

# Proposal for a Common Fund for humanitarian assistance to Sudan

August 1 2005

## *Introductory note*

This report is about the proposal that a multi-donor fund should be set up in Sudan, managed by the Humanitarian Coordinator, to finance the humanitarian priorities in the 2006 Workplan. Its aim is to provide a basis for wider discussion of the proposals.

The study was commissioned as an independent report from Development Initiatives and financed by Canada, Denmark, Netherlands, Sweden and the UK. It does not necessarily represent the views of these donors.

Development Initiatives' task was

1. To identify the conditions under which a consensus could be reached on the establishment of a multi donor fund for the humanitarian elements of the 2006 UN Sudan Workplan and the impact of establishing the fund on the strength of the HC and the humanitarian response.
2. To outline how a multi-donor fund, managed by the Humanitarian Coordinator, could be set up in Sudan in the short term.

The methodology was, first, to identify the assumptions underpinning the proposals for the Fund and the extent to which they represented a shared analysis of the problems; second, to address the practicalities and conditions under which the Fund could operate.

This report is based on interviews with donors, agencies and the UN, in Khartoum and elsewhere during late May and June 2005 (see Annex 1 for a list of those consulted). It has benefited from comments from the Humanitarian Coordinator and his office, the commissioning donors and material gathered from UN agencies in Khartoum. Additional comments on the draft report were received from UNHCR on 29 July 2005 and have been incorporated as Annex 8 as they relate to the proposal as a whole rather than specific points in the report.

## *Defining Terms*

In order to have a productive discussion it is important that the terms are clearly defined. For the purposes of this report we have used a number of "working titles". These are not perfect descriptions, but provide common vocabulary for discussion. We have deliberately avoided the term "pooled funding" because of the different meanings attached to it. Key terms are:

**Common Fund:** The working title for a single fund to which donors can make upfront contributions to finance the strategic humanitarian priorities defined in the Workplan. Decisions on what to fund will be made by the Humanitarian Coordinator in-country and disbursements will be made direct from the Common Fund to the recipient agency.

**Allocation Model:** The working title for the system where donors can put a tranche of money at the disposal of the HC who decides how it should be allocated. The donors make the disbursements direct to the recipient agency or NGO.

**Consultative Model:** The working title for engagement of the HC in donor funding decisions in order to influence their allocation of resources in favour of Workplan priorities.

All three models can work together - along with improved information flow on all funding decisions and use of co-funding mechanisms - to give the Humanitarian Coordinator greater influence over the allocation of funds to strategic humanitarian priorities. (see Figure 1)

**Workplan:** the annual country-wide, interagency strategic plan setting out strategic **priorities**, objectives and specific activities and projects that flow from these. <sup>1</sup>

## ***Layout of the Report***

Section 1 sets out the context and why the proposal for a Common Fund has been made

Section 2 summarises the Common Fund proposal

Section 3 explains the rationale for the Common Fund and why it should improve the humanitarian response

Section 4 identifies the conditions needed for the Common Fund could be effective

Section 5 outlines the options and choices of the scope of the Common Fund

Section 6 describes the mechanism for the Common Fund including the processes for transfers, decision making, reporting, and fiduciary issues

Section 7 suggests immediate next steps

## ***Acknowledgements***

Development Initiatives is extremely grateful for the serious attention given to our questions and the very constructive discussions that have taken place. We hope the report has identified the issues and taken proper account of the perspectives of those interviewed. We would welcome any corrections to errors of fact or interpretation or additional information.

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## **Executive Summary**

The proposal for a Sudan Common Fund under the authority of the HC aims to strengthen coordination and increase the extent to which funding for Sudan is allocated to priority humanitarian needs.

In Sudan, at the time of writing, half way through 2005, less than half of the annual Workplan projects have been funded. Currently donors and agencies largely decide what should be financed. The proposal will enhance the ability of the HC - who has responsibility for coordination – to direct funds to strategic priorities.

The Common Fund is one of the measures needed to enhance humanitarian response in line with the principles of GHD. The proposal also fits in with wider reforms of the international humanitarian system, proposed in the UN Secretary General's 2005 Report, "In Larger Freedom".

The first requirement of the Common Fund is that it must improve humanitarian outcomes in Sudan. But it is also clear that the Sudan Common Fund has the potential to build confidence and lay the foundation for wider reforms.

HC decisions on disbursements from the Common Fund need to work in tandem with other methods for increasing his or her influence over the allocation of resources. These include:

- Instructions to donors on disbursements using the **Allocation Model**
- Influencing funding including food aid and NGO funding on the **Consultative Model**
- Exerting increased direct and indirect influence on funding for the Workplan through **improved information flow**

Projects in the Workplan are eligible to receive finance from the Common Fund. The Workplan should include all humanitarian priorities and, in 2006, will include recovery priorities too.

UN agencies and NGOs would be able to be funded by the Common Fund. Funding to NGOs and International Organisations would also be influenced by the HC through the Allocation and Consultative Models.

The income for the Common Fund would be the country-earmarked funds for UN agencies from participating donors plus other resources. Other funding of UN agencies will be unchanged

Funding decisions will be made in-country by the HC based on the following process:

- Development of a comprehensive, prioritised Workplan based on needs assessment
- Review of strategic and geographical priorities with the UNCT and/or IASC funding members
- Decisions by the HC on disbursements, based on recommendations from a more independent and clarified sectoral coordinator function
- Disbursement to agencies using the UNDP Pass Through mechanism

The Sudan Common Fund will be set up as a UNDP Trust Fund, managed in Khartoum

The Common Fund should improve humanitarian response by:

- Creating incentives for a comprehensive, prioritised Workplan
- Ensuring that a higher proportion of funds flows to strategic priorities
- Reinforcing in quick, flexible, country-level decision-making in response to changing priorities

- Enabling the HC to fund a better mix of inputs and more coordinated response
- Highlighting responsibility for funding shortfalls and increasing the incentives to ensure that all humanitarian priorities are met
- Increasing incentives to keep the HC well informed

But the HC's ability to allocate funds to strategic priorities will also rely on other systemic changes.

