausaid
Italy
Saudi Arabia

Baker Tilly Merali's - Auditors

D: Online survey analysis

E: Annotated bibliography

Annotated Bibliography for Somalia CHF Review

Reference	Summary	Key points for Somalia CHF review
CHF REPORTS		
Goyder, H. (2011) Evaluation of the Common Humanitarian Funds: Synthesis Report. OCHA.	Provides an overview and analysis of the CHF in Sudan, DRC and CAR. It evaluates the CHF using similar criteria and is a useful tool for comparative analysis of the CHF in Somalia.	Cross reference main findings - positive operational impact of other 3 CHFs, issues with timeliness, cluster bias/capacity, prioritisation between clusters, lack of monitoring
CHF FCU (2011) CHF for Somalia Guidelines, revised Nov 22 2011.	Latest operating guidelines for CHF	Key reference for fieldwork. Are guidelines being adhered to? What are agency opinions on how appropriate/clear they are?
CHF FCU (undated) CHF Somalia Budgetary Guidelines	Guidance note on permitted expenditure for CHF proposals.	Use to verify compliance with requirements and discuss appropriateness of requirements with stakeholders. How does 7-10% admin costs compare to other donors (e.g. CERF)?
Stoddard, A. (2011). Prospects for Integrating a Programme-Based Approach in CAPs and Common Humanitarian Funds: A Scoping Study Commissioned by UNHCR on behalf of the IASC Humanitarian Financing Group Task Team on Integrating a Programme Approach in CAPs and CHFs	Initial report to look at how CAP and CHF systems could integrate a more outcome/programme-based approach to overcome problems faced by some agencies on overly projectised approach resulting from CAP/CHF systems	To inform recommendations of CHF process review. Could CHF include a programme-based window? Do agencies in country see this as potentially useful?
DRC country study for CHF evaluation		
Sudan country study for CHF evaluation		
CAR country study for CHF evaluation		
HRF REPORTS		
OCHA (2010) The Somalia Humanitarian Response Fund (HRF)	Comparative document. Includes details on the	

Report 2010	transition from HRF to CHF (funds transferred, donors, application process.) as well as addresses conceptual differences between the two. Includes breakdown of funding by region & cluster as well as lessons learned.	
OCHA (2009) The Somalia Humanitarian Response Fund (HRF)	“	
CONTEXT REPORTS		
Polastro, R., Khalif, M., van Eyben, M., Posada, S., Salah, A., Steen, N. and Toft, E. (2011) IASC Evaluation of the Humanitarian Response in South Central Somalia, 2005 - 2010. DARA: Madrid, Spain.	Comprehensive overview of humanitarian response in South Central Somalia.	<p>Useful background to CHF study: CHF criticised for slow disbursement.</p> <p>“Some donors to the CHF did not support the idea that the Fund should strengthen local capacity.</p> <p>While UNDP manages the CHF in other countries in Somalia OCHA now does so. This is in response to NGO scepticism about receiving CHF funding through UNDP whose priorities were perceived as being linked to those of the TFG. However, it was felt that the OCHA HQ did not have the necessary capacity to disburse funds in a timely manner. The CHF has empowered OCHA beyond what was originally expected as bilateral funding to the CAP is increasingly being channelled through the CHF</p> <p>A HRF donor representative interviewed noted that “OCHA’s selection process was very slow and they don’t have the necessary capacity to screen projects and risks assessments seem not to be carried out thoroughly”.</p> <p>Lessons and good practices on remote monitoring</p> <p>the CHF halved the time needed to disburse funding compared to the previously existing pooled funding mechanism. This was an achievement which may have contributed to improvements in operational timeliness in 2010.</p> <p>cluster coordinators devote more and more time to funding related issues such as screening of proposals. In general, interviewees</p>

		<p>consider that funding issues have taken prominence at cluster meetings where an increasing number of Somali NGOs, facilitated by the CHF, seek funding for their activities. The typical number of participating organisations in cluster meetings varies between 40 and 100. This has created fatigue among INGOs, with the result that some have chosen no longer to attend, especially if they have funding from alternative non-CHF resources.</p> <p>147. The consequent challenge facing the clusters was that they have become less focused on their primary functions –</p> <p>CHF procedures should be evaluated by January 2012 (specific issues to be reviewed include the speed of project review and disbursements, the possibility of pre-screening recipients and the sub-granting of local NGOs).”</p>
OCHA (2010) Guidance Note for Establishing a Tracking System for Gender-related Allocations in CAPs		
IASC (2011) 2011 Gender Marker in CAPs and Pooled Funds		
IASC (2010) Consultation on the IASC Gender Marker: Inter-agency Consultation on Establishing Systems to Track Allocations/Expenditures for Gender and GBV Programming in UN Managed Humanitarian Appeals and Funding Mechanisms. Geneva, 17-18 February 2010		
OCHA (2010) Gender Comment - Somalia 2010 CAP		
OCHA (2011) Gender Marker Implementation Somalia		
UNHCR (2011) Action against Sexual and Gender-Based Violence: An Updated Strategy		
Report of the Monitoring Group on Somalia and Eritrea pursuant to Security Council resolution 1916 (2010) 18 July 2011		
DRC Pooled Fund Annual Report 2010		

