

Guidance Note on Funding for Transition Countries

1. This note is intended to provide practical information and guidance to Resident Coordinators (RC) and their UN Country Team (UNCT) colleagues in the field on the various funding instruments that currently exist to finance UN recovery programmes and projects in post crisis / transition situations. It was commissioned by the UNDG-ECHA Working Group on Transition and the IASC Cluster on Early Recovery Working Group at the joint session of 26 June, 2007.

2. The note draws on, summarizes, and adds to existing guidance on various funding instruments and other funding related issues.¹

3. For the purposes of this note, 'transition' refers to the period of transformation when a country emerging from crisis undertakes a recovery process. Post-crisis transition here refers to transition following both natural disasters and conflict, or political crisis, recognizing the inherent differences in each context.

4. Following conflict or political crisis, transition normally takes place in a highly complex environment characterized by a weak or weakened institutional and governance setting; threats to peace and stability; co-existing humanitarian and long term needs; and the presence of a wide range of international and national actors working in a challenging coordination environment. In this complex setting, the UN can play a critical role in promoting commonality of vision and action. In contrast, for natural disasters the transition period is usually characterized by strong intact governments which may experience short-lived capacity deficiencies in their local governance structures within the disaster impact areas. The post disaster transition situation may therefore represent an environment where national actors are more quickly able to assume a leadership role in the recovery process.

5. For the UN, transition implies a shift away from a strictly humanitarian response to an approach now led by national actors that includes planning and implementation of recovery initiatives, reconciliation and peace consolidation. During transition, the aim of the UN System should therefore be to assist national authorities to initiate immediate, priority crisis resolution and recovery actions, *and* to lay the groundwork, including the capacity, systems and relationships needed to embark on a longer-term development path.

A. Introduction: The transition funding gap

¹ See UNDG Guidance Note on MDTFs, UNDG Guidance on Transitional Appeals, CERWG Guidance on Early Recovery

6. The transition funding gap expresses the fact, often experienced in the post crisis situations, that transition needs receive far less support than required. There are several reasons for this: often the humanitarian envelope is not extended to include early recovery²; transition/development funding is not front-loaded flexibly or rapidly enough to cover requirements in the transition period; humanitarian requirements dwindle but the situation is still perceived to be too unstable/high risk for donors to be willing to commit significant development funds.

7. For the UNCT, this gap is particularly problematic since it plays a prominent role both in terms of coordination and programme delivery, in support of the country's recovery efforts to meet needs in many areas such as strengthening governance capacity, basic service delivery, economic revitalization, the reintegration of IDP's and the provision of justice, security and protection.

8. Yet, in the last few years, a number of new funding initiatives (tools, sources and mechanisms)³ have been established or developed to channel financial resources for countries emerging from crisis. While some of these instruments focus strictly on humanitarian activities, others have been designed to cover a number of activities initiatives beyond the life-saving focus. These activities which include interventions in the areas of economic and social recovery and reconstruction, institutional strengthening and political dialogue, usually constitute the bulk of the support that the UN provides to countries in transition. At the same time, the emergence of early recovery as a critical intervention that spans the traditional humanitarian-development divide has spawned a number of funding innovations, notably in the form of changes or adaptations to traditional fundraising tools.

9. As a result, depending on context and the nature of activities that it wishes to undertake in any given country⁴, a UNCT may resort to financing channels and mechanisms such as a Flash Appeal, CAP, a Transitional Appeal, a Common Humanitarian Fund, a Multi-Donor Trust Fund, the Peacebuilding Fund, and the recently established MDG Fund, and/or bilateral/direct agency funding.

² The CWGER carried out a study in October 2008 which reviewed the extent to which early recovery requirements had been resourced from humanitarian funding instruments from 2006-2008 and found that significant gaps in funding exist.

³ The INCAF Task Team of the OECD/DAC has recently conducted a mapping study of funding instruments in the Transition period and donor policies and procedures. The study shows that in fact donors do have budget lines or special funds that deal with transition related activities. For example: Canada's Global Peace and Security Fund, Denmark's Peace and Stability Fund, the EC's Instrument for Stability, Germany's Development-oriented emergency and transitional aid budget line, the Stabilization Fund of the Netherlands's, Norway's Transition Budget Line, and the UK's Stabilization Aid Fund.