### **Essential conditions for the Common Fund to work**

A prioritised Workplan, based on reliable needs assessment, which has the confidence of all stakeholders is an essential pre-condition, if the Common Fund and increased authority vested in the Humanitarian Coordinator are to result in better humanitarian assistance. The Workplan must define what is eligible for funding from the Common Fund. The process of developing the Workplan must therefore be inclusive of the UNCT, NGOs, International Organisations and donors. But final decisions on what should be included rest with the HC. It is fundamental to the humanitarian reform proposals that Workplan priorities are funded first.

### **Critical Mass**

In 2006 the HC must have substantial influence over where a critical mass of funding is spent, through a combination of direct management of cash within the Common Fund and increased influence over other funding, including that for NGOs and food aid. Without the participation of big agencies, the objective of the Common Fund is unlikely to be met.

### **Upfront funding and self discipline**

The Common Fund requires commitments to be early and firm, transfers to be predictable, upfront and on time. The HC will need firm commitments and some cash in November 2005 to ensure delivery of assistance in the critical first quarter of 2006. Donors should give annual, rather than tranching funding if at all possible.

Success depends on donors resisting pressures to fund any activities outside the Workplan priorities. Likewise agencies must buy in, use the fund and resist separate fundraising activities for their own in-country needs.

### **Accountability**

A serious concern is that by holding a Common Fund, HCs will be held accountable for the overall humanitarian response, while lacking any authority over the organisations that deliver humanitarian assistance. The accountability demanded of the HC must be reasonable and commensurate with their actual authority. Agency concerns on decision-making, administration, timing, accountability and the impact of the Common Fund on total funding levels must be taken into account

### **Options on the Scope of the Common Fund**

Amongst issues to be addressed on the scope of the Common Fund are:

- Whether the Common Fund should finance NGOs and International Organisations as well as UN agencies
- Should the Common Fund include a 5% to 10% rapid response facility
- Whether the Common Fund should finance food aid
- The extent to which the Common Fund should be matched by agreements to use Allocation and Consultative Models and HC engagement to influence decisions on NGO funding, the geographical distribution of food aid and decisions by donors who are currently unable to channel funds into the Common Fund.

- Whether donors who are unable to allow resources that they allocate to the Common Fund to be used for certain items (such as recovery or food), should be able to use minimal agreed soft earmarking/conditions to maximise participation in the fund.
- Whether the Common Fund should finance all aspects of the Workplan, including recovery.

### **Transaction costs**

Overall, the sum of transaction costs should decrease as a result of the Common Fund, but transactions for UNDP and the HC's office will substantially increase while those for donors and agencies will fall. The enhanced sectoral coordination will increase transaction costs, particularly for senior agency staff and capacity for monitoring, reporting, and sectoral coordination will need to be financed. (see Annex 4)

### **Decision-making**

The HC will discuss strategic, geographical and sectoral priorities for available funding with the UNCT, agreeing indicative allocations to each region and to sectors within each regions. The HC will convey these decisions to sector co-ordinators, who will recommend allocations to individual projects, subject to final decision by the HC.

The HC will be dependent on good advice from the Sector Coordinators to make good decisions on allocations within the Workplan, so steps to improve the quality of sectoral advice and clear lines of accountability are important.

### **Financial control**

Accountability for timely, accurate financial transfers from the Common Fund to designated recipients will lie with UNDP under the pass through mechanisms.

The baseline responsibility of the HC is to allocate Common Fund resources in line with the workplan and to ensure that decision-making is consistent with the Workplan, guided by clear criteria and good evidence. Less clear is the extent to which the HC can or should be accountable for the impact of funding.

The Common Fund should meet key donor fiduciary requirements as follows:

- The HC will report on expenditure against the purposes documented in the Workplan in proposed six monthly reviews which will be complemented by independent evaluations of every sector.
- Spending will be properly accounted for under the UNDP Pass Through Account procedures.
- Value for money should be increased as transactions and therefore risks are reduced and funds are channelled to the highest priorities through UN agencies using established procedures.

### **Next Steps**

2006 Workplan development should begin in July 2005 for a late October launch, when donors should pledge funds – it being vital that some cash is transferred to the Common Fund by November 2005.

Donors should clarify and state what their funding procedures and level of commitment will be by November 2005, so that the HC can plan effectively.

Donors should ensure that necessary domestic mechanisms are in place to enable transfers to the UNDP Contribution Account can be made on time and in full.

Reporting and accounting procedures should be agreed and the financing of the OCHA Monitoring and Evaluation Unit put in place.

# 1 Context – Why is the Common Fund being proposed in Sudan?

The situation in Sudan needs a coordinated response if humanitarian needs are to be met. It is a vast country with very different needs in different areas, for example:

- in Darfur, there is still a major crisis and the needs are primarily humanitarian;
- the South has poor infrastructure but, following the signing of the Comprehensive Peace Agreement, needs to prepare for the return and reintegration of large numbers of refugees and IDPs;
- some areas need investment to prevent the outbreak of conflict,

It is important to ensure that life-saving humanitarian needs are not overlooked amongst these competing priorities.

Half way through 2005, less than half of the annual Workplan projects have been funded; donors and agencies are, between them, selecting what should be financed and the HC, despite holding responsibility for coordination, has limited ability to allocate funds to the strategic priorities. **The Sudan Common Fund has been proposed as a means of enabling more funding to be allocated to strategic priority needs, based on in-country decisions made by the Humanitarian Coordinator.**

The proposal for Common Funds is also part of the process of reform of the international humanitarian system. The **UN Secretary General's 2005 Report, "In Larger Freedom"** argues for rapid progress on strengthening field coordination structures, better preparing and equipping UN Country Teams (UNCTs), strengthening the leadership of the humanitarian coordinator and ensuring that sufficient and flexible resources are immediately available to support field structures.<sup>2</sup>

The Common Fund is consistent with the **Good Humanitarian Donorship principles** which centre on a needs-based approach and endorse the principles of flexible, timely, predictable, adequate funding. These principles are being pursued through additional initiatives, such as the extension of the Central Emergency Revolving Fund (CERF).

The Common Fund was also one of six changes outlined by the UK Secretary of State for International Development in 2004.<sup>3</sup> Referring specifically to crises like Darfur, he highlighted the requirements for a more effective response including improved leadership at country level and strengthening the Humanitarian Coordinator role and benchmarks for the scale and speed of response;<sup>4</sup>

This paper addresses only one aspect of the reforms – the Sudan Common Fund itself which is being energetically advanced to fund the 2006 Workplan.