Sudan CHF Annual Report 2010		
IASC Transformative Agenda: Chapeau and Compendium of Actions 19 January 2012		Refers to funds in the context of strengthening HCs but also in terms of reducing the focus of clusters on fund management
CAP Documents		
OCHA (2011) Somalia Consolidated Appeal 2011: Mid Year Review.	Outlines worsening conditions after failed rains	The CHF was instrumental in securing early funding pledges from donors; however, not all funds allocated in the 2nd standard allocation were disbursed in a timely manner, especially those for NGO partners. Measures to improve on the speed of NGO disbursements are being put in place ahead of the August standard allocation.
OCHA (2012) Somalia Consolidated Appeal 2012		
CERF		
Cosgrave, J. and Collin, C. (2011) 5-Year Evaluation of the Central Emergency Fund. Country Report: Somalia. OCHA: Geneva.	Mainly focuses on CERF but mentions CHF	<p>Both the CHF and CERF are parts of the same effort to address predictability and reliability in the funding of humanitarian action. Both are intended to ensure that the needs of affected populations are met in a timely manner. Both now use the same broad prioritisation mechanism at country level. The CHF operates at the country level and the CERF globally. However, at the country level the CHF is a more flexible mechanism as it can channel funds to NGOs as well as to UN agencies.</p> <p>Positive impact on humanitarian reform</p> <p>Recommendation 2. The CERF and the CHF should be more closely integrated to allow a single prioritisation mechanism to serve for both.</p> <p>102. Somalia also has a common humanitarian fund (previously the humanitarian response fund). This fund, though smaller on average than CERF contributions to Somalia, is more predictable, and is</p>

		<p>characterised by the very experienced RC/HC as being faster and more flexible.</p> <p>103. Apart for internal resources such as internal advances or emergency funds, CERF is the fastest funding available to UN agencies. However, the average duration from first application to disbursement in 2010 (the fastest year so far) was four weeks. However, in 2009-2010, it took on average another 11 weeks for UN agencies to make the first payment from rapid response grants to their NGO partners.</p>
OCHA (2010) Performance and Accountability Framework (PAF) for the Central Emergency Response Fund (CERF)	Rigorous framework	Informed design of review framework. CHF M&E framework not as well developed but CERF can be used to inform CHF framework
OCHA (n.d.) CERF Indicators and Questionnaire		
OCHA (2011) CERF Application for Grant Funding: Rapid Response Window		
OCHA (2011) CERF Application for Grant Funding: Underfunded Emergencies		
CHF Somalia Board Minutes		
CHF (22 September 2010) CHF Advisory Board Meeting Minutes	Minutes of 2nd Board meeting	<p>Key lessons learned from first Std Allocation:</p> <ol style="list-style-type: none"> 1. Extension of allocation process to 5 wks 2. Strengthening of links to CAP, guidelines and training 3. M&E recruitment delayed
CHF (3 February 2011) CHF Advisory Board Meeting Minutes	Preliminary meeting on 2nd SA	
CHF (15 February 2011) CHF Advisory Board Meeting Minutes	Meeting to decide on priorities for 2nd SA	<p>Priorities and procedures for 2nd SA will be more detailed than for 1st SA</p> <p>Breakdown of funding envelopes</p>
CHF (19 September 2011) CHF Advisory Board Meeting Minutes	5th meeting	Decided on priorities for emergency allocation for drought