⁴ Sometimes in partnership with other UN entities (for example with DPKO in the context of an integrated mission).

10. The objective of this note is to respond to requests expressed from colleagues in the field to clarify the purpose, function and usability of these different mechanisms in order to better inform the design of effective funding strategies, whereby the right instruments are used at the right time to fund the right activities. The following therefore:

- i) Presents the main characteristics of those different funding mechanisms,
- ii) Clarifies what they can and cannot fund (scope)
- iii) Summarizes their main advantages and limitations, in terms of transaction costs

B. Existing mechanisms

Post crisis Multi-Donor Trust Funds (MDTF)

11. For the purpose of this note, a Multi-Donor Trust Fund is defined as a funding mechanism which receives contributions from more than one donor; those resources are pooled and disbursed upon instructions from the Fund's decision-making structure by an Administrative Agent (or Fund Manager) to a number of eligible recipients. Multi Donor Trust Funds can be established in support of one theme (Avian Flu) or they can be country specific and designed for a variety of purposes. MDTFs are usually managed either by the WB or by a UN agency (often UNDP which has developed dedicated capacity) on behalf of the UNCT/UNDG. In this context, a UNDG MDTF is an MDTF administered by one UN agency acting as Administrative Agent on behalf of all the members of the UNDG to whom the funds are then channeled for project implementation. UNDG MDTFs operate on the basis of the UNDG Joint Programming principles. For UNDG-managed MDTFs, the decision-making structure now usually includes the UN, government, donor representatives, and can also include the WB, other regional organizations and civil society.

12. A number of MDTFs have been established in post conflict settings. MDTFs are sometimes mandated by peace agreements or are established as a product of a PCNA process. In response, the UN system has strengthened its capacity to participate in and manage such pooled funding mechanisms through the creation or strengthening of dedicated expertise within the agencies.

13. **Scope:** While each MDTF can be designed and established to finance specific interventions, a number of them, whether managed by the UNDG or the WB, have traditionally funded a broad range of interventions. However, since most MDTF now develop funding policies that seek to support the needs as expressed in national plans, requests for MDTF resources need to demonstrate alignment with such national priorities. The standard practice of including government representation on the decision-making structure further ensures that MDTF support focuses on projects, programmes and areas that have been vetted and endorsed by national authorities. In addition, given the transaction costs associated with this instrument (see below) and unless they are already in place at the time of the funding need, MDTFs are not the most appropriate mechanism for UN agencies to fund immediate needs and early recovery activities.

14. Current MDTF capitalization ranges from \$15-\$20 million to over \$1 billion in Iraq. Depending on the size of the capitalization, individual disbursements vary from \$100-500K to \$10-20 million).

15. Under UNDG MDTF rules and regulations, the Fund Administrative Agent cannot transfer funds directly to NGOs. NGOs may receive MDTF resources through UN agencies, as implementing partners or those recipient UN entities.

16. **Advantages:** in addition to their potential scope, MDTFs offer a number of advantages, including the amount of resources that they can channel and the discipline they impose on allocation of international assistance. An MDTF can bring together government, donors, and the UN around a common set of objectives and ensure that nationally defined priorities are adequately and predictably supported. The MDTF process itself, from developing the funding policy to jointly evaluating needs and approving requests, has a built-in capacity and trust building components, above and beyond the impact and purpose of the projects themselves. MDTF can also be a useful forum for policy discussion and coordination and information sharing, even with donors who channel resources outside of the MDTF, as well as a good platform to strengthen aid coordination. Structure and legal framework, these arrangements have already been defined and are in place; therefore, using an MDTF mechanism can actually expedite resource mobilization and the transfer of resources to Agencies.

17. **Limitations:** Experience has shown that the main disadvantage related to an MDTF lies in the transaction costs associated with establishing the structure and disbursing funds⁵. UNDG MDTFs⁶ and some country specific MDTFs (see Iraq) have introduced emergency procedures to allow rapid response to unforeseen requirements. However, it is important to consider that the establishment of the structure and signing of legal documents can go faster once it is collectively agreed that an MDTF will be established. The approval of proposals depends on the programme development, review and approval processes established by the UNCT and the MDTF Steering Committee. In addition, while the UNDP MDTF Office now manages most of the Fund administration tasks from NY, a *UNDG MDTF still requires dedicated capacity on the ground*, in terms of supporting both national actors and UN participating agencies throughout the process.