While Common Funds may be useful in other humanitarian situations, the first requirement of this Common Fund is that it must improve humanitarian outcomes in Sudan. A basic model of the Common Fund will be set up for the 2006 Workplan but it should develop and grow based on evidence of what is found to work.

It is clear that the Common Fund needs to be part of a raft of other measures if it is to have an effect on humanitarian outcomes. It won't generate more money directly, therefore it has to be justified by better use of existing resources; neither will it give the Humanitarian Coordinator direct control over the implementation and delivery of

humanitarian assistance, so coordination and cooperation between all partners remain vital.

The Sudan Common Fund has the potential to build confidence and lay the foundation for wider reforms. It provides a mechanism whereby donors, agencies, NGOs and the UN system itself can subsume domestic and institutional priorities below the overall humanitarian imperative.

Lessons (and encouragement) can be drawn from the similar process in development cooperation, where donors and governments have, this year, set targets for aid harmonisation. The principle is that predictable aid flows, with low transaction costs, should be available to support government-owned strategies for poverty reduction. One of the methods is direct budget support. This process has created momentum to reform donor procedures and to overcome obstacles in the common interest of more effective aid.<sup>5</sup>

## **2 The Sudan Common Fund - in summary**

### ***2.1 What is the purpose of the Common Fund?***

The sole purpose of the Common Fund is to improve humanitarian outcomes. It does this by enabling the HC to allocate funds to strategic priorities.

The Common Fund is one of several ways that HC can influence funding decisions. Combining direct disbursements from the **Common Fund**, instructions to donors on disbursements using the **Allocation Model**, influence over other funding including food aid and funding to NGOs through the **Consultative Model** and **improved information flow** on all funding decisions, the HC would be able to exert direct or indirect influence on a substantial share of funding for the Workplan (see Figure 1). Some donors may also be able to **co-fund** projects receiving money from the Common Fund.<sup>6</sup>

If these funding methods are combined with other systemic reforms, this could increase the authority of the HC to decide between competing priorities and enhance the coordination and coherence of the humanitarian response (see Section 3).

### ***2.2 What would be funded by the Common Fund?***

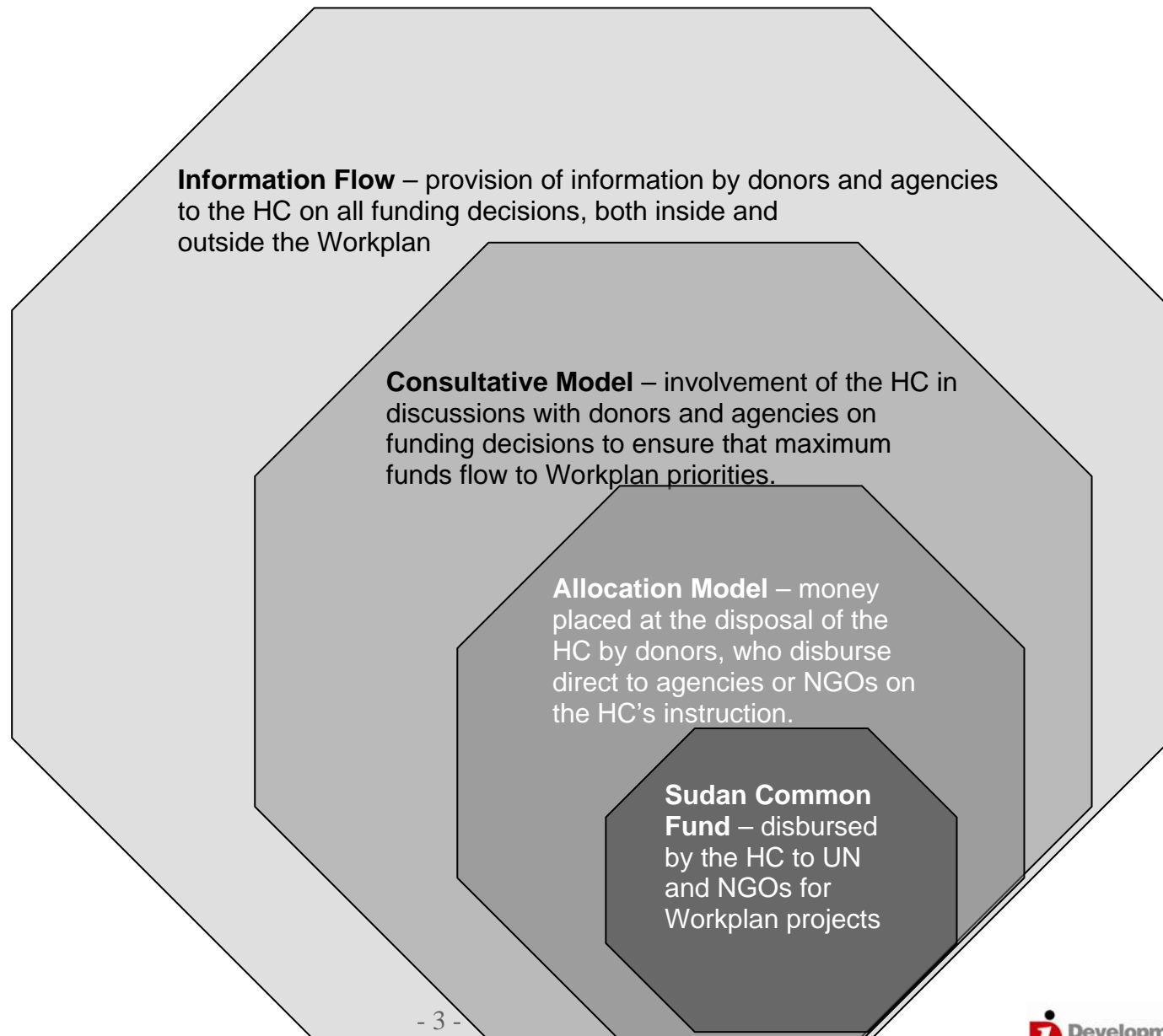
The Common Fund will finance **projects** in the Workplan. The combination of Allocation and Consultative Models will finance Workplan humanitarian **priorities** more broadly.