CHF (29 July 2011) CHF Advisory Board Meeting Minutes	4th meeting	Review of 2nd SA <ol style="list-style-type: none"> 1. Standard allocation needs to be based on holistic analysis involving clusters, FSNAU, CAP and needs assessments 2. CRCs should review and score projects and refer to multi-sector Proj Committee 3. CHF Unit should not override cluster 4. Budgetary ceilings should be raised 5. Cluster M&E capacity should be strengthened 6. Fund cluster leads through CHF to empower clusters? 7. Timeline for Geneva processing resolved
CHF (11 June 2010) CHF Advisory Board Meeting Minutes.	Preliminary meeting on 1st SA	
CHF (15 June 2010) CHF Advisory Board Meeting Minutes	Minutes of 1st Board meeting	
Emergency Allocation		
CHF (4 January 2012) Update on Emergency Allocation.		
CHF (2010) Agriculture & Livelihoods & WAS Cluster: Position Paper on Drought Response		
CHF (personal communication, 23 December 2010) Allocation of CHF Emergency Reserve to Drought Response.		
CHF (n.d.) CHF Emergency Allocation Strategy - Multi Sector Approach		
SA1		
CHF (16 July 2010) 1st CHF Allocation - Decisions on Recommended Projects. Email.		
CHF (9 September 2010) Update on first Standard Allocation.		
CHF (2010) CHF 2010- Prioritization of Projects. SA1. Health Cluster.		

CHF (2010) CHF 2010 - Prioritization of Projects. SA1. Livelihoods.		
CHF (2010) Project Prioritization - Scoring Sheet. SA1. Nutrition.		
CHF (2010) Project Prioritization - Scoring Sheet. SA1. WASH.		
CHF (June/July 2010) Common Humanitarian Fund for Somalia: Standard Allocation Document.		
CHF (1 July 2010) Increase in CHF Funding Envelopes for Clusters. Email.		
SA2 Documents		
CHF (2011) Guidance Note for CHF Standard Allocation February 2011. Part 1: Process and time line.		
CHF (2011) Guidance Note for CHF Standard Allocation February 2011. Part 3: Involvement of the Field in the Allocation Process.		
CHF (2011) Additional Guidance of Food Access and IDP Envelopes. Common Humanitarian Fund for Somalia. Second Standard Allocation.		
CHF (2011) CHF Projects - Standard Allocation 2		
SA3		
SA3 Allocation Document published 15 March 2012		
Guidelines		
CHF (n.d.) Due Diligence/Risk Management		
CHF (July 2011) Common Humanitarian Fund for Somalia: Proposed Monitoring and Evaluation Framework.	Draft framework	
CHF (11 August 2011) Common Humanitarian Fund (CHF) for Somalia: How to contribute		

CHF (22 November 2011) Common Humanitarian Fund for Somalia: Guidelines. Revised.		
CHF (October 2011) Common Humanitarian Fund for Somalia: Guidelines		
CHF (April 2010) Memorandum of Understanding between Participating UN Organizations and the United Nations Development Programme regarding the Operational Aspects of a Common Humanitarian Fund for Somalia (CHF-Somalia)		
CHF (24 May 2010) Common Humanitarian Fund (CHF) Guidelines in brief.		
CHF (n.d.) Standard reporting workflow		
CHF (n.d.) Guidance Note on budgetary requirements for CHF funded projects.		
CHF (June 2010) A Common Humanitarian Fund for Somalia: Funding Coordination Unit. [Powerpoint presentation.]		
OCHA (n.d.) CHF/CAP online database manual.		
CHF (n.d.) Organogram Funding Coordination Unit.		
Lessons Learned		
CHF (16 June 2011) Meeting of HCT working group and the HC on lessons learned from the second standard allocation of the CHF - Somalia.	Summary of lessons learned from second SA	<ol style="list-style-type: none"> 1. ER process slow - review criteria to be clarified 2. High number of revision rounds during OCHA review 3. Board to agree overall CHF strategy for following year 4. CRC performance variable, perception of conflict of interest 5. Clusters do not have means to assess NGO capacity – use risk mngmnt database 6. Operational cost ceilings too low 7. CHF template and database to be improved 8. Strengthen monitoring

CHF (7 June 2011) Meeting on CHF between HC, OCHA and donors. Meeting Minutes. Nairobi.		
CHF (n.d.) Common Humanitarian Fund for Somalia: Lessons Learned		
Reports and other papers		
CHF (March 2011) HRF and CHF Monitoring Mission Report: Galgaduud Regions.		
CHF (2011) Donor Contributions. Jan 2010 - Dec. 2011. [Powerpoint presentation]		
CHF (2011) CHF Somalia Donor Contributions. Jan. 2010 - Dec.2011		
CHF (8 December 2010) Monitoring Report: CHF-funded projects in Gaalkacyo. For RI Review.		
CHF (1 November 2010) CHF List of Projects.		
CHF (December 2011) CHF Project Monitoring Report. Galgaduud Region. 9 - 14 December 2011.		
UNDP (2010) Consolidated Annual Financial Report on Activities Implemented under the Common Humanitarian Fund for Somalia. Report of the Administrative Agent of the CHF-Somalia for the period of 1 January to 31 December 2010.		
CHF (11 March 2011) Update on Drought Response.		
OCHA (17 September 2011) Focus Group Discussions (FGD) with beneficiaries of the CHF Beletxaawe Emergency Fodo Security Response Project.		
OCHA (n.d.) Focus Group Discussion (FGD) with beneficiaries of Emergency Food Support for Persons in Humanitarian Crisis in Gedo Region, Somalia.		
CHF (n.d.) Mission photos.		
CHF (18 July 2011) CHF Second		