⁵ The UN and the World Bank have developed an instrument designed to facilitate the transfer of funds from a World Bank-administered trust fund for crisis and post-crisis situations to a UN organization, or from a UNDG trust fund for crisis and post-crisis situations to the World Bank. This instrument, which allows the recipient of the money to apply all its own regulations, rules and procedures -- including those relating to procurement, audit, programme support cost, and the like -- when using these funds, includes: the Fiduciary Principles Accord (FPA); the Disbursement Agreement (DA), which is to be used to transfer resources from a WB Trust Fund to UN agencies, funds and programmes; and the MOU that will be used to transfer resources from a UNDG Trust Fund to the World Bank.

⁶ A common MDTF framework for the establishment and oversight of UNDG MDTF, which includes a standardized process for agreeing on ToR, and MOU between the AA and the recipient UN agency was endorsed by the Management Group in September 2007.

18. The UNDG has developed specific guidance on how MDTFs are structured, and how the UNCT can participate in them.⁷

C. Existing Tools

Flash Appeals

19. The Flash Appeal is a tool for structuring a coordinated humanitarian response for the first three to six months of an emergency. The UN Resident and/or Humanitarian Coordinator (RC/HC) triggers it in consultation with all stakeholders. It contains an analysis of the context and of humanitarian needs (citing whatever specific needs assessments are available), response plans (at the general strategic level as well as sector plans including specific proposed projects), and statements on roles and responsibilities.

20. **Scope:** Flash appeals have to be issued fast, they are based on early estimates and best guesses, focusing on urgent humanitarian needs plus whatever early recovery projects that can be assessed and implemented during this early phase of a crisis. Flash Appeals can be revised at any point after the launch as more information emerges. Usually, there is a scheduled general revision about a month after launch to incorporate fuller information and more recovery projects (especially connecting to government plans as they crystallise). The flash appeal may be developed into or succeeded by a consolidated appeal, or another similar type of appeal, if an interagency response is needed beyond six months

21. **Advantages:** Flash Appeals present a potential for mobilising resources for coordination, assessment, planning for early recovery and longer terms recovery as well as quick impact projects such as cash for work, rubble clearance, rehabilitation of minor infrastructure and strengthening of government capacity which can lay the foundations for long term recovery and reduce dependence on humanitarian assistance.

22. **Limitations:** The track record shows that early recovery is an underfunded area in Flash Appeals and more work needs to be done to ensure that convincing early recovery projects are included in Flash Appeals in a phased approach based on rapid inter-agency assessments.

Consolidated Appeals Process (CAP)

23. The Consolidated Appeals Process (CAP) is used by humanitarian organizations to plan, coordinate, fund, implement and monitor their activities for the same crisis. It includes a

⁷ See UNDG Guidance Note on Multi-Donor Trust Funds at <http://www.undg.org/index.cfm?P=152>

strategic plan for humanitarian response in a given country or region (CHAP). It provides a shared analysis of the context, a needs assessment, identification of roles and responsibilities, and a clear statement of longer-term objectives and goals. CAP is a yearly process, usually prepared in September/October and launched globally in November. A mid-year review is presented to donors in July.

24. Scope: CAPs remain humanitarian in nature however the Consolidated Appeal Process Guidelines clearly state that the CAP should serve “to facilitate a coordinated response by all those involved in meeting emergency needs throughout the course of an emergency by integrating to the extent possible, humanitarian activities to promote cost effective and efficient relief and **recovery activities** and to avoid duplication [...]”. In addition, the strategic plan should “provide guidelines on linkages to the relief-to-development continuum. In particular it should recognize that the way a relief programme is carried out directly affects the rehabilitation activities which follow. Rehabilitation can be both a phase which follows relief and also include activities which can function in parallel to relief interventions. Thus, many relief activities can be designed in a nature that enhances linkages to later rehabilitation work”. While the term “early recovery” is not used directly it is implicit in this context.