### ***2.3 Who would be funded by the Common Fund?***

It is proposed that UN agencies and NGOs would be funded by the Common Fund. There are issues over reporting on money allocated from the Common Fund to NGOs but if these can be resolved, NGO Workplan projects would be eligible for Common Fund money. Funding to NGOs and International Organisations would also be influenced by the HC through the Allocation and Consultative Models.

## HC influence on funding for strategic priorities

Figure 1



## **2.4 What income would go into the Common Fund?**

Currently, donors to the Common Fund anticipate putting all of their country-earmarked funds for UN agencies into the Common Fund, plus other resources. Most expect to continue to fund NGOs separately. All other funding of UN agencies will be unchanged – regionally earmarked funds, core costs, institutional support etc – as will the relationship with UN agencies on advocacy and programming. At present, NGOs implement a large proportion of UN agency programmes. Under the Common Fund, UN agencies will continue to contract NGOs as implementing partners in the same way as they do now.<sup>7</sup>

## **2.5 What would the mechanism be?**

The Sudan Common Fund will be set up as a UNDP Trust Fund, managed in Khartoum. Donors will pay into a UNDP contribution account and the established UNDP “Pass-Through” mechanisms (see Annex 3) will be used to transfer funds based on the written instruction of the HC. UNDP has no role in deciding policy or allocations.

Decisions on funding will be made in-country by the HC based on the following process:

- Development of a comprehensive, prioritised Workplan based on needs assessment
- Review of strategic and geographical priorities with the UNCT and/or IASC funding members
- Decisions by the HC on disbursements, based on recommendations from a more independent and clarified sectoral coordinator function (see 6.4.1).
- Disbursement of funds to agencies through the UNDP Pass Through mechanism (see 6.1)

Through UNDP, the HC will provide a monthly report on allocations and disbursements to donors and agencies from the entire Common Fund. After six months, the HC will provide a single report on the Common fund showing income and expenditure, the rationale for decisions and, to the extent possible, outcomes.

Independent sectoral evaluations are built into the process along with evaluation of the impact of the Common Fund compared with existing systems.

## **2.6 What is the Timetable?**

- A Common Fund will be set up to finance the Sudan 2006 Workplan.
- The Workplan will be started in July 2005 and completed in October 2005
- A mix of firm commitments and actual transfers need to be in place in November 2005. Donors should ensure that domestic procedures and mechanisms necessary for these transfers are in place in time for this.
- Upfront, preferably annual, transfers need to be made in January 2006.

### 3 Why should the Common Fund improve humanitarian response?

#### 3.1 It should create incentives for a comprehensive, prioritised Workplan

Only **projects in Workplan** will be eligible for Common Fund money – and Common Fund money should be high quality: upfront, based on in-country decisions, with low transaction costs and standard reporting. Therefore all organisations should have an increased incentive to participate in the Workplan because that is the only way that their projects will be eligible for the Common Fund.

Even organisations that do not expect to be financed directly by the Common Fund should have an increased incentive to participate in the Workplan. Through the Allocation and Consultative models the HC will be increasingly influencing funding in favour of the strategic **priorities** of the Workplan. NGOs will therefore have an incentive to participate in the development of the Workplan to ensure that their projects fit with the strategic priorities.

The Humanitarian Coordinator will have an incentive to make sure that the Workplan is both comprehensive and prioritised. HC decisions on funding will be much easier if the Workplan includes **all** the projects s/he might wish to fund **and only** projects that s/he might wish to fund - especially as the Humanitarian Coordinator will be accountable for the quality of his/her decisions in allocating funds.

In future, the proposed benchmarks or standards of humanitarian response should provide a set of external criteria for assessing what should or should not be included in the Workplan. Pending that, the Humanitarian Coordinator has the responsibility to choose between competing priorities – the role of final arbiter.

#### **How does this compare with the incentives now?**

Currently CHAPs and CAPs can be caricatured as “wish lists” where everything is equally valid. Agency priorities may not be the same as the priorities for the humanitarian situation as a whole and many of the large agencies have established and efficient resource mobilisation teams - they do not need to be included in the Workplan to get resources.

There is already some indication that increasing HC influence on funding allocations could provide an incentive for fuller participation in the Workplan by NGOs. During revision of 2005 Workplan, NGOs have increased their participation and doubled the value of projects included, possibly due in part to the evidence that funding was following the priorities of the Workplan.<sup>8</sup>

**Caveats:** *For these incentives to work, the Humanitarian Coordinator has to be able to make independent judgments about the Workplan. The Common Fund alone will not enable him or her to do that - it has to be combined with other reforms to the humanitarian system which reinforce and back up the independence of the HC. If the HC cannot exercise his/her judgement about what should be included in the Workplan, the increased participation will simply result in a longer wish list of projects and organisations. Increasing the institutional capacity of the Humanitarian Coordinator to make final decisions on priorities is therefore vital.*

*Currently the Humanitarian Coordinator relies on personal/moral authority to achieve coordination and cooperation. If the moral authority is replaced with a more formal role, but*

*the resources to back that role up are lacking (the Common Fund is too small) and the institutional position of the Humanitarian Coordinator (involving multiple accountabilities) is unchanged, then there would be a serious risk of actually reducing the HC's ability to coordinate.*

### ***3.2 A higher proportion of funds should flow to strategic priorities***

A combination of a good Workplan (see 3.1) the Common Fund and greater influence of the Humanitarian Coordinator on the allocation of other resources should ensure that more funds are channelled to Workplan priorities, instead of activities outside the Workplan. This is important because the Workplan identifies the priority needs and is key to effective humanitarian response.

- The focus on the Workplan should provide an incentive for agencies and NGOs to demonstrate that their activities are meeting strategic priorities, thus gearing the overall humanitarian response more closely to the strategic priorities.
- For small donors, without the resources to undertake independent assessments of proposals from different agencies, the Common Fund should provide an opportunity to ensure that their funding flows to strategic priorities.