Standard Allocation: Preliminary List of Projects.		
OCHA (15 December 2011) Visit of the RC/HC to Doble. Mission Report.		
Somalia NGO Consortium Discussion Paper – Proposed CHF for Somalia (n.d.)	Position paper setting out key issues from NGO community prior to CHF being set up	Key points: <ol style="list-style-type: none"> 1. Better NGO consultation needed respecting Principles of Partnership 2. UNDP too politicised to be involved 3. Uphold diversity in funding pools 4. Direct access for NGOs to funds 5. Greater transparency on functioning 6. Effective M&E required 7. Flexible application system 8. Rapid allocation & disbursement 9. Strengthened needs assessment
Audit Reports		
n.a. (2011) Field Audit of Mudug and Galgaduud. Proposed Itinerary. Draft 1.		
CHF (2010) CHF Project Sheet. SA1. DIAL.		
CHF (n.d.) CHF Project Sheet. ER. CISP.		
Baker Tilly Merali's Certified Public Accountants (October 2011) Independent Auditor's Report on the Audit of Common Humanitarian Fund (CHF) for Somalia: Improvement of Water Access for Pastoralist Communities and Displaced People in Galgaduud and Mudug Regions. Implemented by CISP. For the Implementation period from 10 February 2011 to 31 March 2011.		
Baker Tilly Merali's Certified Public Accountants (November 2011) Independent Auditor's Report on the Audit of Common Humanitarian Fund (CHF) for Somalia Capacity Building of Nutrition Actors to Implement Emergency and Life Saving Nutritional Responses in South Somalia. Implemented by DIAL. For the Implementation period from 6 August		

2010 to 15 February 2011.		
CHF (2011) Final Report. CISP: Improvement of Water Access for Pastoralist Communities and Newly Displaced People in Galgaduud and Mudug Regions.		
CHF (2010) Final Report. DIAL: Capacity Building of Nutrition Actors to Implement Emergency and Life Saving Nutritional Responses in South Somalia.		
Documents from Field Visit		
CHF Sudan (2011) Policy Paper for the 1st Round Allocation through The Common Humanitarian Fund for Sudan in 2012		
CHF Somalia (2011) Common Humanitarian Fund for Somalia. Guidelines. Revised October 2011.		
CHF (n.d.) WASH Cluster: Selection Criteria for CHF Second Allocation DRAFT.		
CHF (n.d.) CHF Advisory Board		
CHF Somalia (2011) Accountability at the Common Humanitarian Fund for Somalia.		
CHF (2011) Common Humanitarian Fund for Somalia. Second Standard Allocation Document.		
Steets, J., Grünewald, F., Binder, A., de Geoffroy, V., Kauffman, D., Krüger, S., Meier, C. & Sokpoh, B. (2010) Cluster Approach Evaluation 2: Synthesis Report. Groupe URD and GPPI.		
Stoddard, A., Harmer, A., Haver, K., Salomons, D. and Wheeler, V. (2007) Cluster Approach Evaluation:		
Global Humanitarian Assistance (2012) Somalia: International financing investments.		
Somalia NGO Consortium (n.d.) Discussion Papter – Proposed Common Humanitarian Fund for Somalia		

OCHA (2011) Humanitarian Funding Analysis for Somalia: Funding trends before and during the famine in 2011.		
IASC (2012) IASC Real Time Evaluation: Somalia drought crisis response, 2010-12. Provisional Findings. Powerpoint presentation. Inter-agency workshop. Nairobi. 27th February 2012		
United Nations Security Council (2010) Letter dated 10 March 2010 from the Chairman of the Security Council Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea addressed to the President of the Security Council.		
United Nations Security Council (2011) Letter dated 18 July 2011 from the Chairman of the Security Council Committee pursuant to resolutions 751 (1992) and 1907 (2009) concerning Somalia and Eritrea addressed to the President of the Security Council.		