25. CAPs are well accepted by the donor community and strongly managed by OCHA. On average, since 1992, the Consolidated Appeals Process has sought \$3.1 billion per year, and received \$2.1 billion per year (68%).⁸ CAPs are widely distributed and can be used as advocacy and fund-raising tools. They guarantee a minimum of coordination among participating agencies. The one-page project sheet format is sometimes accepted by donors instead of a full proposal, thereby saving time. It is therefore critical to include an early recovery strategy in the CHAP and early recovery projects in the CAP.

26. Advantages: CAPs are launched annually and focus on priority needs. In protracted crises, particularly in conflict settings, as time goes on and the country moves out of a humanitarian phase into a recovery phase, CAPs become increasingly dominated by recovery projects. Thus in the case of the 2007 CAP for Somalia for example, 44.88 % of the projects submitted in the CAP were early recovery projects.⁹

27. Limitations: Many early recovery projects do not fall neatly into the CAP’s humanitarian sectors. In some cases, the economic recovery and infrastructure sector has inappropriately been used as a proxy for early recovery. In addition, certain early recovery areas of activity such

⁸ <http://ochaonline.un.org/cap2005/webpage.asp?Page=1243>

⁹ This is based on preliminary research on ER funding in the 2007 Somalia CAP. For the purpose of this study, early recovery projects were identified based on the following criteria: a) projects which go beyond life-saving humanitarian interventions, b) projects which include one or more early recovery activities as defined by the CWGER “Menu of Indicative Early Recovery Activities”.

as early recovery coordination & support are systematically not being funded in the CAP and other areas, such as governance, land & property and security are not included at all.

28. The Somalia 2007 CAP included an “early recovery sector”, which is a new addition to the traditional CAP sectors. This “sector” only received 4% funding. Early recovery however is a multi-dimensional process which cuts across multiple sectors and needs to be organized differently from the way other sector-based groupings function. Early recovery projects may therefore be included in the other sectors and gap areas that are not dealt with by other sectors such as governance, rule of law and land and property may be included in the Early Recovery sector. Ensuring that early recovery is mainstreamed throughout the work of other sectors/clusters and tracking the extent to which early recovery projects have been resourced is therefore challenging.

Transitional Appeal

29. For the purpose of this guidance note, a Transitional Appeal is a strategic planning tool to help the UNCT prioritize its interventions and mobilize resources to finance programmes and activities by the UN and associated partners in a transition setting.¹⁰ As such, the main distinction between a transitional appeal and a strictly humanitarian appeal lies in the nature of programme results and activities for which financing is being sought. The transitional appeal is characterized by an explicit strategic focus on the shift from humanitarian relief to recovery and reconstruction. An example of this is the Pakistan transitional plan, presented as the “Early Recovery Plan”, which was launched by the UN and the Government six months after October 2005 earthquake as the relief phase was winding down. The Early Recovery Plan presented a very clear message to donors that “the focus shifts from saving lives to restoring livelihoods”¹¹.

30. Transitional appeals are characterized by a preponderance of recovery type projects, with an emphasis on supporting national actors in leading the transition from relief to development. Its purpose is to mobilize resources to fill the transition gap, when humanitarian funding wanes as the crisis recedes and instruments for longer term support are either inadequate or yet to be established¹². As a resource mobilization instrument for recovery strategies, the transitional appeal is designed as a building mechanism for a return to a longer term development trajectory.

31. **Scope:** As indicated, the scope of a transitional appeal extends to all activities designed to jump start and support recovery and reconstruction processes. As such, they range from small

¹⁰ See UN Transitional Strategy Guidance Note at <http://www.undg.org/index.cfm?P=151>

¹¹ ERRA-UN Early Recovery Plan, May 2006

¹² Multi-Donor Trust Funds for example,

scale economic revitalization and livelihoods initiatives to the restoration of basic social services and support for governance reforms, political dialogue and reconciliation.

32. Advantages: The main advantages of the transitional appeal reside both in its scope and its centripetal potential for the UN system. The appeal can secure funding for a broad range of critical transition needs while the process of developing it can at the same time instill focus on common transition objectives and establish clear strategic direction for the UN Country team. In fact, past experience indicates that the success of a transitional appeal depends less on the specific nature of activities included in the document and more on the extent to which the proposal contributes to national priorities, the quality of proposed programmes and the strategic framework and focus under which they are implemented, and the degree of government and donor engagement in the process. Combining these steps has been significant in donor's willingness to increase their funding for transition. Angola's 2004 Consolidated Appeal for the Transition, for example, was 96% funded.