**How does that compare with the current situation?** Currently, after the Workplan/CHAP/CAP has been agreed, the allocation of the funding depends on donor contributions to agencies and agencies' allocations of their own unearmarked and private funds. Each agency therefore lobbies donors for its particular priority – which may or may not be a priority for the crisis as a whole. The Common Fund would allow funding to follow a decision on the priority for the crisis, rather than the sum of priorities agency by agency. It should also enable the Humanitarian Coordinator to finance priorities not only within but also between sectors.

### ***3.3 A common fund reinforces the importance of country-level decisions and enables quick and flexible funding in response to changing priorities***

The Humanitarian Coordinator will have the authority and flexibility to respond to changing needs, ensuring that funding can be allocated strategically in a timely fashion to the highest priorities at any point in an evolving situation. The Common Fund will be allocated according to decisions made in-country, which should mean it is more responsive to real field priorities.

There is a tension here between the allocation of upfront funding to meet priorities defined in advance in the Workplan and the need to respond to emerging humanitarian requirements over the year. Part – but not all - of this can be dealt with through a rapid response mechanism (see 5.2); it will also be necessary to recognise from the outset that the Common Fund will need to provide for both the core workplan and emerging needs.

### ***3.4 A common fund should help the Humanitarian Coordinator to fund a better mix of inputs and facilitate a better coordinated response.***

The quality of humanitarian response is dependent on the right mix of inputs. The proportions in which things are done enhance the outcomes. Therefore, ensuring that interventions are well coordinated and that complementary activities are synchronised is very important.

Flexible, quick disbursing funding based on in-country decisions and authorisations should enable the Humanitarian Coordinator to ensure that complementary activities are funded at the right times not only within but across sectors.

### ***3.5 Responsibility for funding shortfalls should be much more obvious***

The Workplan should contain **all** the priorities and **only** the priorities. It follows that, in order for needs to be met, the Workplan must be funded in full. The combination of such a Workplan and the Common Fund should make funding shortfalls harder to ignore.

At the moment, OCHA regularly and systematically reports on shortfalls of resources against needs. However, because so much funding flows *outside* the CAPS these shortfalls may be taken less seriously than they should be. Suppose that OCHA reports that only 40% of a CAP has been funded but at the same time a donor has given funds to an agency, earmarked to that country but outside the CAP. The donor may feel that they have done their bit for burden sharing to meet the shortfall, but in fact the priority needs of the CAP will remain unmet because the donor's funding has gone to activities which are not CAP priorities.

In future, if donors *only* put money to Workplan **priorities** and/or use the Common Fund and, at the same time, the needs that they have agreed in the Workplan are not being met, the onus is placed much more clearly on donors to acknowledge and meet the shortfall.

### ***3.6 There is an incentive to keep the Humanitarian Coordinator well informed***

The fact that the Humanitarian Coordinator is disbursing a Common Fund provides incentives for agencies, NGOs and other implementing organisations to ensure that the Humanitarian Coordinator is well informed and kept up to date to enable him/her to reach a good decision. The quality of decisions on disbursements from the Common Fund will also depend on the information available to the HC from ALL donors on their funding decisions – including those outside the Workplan - particularly via NGOs. This enhanced information flow supports the HC's ability to coordinate.

### ***3.7 ...but the ability of the Humanitarian Coordinator to prioritise depends on other systemic change....***

It is quite clear that the Common Fund alone will have only a limited effect on the ability of the Humanitarian Coordinator to ensure that the Workplan is properly prioritised.

Without other changes in the system of the recruitment, accountability, structure and training of humanitarian coordinators it will be difficult for an HC to ensure that overall humanitarian response priorities always take precedence over agency priorities.<sup>9</sup> There is real anxiety that a small Common Fund would marginalise HCs rather than empower them. It would give a message of lack of confidence and put HCs in a position where they were only deciding on gap filling measures and the existing system was still determining the mainstream activities. This could undermine the 'moral authority' – respect, impartiality, principled engagement with all stakeholders – on which many HCs have to rely. (see section 4.2 on Critical Mass)

### **3.8 ...and will the Common Fund hold back progress on reducing earmarking and making humanitarian response more equitable?**

There is a concern that the Common Fund, which is by definition earmarked at the country level, will reduce the unearmarked funds available. GHD is committed to reduced earmarking, partly because it believes a more equitable and balanced response will be achieved by increasing unearmarked funding to UN agencies which in turn will mean that neglected crises are better funded and 'popular' crises are not swamped with inappropriate resources.

As it is currently proposed, the Common Fund is not expected to generate more money, just better use of what is available at the country level. Donors who are planning to participate intend to use the country-level resources that they would otherwise have transferred to UN agencies. However, a number of donors have an overall policy of decreasing earmarking, so would probably be the case that increased numbers of Common Funds would draw on resources which might have only been earmarked at the regional level and then left for agencies to allocate to countries.

Allocating unearmarked money to agencies does not automatically mean that humanitarian priorities get funded first<sup>10</sup>. Agency priorities are not the same as the priorities for humanitarian assistance. It is interesting that all of the UN unearmarked money in Sudan in 2005 has been allocated to the recovery components of the Workplan.

Within Sudan some agencies report that earmarking should be reduced with the use of the Common Fund as the requirement is to meet sectoral priorities, not any externally imposed conditions.

There is another dynamic which could mean that Common Funds could increase the equity of response. Currently, donors are likely to give more funding to humanitarian situations in countries with which they are familiar. Common Funds could provide a way for donors to be confident that they can fund humanitarian strategic priorities without having to invest in their own analysis of the situation.

## **4 What are the conditions for the Common Fund to work?**

### **4.1 The Workplan is the keystone**

A sound Workplan is an essential pre-condition if the Common Fund and increased authority vested in the Humanitarian Coordinator are to result in better humanitarian outcomes.

It is fundamental to the humanitarian reform proposals that Workplan priorities are funded first – if a project does not contribute to a Workplan priority it should not be funded until all Workplan priorities have been met.

This requires discipline on all sides.

- The **discipline required from donors** is that all of their funding goes to Workplan priorities and that they do not dilute the incentive to be involved in the Workplan, by financing non –priority projects through other country-earmarked channels.
- The **discipline required of the Humanitarian Coordinator and UNCT** is to ensure that only those activities which can be justified as real priorities are included in the Workplan.