F: Additional funding analysis

1. Profile of ER funded projects:

Breakdown of ER funding by organisation type 2010-11

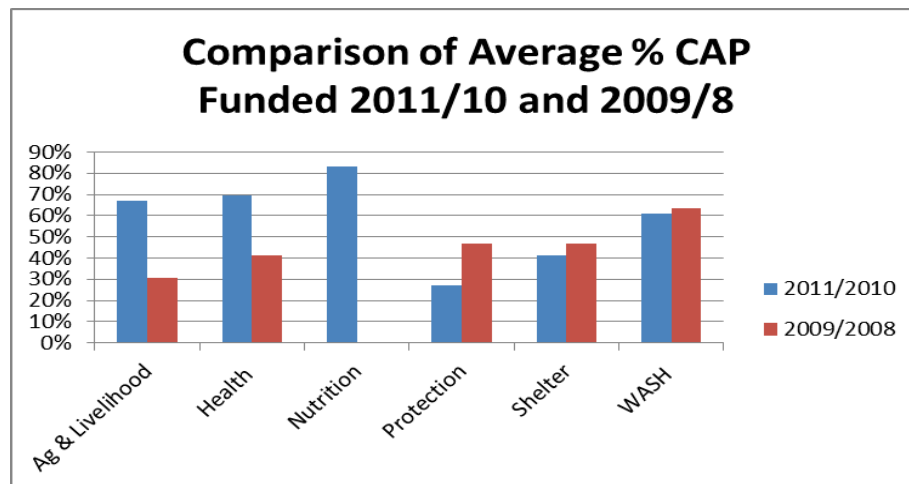
	2010		2011	
	Amount (\$)	%	Amount (\$)	%
INGO	79,048.75	60%	9,925,589.00	37%
LNGO	118,440.00	40%	15,161,735.21	56%
UN			1,834,780.25	7%

Clusters funded by ER 2010-11

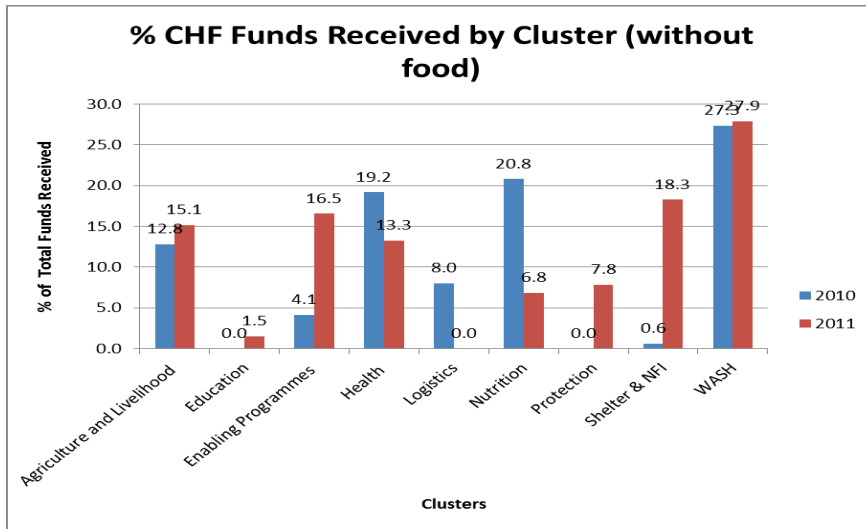
	2010		2011	
	Amount	%		
Agriculture & Livelihoods			14,003,372.85	52%
Education			195,389.00	1%
Food			2,500,667.30	9%
Health	118,440.00	60%	1,799,239.50	7%
Nutrition			705,768.00	3 %
Protection			231,130.50	1 %
Shelter & NFI	79,048.75	40%	2,357,350.50	9%
WASH			5,129,186.81	19%
Total	197,488.75		26,922,104.46	

	% of Cumulative 2010/11 ER Total	% of 2010/11 CHF Total
2011	99.3%	31.8% of annual 2011 total
2010	0.7%	1.0% of annual 2010 total

2. Cluster level analysis



This graph shows a significant shift between 2008 and 2011 towards greater levels of funding of CAP requirements for the Agriculture/Livelihood and Health clusters. Shelter and protection are less well funded, and WASH is about the same.



This figure shows that the WASH cluster received at least a quarter of its funding in 2010 and 2011 from the CHF, a very significant proportion. Shelter/NFI increased from 0.6% to 18.3% between 2010 and 2011. Of the life saving clusters, all received 15-25% of their funds from the CHF - again a significant proportion which shows how if targeted appropriately, CHF funds can have a strategic impact.

At cluster level, the CHF is a critical donor to the life-saving clusters, providing 15-25% of their funds in 2011.

3. Organisation type funding breakdown

Funding has shifted increasingly towards funding NGOs, and in particular local NGOs, between 2010 and 2011. The already high proportion of CHF funds disbursed to NGOs increased in 2011 to a level of 74% overall in 2010-11.