33. Limitations: As with similar inter-agency processes, there can be significant transaction costs associated with developing the appeal, and properly marketing it to potential donors. As such, adequate capacity is required to coordinate agency inputs into a strategic and focused document while conducting continuous donor stewardship to secure their buy in from the outset. This problem is compounded by the absence of an adequate system wide support mechanism, as the one provided by OCHA for the humanitarian appeal process. Finally, transitional appeals suffer from limited donor knowledge and awareness of this funding instrument and the absence, for some, of appropriate budget lines from which the appeal can be funded.

34. The UNDG has developed specific guidance on how transitional appeals can be developed, based on past experiences¹³.

D. Existing Funding Sources

Peacebuilding Fund

35. The SG's Peacebuilding Fund (PBF) was launched in October 2006 to support the immediate needs of countries emerging from conflict or at risk of lapsing into conflict through interventions that have a direct and positive impact on the sustainability of the peace and reconciliation process. Donor response to the fund has been encouraging: the PBF initial funding target of US \$250 million was exceeded and total contributions of US\$327 million have been received as of October 2009. The PBF's ToRs were revised (A/63/818) in order to enhance the effectiveness and the catalytic impact of the Fund, resulting in the creation of two funding mechanisms: the Immediate Response Facility (IRF), and the Peacebuilding and Recovery Facility (PRF).

¹³ See UNDG Note of Guidance Transitional Appeals, www.undg.org

Allocations under either facility are needs-based, relying on current planning frameworks that explicitly address peacebuilding goals. New guidelines for operationalizing these facilities have been elaborated in a consultative process with key partners in the UN system (see www.unpbf.org).

36. **Scope:** All PBF financing is disbursed through the Fund's Administrative Agent (UNDP/MDTF Office) to a UN Recipient Organization which works with national or locally based implementing partners. Project implementation is guided by the rules, regulations and policies of the UN Recipient Organization. The PRF is the programme-based funding mechanisms of the PBF and is guided by the principles of national ownership and country-level decision making. The programme is elaborated jointly by the Government and the UN in-country presence in a Priority Plan that draws from existing national strategies to identify critical and catalytic interventions in support of peacebuilding. The Priority Plan is the funding framework within which project approval is delegated to the country level. The IRF is the Fund's project-based financing mechanism, created to address urgent critical and unforeseen needs which, if unmet would constitute an imminent threat to a peace or reconciliation process. Under this facility, a single project or a portfolio of projects may be considered for PBF support.

37. As of October 2009, 14 countries have received PBF financial support for almost 100 projects with a total value of more than US \$124 million with project varying in size from US\$500,000 to US\$6 million.

38. The scope of activities of the PBF include: activities designed to respond to imminent threats to the peace process and support of the implementation of peace agreements; activities in support of efforts by the country to build and strengthen capacities which promote coexistence and the peaceful resolution of conflict; establishment or re-establishment of essential administrative services and related human and technical capacities; and interventions in support of efforts to revitalize the economy and generate immediate peace dividends.

39. As with other UNDG managed pooled funds, NGOs and CSOs currently do not have direct access to the PBF but may receive resources as implementing partners of recipient UN organizations. PBSO encourages partnerships with national partners emphasizing a strong capacity-building element.

40. Under the PRF, resources are allocated "in bulk" to a country once a Priority Plan has been submitted and approved. Resources are directly allocated to UN recipient agencies once projects have been approved by the local steering committee. Under the IRF, PBSO will allocate funds based on the submission of a funding proposal. In this case, resources are directly allocated to UN recipient agencies once projects have been approved by the ASG for Peacebuilding Support in New York. The PBF operates like a UNDP MDTF.

41. **Advantages:** The main PBF value rests in its capacity to fill critical funding gaps for peacebuilding. It channels resources for focused and time-limited activities deemed critical to the peace process, where funding is traditionally insufficient, and for priorities in sectors that are usually difficult to finance. The PBF also plays a catalytic role: especially in early phases, the Fund not only kick-starts critical peacebuilding interventions, but can also help attract additional external resources from bilateral or multilateral sources.