- The **discipline required of agencies** is to ensure that unearmarked and private sources of funding are also geared to meeting the Workplan priorities.

The Workplan in Sudan has gone much further than most CHAPs or CAPs. It is not a collection of projects but set of **priorities** linked to objectives and the **projects** flow from those. It is encouraging to see that in 2005, the share of funding going through the Workplan in Sudan is much increased.<sup>11</sup> (see Annex 2)

- The Workplan defines what is eligible for funding from the Common Fund
- Stakeholder **ownership** of the Workplan is vital. Stakeholders have to be **confident** that the Workplan represents a **prioritised plan**, based on a **reliable needs assessment**.
- The process of developing the Workplan must therefore be inclusive of the UNCT, NGOs, International Organisations and donors **but final decisions about what should be included rest with the Humanitarian Coordinator**
- The **CONTENT** of the Workplan needs to link strategic objectives to sectoral priorities and projects

The development of the Workplan is therefore where the governance issues are most important – who should be consulted, what information should be available, who makes the final decisions, how those are communicated. The Humanitarian Coordinator in Sudan has indicated that donors and the government will be consulted at priority setting stage and that at the sectoral level and decisions about priority projects - including cross sectoral activities - will be made by the enhanced sectoral coordination function (see 6.4.1). The 2006 Workplan is particularly important, not least because the preparation of the Workplan for 2005 was rushed and thus less inclusive than it could have been.

In future, decisions about what should be included in the Workplan should be based on the benchmarks for standards of humanitarian response. The Humanitarian Coordinator has stressed that the Workplan itself should be clearly based on needs – not capacity or availability of funding. Discussions with donors will therefore be about strategy and priorities, not costs. Subsequently, the funds available will determine how much of the Workplan gets funded.

## **4.2 Critical Mass**

If the Humanitarian Coordinator is going to be able to ensure that funding follows strategic priorities s/he has to have influence over where the critical mass of the funding is spent – not only over the marginal dollar. This influence can be achieved through a combination of the Common Fund, Allocation and Consultative Models, greater engagement in funding decisions and improved information flow. (see Figure 1).

The Terms of Reference for HCs make them responsible for “establishing and maintaining comprehensive coordination mechanisms based on facilitation and consensus building”. They cannot hire or fire, they cannot direct any of the actors and rely on building moral authority to achieve coordination. Their secretariat is the OCHA office, which is put in place to support the Humanitarian Coordinator in his/her functions.<sup>12</sup> However in UN Integrated Missions the OCHA office is deliberately placed outside the Mission, in order to preserve its independence. As a result, an HC who is also DSRSG in an Integrated Mission like Sudan, does not have managerial control over the OCHA office. Under these conditions, influencing a critical mass of funding is necessary if the HC is to determine and fund strategic priorities, not just gap filling activities.

The second reason why critical mass is important, is that the success of the Common Fund relies on the participation of the big agencies and they will only invest the time needed to engage and change systems if substantial resources are involved. Most actors in the

humanitarian community have developed ways of coping with the constraints of the current humanitarian funding models. There is a risk that these ways of working could be jeopardised – and if the outcome only affects a small share of the funding, they will not consider the changes worth making.

So what proportion of the Workplan would result in a “critical mass” necessary to meet these conditions? In Sudan, it has been suggested that the HC should be able to significantly influence 60% of funding for the Workplan – not through the Common Fund alone but through the Allocation and Consultative models and greater engagement in funding decisions.

So far, at least four donors are well disposed towards the Common Fund – Canada, Netherlands, Sweden and UK. Between them they have contributed \$170m in cash in 2005 for activities inside the Workplan. That amounts to 45% of total cash contributions and 23% of all contributions. Other potentially well disposed GHD donors could add a further 10% of cash contributions.

The two major donors who are not expected to be direct contributors to the Common Fund are the USA and EC. Although the USA is by far the largest funder overall, its contributions inside the Workplan have been overwhelmingly in the form of food, in-kind: it provided \$64m in cash for Workplan activities and \$362 in-kind food. It also provides very substantial funding direct to NGOs. The European Commission as a whole has provided \$68m for the Workplan in 2005<sup>13</sup> - all of it in cash. This makes it the second largest cash contributor, after the UK.

Getting greater engagement by the HC in the funding decisions by the EC and the USA is clearly significant. Encouragingly, the ECHO office in Khartoum has already indicated its willingness to discuss Global Plans before they are finalised and all donors can help to make progress towards improved funding for strategic priorities by a) basing their own funding decisions on how projects meet Workplan priorities and b) sharing their information on funding allocations with the HC.

The *number* of donors contributing to the Common Fund also affects critical mass, even if the volume of their aid is small. The more donors who contribute, the greater the credibility of the fund and the greater the incentives for agencies and NGOs to participate. This in turn results in wider participation in the Workplan and improved prospects for funding to flow to strategic priorities in a coordinated manner. The Common Fund should be particularly attractive to smaller donors, since it offers the prospect of ensuring that their funding flows to strategic priorities without the need for a presence in the field to assess needs or decide between competing agency priorities.

Food aid comprises half the resources for the Workplan and the HC wants to be able to influence its geographical allocation. However, decisions regarding food aid allocations tend to be made at headquarters level, with input from the field so ways need to be found for including the Humanitarian Co-ordinator in these decision-making processes or at least keeping him/her informed about them.

### **4.3 Upfront funding and self discipline**

The Common Fund requires commitments to be early and firm, transfers to be predictable, upfront and on time. This is not an academic point – in a humanitarian situation late funding may mean life saving actions cannot be taken.

The particular conditions in Sudan mean that delivery of much assistance has to take place between October and March. The Humanitarian Coordinator will need to have firm

commitments and some cash from donors in November 2005 to ensure that implementation can take place between January and March 2006. The definition of “firm” is that funds can be borrowed from the CERF (or if necessary the internal mechanisms of the large UN agencies) on the basis of these commitments. Transfers should be made as early as possible – January or before.

Most donors have been positive about having one contract/MoU for one annual transfer of funds to take place in January. Several donors have internal procedures which would have to be changed if they were to make a transfer before January, but they are able to make firm commitments in advance of that.