42. Other advantages of the PBF include: a global peacebuilding outreach; national ownership (under the PRF, the Fund delegates project review and approval to a joint steering committee co-chaired by Government and the UN with membership from civil society, IFIs and donors); and relatively high tolerance for risk allowing the Fund to support innovative approaches and work with a range of partners on innovative ideas.

43. Another distinct advantage of the Fund is that it can be responsive in timecritical situations. Through the IRF, the PBF can respond to sudden threats to, or opportunities, for, peacebuilding with short-duration projects, typically less than US\$3,000,000. PBF can provide funding more quickly than traditional funding resources: under the IRF a turn-around time of three weeks is envisaged once a formal submission has been made.

44. **Limitations:** The PBF has undergone a restructuring which is reflected in the new ToRs and guidelines for accessing the Fund. In addition, experience has demonstrated that Recipient UN Organizations often lack the necessary in-country capacity to design and implement peacebuilding projects. Agencies must make use of their own surge capacity to ensure the timely development of appropriate activities. Agencies must also avoid submitting projects for funding that cannot be implemented within the time frame for the PBF or ensure early on that additional funding will become available. Integrating resource mobilization into project workplans is absolutely essential and normally PBF funding runs out and cannot be used to fund subsequent phases. Together with its UN Partners, the PBSO is working to facilitate the deployment of surge capacity in countries where PBF support is requested.

45. The PBF cannot fund distinct agency-specific activities such as needs assessments and research as its activities must address peacebuilding needs in a country or region and as such support the efforts of national actors. Only agencies that have signed a special MOU with UNDP MDTF can become a recipient UN agency. Once an agency receives the funds, its own rules and procedures fully apply.

Central Emergency Response Fund (CERF)

46. The CERF is a stand-by fund established by the United Nations to enable more timely and reliable humanitarian assistance to victims of natural disasters and armed conflicts. The fund manager of the CERF is the Emergency Relief Coordinator and Under-Secretary-General for Humanitarian Affairs. The CERF consists of a grant and a loan component. The loan component

of \$50 million was established by GA resolution 46/182 (as the Central Emergency 'Revolving' Fund) while the grant component of up to \$450 million was created through GA resolution 60/124 of 15 December 2005. Within the grant component windows for under-funded emergencies and for rapid response have been established. The CERF was created to achieve the following objectives:

- promote early action and response to reduce loss of life;
- enhance response to time-critical requirements;
- strengthen core elements of humanitarian response in under-funded crises.

47. **Scope:** The CERF is considered to be the 'last resort' in humanitarian funding when no other funding is available. The CERF under-funded window was designed to inject a measure of equity in the way humanitarian funds are applied: topping up the supply of funds to severely under-funded crises, and allowing the HC to allocate the CERF funds to the neediest sectors and most urgent projects within the CAP. It is intended for unforeseen emergencies as well as response activities within the overall country strategy as outlined in the work plan or CAP/CHAP. The CERF is not able to allocate funds directly to NGOs.

48. **Advantages:** The CERF increases overall funding globally and addresses global inequalities in funding. It is able to supply quick funding for rapid response activities and allocate funds based on needs and the enhanced ability to direct funding to address priorities.

49. **Limitations:** The CERF is above all a humanitarian funding tool however there are limited opportunities for accessing CERF funding for early recovery. (For examples of funded early recovery activities please see to Annex 1)

50. The extent to which the CERF is able to successfully support operations is based on the approval of proposals along with the ability of agencies to cover the time-lag from allocation to disbursement from their own internal reserves. Ongoing efforts to reduce disbursement time and administrative and financial procedures would hopefully continue to reduce this gap.

Common Humanitarian Funds

51. Beginning in 2005, a group of donors¹⁴ initiated collaborative efforts on new common humanitarian funding instruments in Sudan and DRC to support a more coordinated, coherent and strategic humanitarian response. Under the Common Humanitarian Funds created for Sudan and DRC in 2006, donors provide un-earmarked contributions to a common pool from which the HC allocates funding according to strategic priorities outlined in the humanitarian portions of the work/action plans for each country, and following a consultative process with the UN Country Team members, NGOs and relevant donors at the country level. In both

¹⁴ Participating donor governments are Belgium (DRC only), Canada (DRC only), Ireland (Sudan only), the Netherlands, Norway, Sweden, and the United Kingdom

countries, these funds are relatively large (\$92 million for the one in the DRC and \$170 million Sudan) and represented 24% and 15% of total humanitarian funding made available in 2006 for Sudan DRC respectively. DFID and other participating donors intend to establish CHF in additional countries in the near future, possibly later this year. Both Sudan and DRC CHFs include a rapid response reserve.