Although there may be pressures for tranching funding, **donors should give annual funding in advance if at all possible** (this would not preclude additional funding through the year for additional needs). The main problem with both the Allocation Model used in 2005 and in some experience with the UNDP Pass Through mechanism which is proposed for the Common Fund, is that the transfers from donors have not been received on time. Tranching funding will require additional sets of procedures and authorisations. This has to be traded off against fiduciary risk concerns (see 6.7), but, since the funding is flowing through and to the UN system, and since the intention for the use of the funds is to strengthen the HC, there is a strong case for upfront, annual funding.

**The potential of the Common Fund, combined with other reforms, is that it puts strong incentives on all stakeholders to participate in the Workplan, to ensure that the Humanitarian Coordinator has good information and to focus on humanitarian priorities. To support the aims of the Fund, and as part of their commitment to Good Humanitarian Donorship, needs-based funding and wider humanitarian reform, it is important that donors do not fund UN agencies with country-earmarked funds outside of the Common Fund or the Allocation Model and ensure that funding to NGOs is linked to Workplan priorities.**

The Common Fund will be more successful if all agencies buy in and use the fund and resist separate fundraising activities for their own in-country needs (clearly for other priorities and thematic, institutional and regional funding they will continue to have a bilateral relationship with donors). If an organisation is short of funds for Workplan priorities, it should advocate that donors use the Common Fund thus increasing the resources available to the HC for ensuring that all sectors are properly funded. This is a significant ask – many of the large agencies have very positive relationships with donors and these reforms are asking them to use that relationship for the benefit of the common fund, rather than using it to increase funding direct to the agency.

#### ***4.4 Appropriate Governance and Accountability***

A major risk to the proposals for the Common Fund is that Humanitarian Coordinators will not feel able to take on the responsibility in the current system because their legitimacy to make these decisions is contested. The recruitment process for HCs, the institutional support and the combination of the roles all lead to concern about the extent to which HCs in general are likely to be able to handle the expectations now being placed on them. These concerns apply particularly to the prospect that Common Funds might be implemented in all crisis-affected countries. It needs to be recognised that the implementation of a Common Fund in a country with a highly regarded HC might not be replicable in other places where it may be more important to lead the process with changes to the people and institutions, rather than funding mechanisms. These changes should lead to stronger proper institutional back up for HCs on their decisions on the Workplan and funding allocations.

There is serious concern that by holding a Common Fund, HCs will be held accountable for the overall humanitarian response, while lacking any authority over the organisations that deliver humanitarian assistance.

HCs currently have multiple accountabilities. In Sudan the Humanitarian Coordinator is also (as in most places) UNDP Resident Coordinator and Resident Representative as well as being the Deputy Special Representative of the Secretary General (DSPSG). The HC's first level of responsibility is to the Special Representative of the Secretary General; responsibility to the Emergency Relief Coordinator (Jan Egeland) for humanitarian coordination is joint second in parallel with the RC/RR responsibility to UNDP (the Administrator).

These multiple accountabilities are also reported to have another potential impact on the Common Fund. Some donors are concerned that combining the roles of HC with DSRSG in an integrated UN Mission will result in pressure to put political and military objectives before humanitarian ones. This would undermine the independence and impartiality of the HC and creates doubts about whether the HC's allocation decisions would be driven solely by humanitarian objectives.

There are a number of ways to strengthen the position of the Humanitarian Co-ordinator and the institutional support that s/he receives. It is clear from interviews, though, that there is a widespread perception that HCs who take independent and difficult decisions which are not supported by large agencies find themselves out on a limb, without any institutional backup. This is a risk to the Common Fund in a number of ways:

- It could result in a plethora of advisers and procedures which HCs may want to set up to protect themselves. This would result in cumbersome, slow and creeping bureaucracy.
- It may undermine the independent judgment on priorities and lead to allocation of resources across the board or on an "equal shares" basis (this is a concern for recipient agencies as well as donors because agencies need funding to be commensurate with their level of activities).

The consequence of this, pending system change, is that **the accountability demanded of the Humanitarian Coordinator must be reasonable and commensurate with his or her actual authority. Donors have several mechanisms for holding agencies accountable for their performance (such as annual reports, field visits and institutional arrangements). These should continue as part of donors' ongoing relations with agencies.**

## ***4.5 Issues raised by agencies***

### **4.5.1 Impact on total funding**

There is concern that total funds mobilised for Sudan through the Common Fund will be less than if the agencies individually lobby donors. A number of agencies have very effective fundraising teams and strong relationships with donors. If these are not harnessed to the resources mobilised for the Common Fund, there may be a risk that donors will put less money in. The most positive outcome would be that the agencies harness their own ability to mobilise funds to encourage as much support for the Common Fund as possible.

### **4.5.2 Identity**

By definition, the Common Fund will result in lower visibility for individual donors and individual agencies. Some agencies report that, with the growing emphasis on 'one UN', identity is eroded and, with that, the ability to fundraise. The Common Fund does require

agencies and donors to put the 'common good' and an emphasis on the humanitarian response above individual identity and concerns.

### **4.5.3 Decision-making**

Agencies have questioned the decision-making process for the allocation of money from the Common Fund. This related to allocation decisions made by the HC in 2005. Due to the short time-frames involved, there was a lack of consultation both at Country Team and sector co-ordinator level. In the case of the Common Fund, the HC will consult the Country Team regarding strategic, geographical and sectoral priorities. It has been suggested that, in line with the Humanitarian Response Review, this could be widened to be the IASC Country Team (which would be more inclusive), as long as it did not become so large that it slowed down decision-making. Alternatively, it has been argued that the Country Team is already too large a forum for these strategic decisions and that the HC should consult a smaller board comprising only with the heads of the large agencies. However, this risks alienating other recipients of Common Fund money.

Agencies have also expressed concern about the role of sector co-ordinators in decision-making. While they are best placed to identify changing needs and priorities in their sectors, the conflict of interest inherent in their role has been highlighted in section 6.4.1.

### **4.5.4 Cross-sectoral priorities**

Since sector co-ordinators will be responsible for recommending funding to individual projects in the Workplan, there is a risk that they may overlook activities which are cross-sectoral or vital to complement activities in other sectors. For example, returning refugees do not simply require critical services like water or shelter but other services like income-generation and education which may determine whether they stay or go back across the border. While an agency may have the life-saving activities funded, sector co-ordinators may fail to understand the importance of the other activities. This is an area where the HC's overview of priorities will be important. Also, agencies may be able to use their own un-earmarked money to cover such gaps.