52. The CHF mechanism is intended to serve as a vehicle for funding a strategic plan for coordinated humanitarian response crystallised in the CAP. As part and parcel of this effort, the un-earmarked element of the CHF aims to strengthen the role of the HC by giving more funding authority to make strategic and equitable allocation decisions.

53. **Scope:** The CHF is primarily to fund projects in the CAP, with a special focus on priority projects that are not addressed by other sources in the CAP. While NGOs can initiate project submissions for CHF consideration, they cannot receive funds directly from the CHFs. Instead, in both DRC and Sudan, UNDP has established a framework that allows it, as recipient of the CHF, to channel funds onto NGOs.

54. **Advantages:** Due to its pooled mechanism, the advent of the CHF has corresponded to a small combined increase in the funding of the participating donors as a percentage of overall humanitarian aid flows in the pilot countries. The CHF also involves decentralized decision making in the hands of the HC, which improves flexibility also to cover underfunded or unforeseen needs (through the rapid response reserve for example). Finally, where common funds are in place, the HC has been required to implement higher standards of coordination and prioritization.

55. **Limitations:** Initially CHF's addressed predominately humanitarian needs however in Sudan, 2008 saw the introduction of a **new category: early recovery**, intended to highlight the gradual transition towards long-term, sustainable solutions. In 2009, the Work Plan presents only humanitarian and early recovery portfolios while a separate United Nations Development Assistance Framework (UNDAF) will plan for recovery and development.

In DRC in preparing the Humanitarian Action Plan (DAP) 2008, the country team introduced a new approach. Humanitarian actors have agreed on five priorities and levels of intervention including: 1). Reduce mortality and morbidity, 2). Combat malnutrition; 3). Reduce the level of violence perpetrated against civilians, 4). Protect and assist internally displaced persons and 5). Facilitate return and reintegration.

Emergency Response Funds (ERFs)

56. The ERFs are pooled funds that receive contributions from more than one donor and are aimed at providing rapid and flexible funding to address humanitarian needs. ERFs are administered at the country-level by inter-agency review boards that decide allocations, and support smaller emergency interventions implemented by the UN, and international and local

NGOs. They are usually established to meet unforeseen needs that are not included in the CAP or similar coordination mechanisms but in line with (CHAP) objectives and identified priorities (i.e., they tend to fund projects that are not in the CAP because they respond to needs that could not have been predicted). Since 1997, the nine OCHA managed ERF funds in DRC, Angola, Liberia, Ethiopia, Indonesia, Somalia, Zimbabwe, Cote d'Ivoire and Iraq have disbursed over \$85 million and financed some 600 projects covering a wide range of activities. Also in southern Sudan an ERF exists which is administered by UNICEF but managed by OCHA, under the leadership of the Deputy Resident and Humanitarian Coordinator (RC/HC) for Southern Sudan. Though ERFs are all based on similar aims and principles, their application in a variety of contexts and at the country level means they differ in purpose, approach and practice where they are applied. No common guidelines, governance procedures or administrative arrangements have been developed for ERFs to date.

57. **Scope:** The ERF involves small-scale gap-filling for quick response activities for unseen needs. Size of allocations range from \$100K to \$700K but in most cases the allocation is even less than \$100K.

58. **Advantages:** An evaluation completed in January 2007 examined the role of ERFs in humanitarian response and in relation to other funding mechanisms. The report concludes that if humanitarian response is categorised into immediate response to a new emergency, addressing on-going needs and post-crisis recovery, ERFs have provided greatest added value in the middle phase. This has been done by filling a range of gaps in humanitarian response, increasing humanitarian access and enabling NGOs to scale up their activities. NGOs are also involved in the allocation and decision making process with the ERFs. In some countries, such as Ethiopia, ERFs have also provided strong advantages in early response, preparedness activities, and use of the funds prior to official humanitarian response.

59. ERFs can ensure that non-UN partners have rapid access to cash, and in addition NGOs can apply directly to the ERF. It therefore allows donors to fund broader range of organizations without direct funding relationship. Aside from plugging gaps in emergency response, the ERFs also aims to contribute and improve national capacities.

60. **Limitations:** The main limitations of ERF are related to the size of the allocations and the scope. They are not designed to support recovery activities but focus instead on on-going life saving needs.

E. Lessons Learned

61. The following are a series of past common factors of success that UNCTs may wish to consider:

Combining tools and mechanisms

62. A UNCT's transition strategy in any given country may be funded through a variety of financing mechanisms. It is important to stress that these mechanisms are often designed to supplement, and not replace established bilateral channels between UN agencies and donors. In fact, even in situations where pooled funds have been established, donors need to be reminded that agency-specific funds (reserve / emergency funds) are often still appropriate to jump start activities that may then be supported through other sources. Therefore, the UNCT transition strategy can be funded through a combination of those mechanisms, including individual bilateral fundraising. For example, the appeal can either be the costed strategy or a costed section of the strategy, if the UNCT chooses to use the appeal only for specific components and programmes of its transition strategy. Some components of the strategy may be better suited for an appeal while others may be better aligned with the focus of an MDTF, if one has been established. In many cases also, the strategy will include on-going projects for which funding has already been partially secured.

Strategic foundation:

63. The common denominator with all these financing options is that success in accessing funds requires a strong strategic foundation. **“Transitional activities and their associated costs must be driven by national priorities and derive from a coherent and unified UNCT strategy in support of these priorities”**. In transition, the funding requests, regardless of the instrument, mechanism or tools used, should be based on a transition strategy, the same way the “CHAP is the main body of the CAP”¹⁵ in a humanitarian context”¹⁶.

64. For each financing instrument, developing and presenting funding strategy that is based on a coherent and unified UNCT strategy that clearly describes how the UN contributes to key national priorities during a transition will address perceptions of the UN as “a money hunting organization”¹⁷ that “exaggerates needs and funding requirements”¹⁸. Submission requests (bilaterally to individual donors, or through an appeal or to a pooled funding mechanism) must therefore be seen the end product of a rigorous strategic planning exercise, which includes a needs assessment, conflict analysis, the definition of the UN's added value in the country, the identification of key priorities and specific interventions¹⁹.

Transparency:

¹⁵ Technical Guidelines for CAP

¹⁶ See UNDG Guidelines on Transitional Appeals (www.undg.org)

¹⁷ UNDP Guidelines / Lessons learned in mobilizing resources for CPR

¹⁸ “Changes in Humanitarian Financing: Implications for the UN”, GHDI, DI report, 2004

¹⁹ See UNDG Guidelines on Transitional Appeals (www.undg.org)

65. The aforementioned diversity of options to finance a transitional strategy, while both insufficient and encouraging at the same time, can create confusion not only internally within the UN but also vis a vis funding partners. Requests through any of the mechanisms highlighted above need to be strategically focused and present clear links with other sources of funding and other financing mechanisms including balances from previous funding channels, for potential donors (or other established decision-making entity in the case of pooled funds) to clearly see the various sources of funding and the coherence of the request.

Internal capacity:

66. As described above, access to these different funding options carries significant transaction costs, in terms of both developing the funding request (drafting the transitional appeal, the PBF project proposal, etc) and managing the funds upon receipt (in the case of pooled funding mechanisms in particular). While surge and/or HQ capacity exists to support the UNCT in a number of resource mobilization related areas²⁰, the reality is that a number of time consuming tasks need to be performed at the field level, both at the development stage and in the disbursement/allocation phase. Therefore, the UNCT's funding strategy and choice of options must take into consideration existing or required capacity to carry those out.

Active donor stewardship:

67. Direct bilateral funding (either via individual fundraising or through an appeal mechanism) requires extensive donor outreach and stewardship. In particular, experience shows that a critical factor of success for both Flash Appeals and Transitional Appeals is the degree to which donors have been associated with and updated on the development of the request(s) throughout the process.

²⁰ See MDTF Office of UNDP for pooled fund management; OCHA CAP unit for CAP