### **4.5.5 Administration**

Some agencies have expressed fears that the administration costs associated with projects will not be covered. This should not be the case. Administration will be included in the project costs shown in the Workplan as they are now and channelling the money through the Common Fund should not make a difference.

If agencies are asked to channel funds to other organisations, including NGOs, then their standard procedures for cost recovery will apply.

There have been concerns that donors are using the Common Fund to shift their administrative burden to the HC's office. Donors will need to fund sufficient additional capacity within OCHA and to demonstrate that they are not seeking to offload administrative tasks.

There is also concern that the HC will demand increasingly detailed information from agencies and that donors will not be able to resist micro management via the HC.

### **4.5.6 Timing**

The Allocation Model used in 2005 has been very slow to disburse in some instances and has run into procedural complications. The mechanism proposed for the Common Fund is not the same. Nonetheless, donors should ensure that their domestic procedures are in

place early so that the Common Fund can fulfil its mandate and disburse quickly. This will also be an important confidence building measure.

Some agencies have experienced delays when funds are channelled through Trust Funds. UNDP Khartoum has given assurances that, once money is received from donors, transfers to operational agencies will be very fast – no more than about a week. However, to ensure that this is the case, UNDP could agree with donors a maximum time of two weeks for transfers. Recipient agencies should ensure that there are no internal delays between headquarters and field level – there have been cases of headquarters losing track of funds received.

#### **4.5.7 Accountability**

Agencies are concerned that the Common Fund will require additional reporting because funding is directed to individual projects in the Workplan rather than wider programmes. However, this should not be the case as agencies will report on activities funded by the Common Fund exactly as they do at present. The difference will be that funds for activities in Sudan will be received from one source rather than several individual donors.

Agencies are also concerned about the effect of the Common Fund on their wider accountability for impact. This is because on-going relations with donors cover issues of performance assessment and explanations of how different agency activities combine together to achieve an outcome in the field. This form of accountability may be lost if agencies deal with the Common Fund instead of directly with individual donors. As indicated, this should not be the case because donors will continue to engage with agencies in a variety of ways.

## **5 Options on the Scope of the Common Fund**

### ***5.1 Should the Common Fund only finance UN agencies or also NGOs and International Organisations?***

It is recommended that the HC should be able to use the Common Fund to finance Workplan projects from NGOs and UN agencies.

If the Common Fund were to apply only to UN agencies, the Humanitarian Coordinator would have less influence on meeting strategic priorities since s/he would not have the choice of funding an NGO (including Red Cross/Red Crescent organisations) even if it was delivering priority humanitarian assistance in an area where UN agencies were not available or where the NGO activity was complementary to the UN agency.

However, there are limits to the extent to which the Common Fund could finance NGOs. Not all NGO projects can be included in the Workplan – there are simply too many of them and many are small; not all NGOs will agree to participate, even if funding is attached<sup>14</sup>; donors have strong relationships with NGOs and structures for funding them. They are unlikely to give up bilateral NGO funding altogether.

There are outstanding issues over reporting for possible allocations to NGOs from the Common Fund. This may mean that in 2006, the main way in which NGOs are funded is outside the Common Fund. If that is the case, it is particularly important to ensure that the HC can influence funding decisions about NGOs.

***In 2006, participating donors should commit to putting all of their humanitarian funding to Workplan priorities – whatever implementing organisation it is going through. NGOs should be eligible to receive funding, but not all of the funding has to go through the Common Fund (although it might in the future). Donors could accept an Allocation Model for funding to NGOs. Direct funding of NGOs should be based explicitly on how NGO activities relate to the priorities of the Workplan.***

***Donors should also take steps to ensure that the Humanitarian Coordinator is fully informed of donor funding decisions on NGOs. This is important because sector co-ordinators need to know what NGOs are doing in their sector but NGOs are not systematic about sharing information.***

***As the Common Fund develops, OCHA would need to be given some time and resources to increase its capacity to handle NGO reporting. Donors would also need to agree on whether they want standard reporting from NGOs or would continue to accept different formats.<sup>15</sup>***

***Two main donors who are unlikely to be disbursing through the Common Fund in 2006 – the US and the EC – both provide a substantial portion of their funding to NGOs (in ECHO's case, this is 60% of its Sudan funding). Enhanced engagement with the HC will help to ensure that this funding flows to Workplan priorities.***

## ***5.2 Should a rapid response facility be included in the Common Fund?***

Workplan priorities have to be adjusted over time in response to changing requirements. In addition, in almost all crises, Humanitarian Coordinators find it necessary to have a flexible, rapid response fund for unforeseen priorities and immediate, small scale funding. Rapid Response mechanisms have been very successful in a number of situations – recent examples include Angola and DRC.<sup>16</sup>

***It is proposed that the rapid response resources should be included in the Common Fund – maybe as 5%-10% of the total. If it is not drawn on, the funds can be used to meet any outstanding priorities in the Workplan.<sup>17</sup> Decisions on the inclusion of a rapid response mechanism should take account of other developments in funding mechanisms including the CERF.***

## ***5.3 Should the Common Fund include Recovery expenditure?***

The Workplan is developed as a single plan, incorporating recovery and humanitarian elements. As it includes all priorities and only priorities, it follows that the Workplan should be funded in full. Some donors would not be able to allow their contributions to the Common Fund to finance recovery work; others would see the integration of humanitarian and recovery as a benefit based on the fact that life saving and reconstruction activities may be going on at the same time and in the same place. One view is that the most urgent, life-saving needs should be met first and recovery activities can be funded when they have a direct impact on humanitarian assistance. This would avoid overlap between the Common Fund and the Multi-Donor Trust Fund, which will also fund Workplan activities.

The proposals for the reporting on expenditure from the Common Fund also suggest that some recovery projects may have to be financed from resources outside the Common Fund – at least in the first year. This is because the monitoring and evaluation function is expected to be carried out by OCHA, who do not have a mandate or capacity to oversee recovery work.

The HC in Sudan has also said that it would be practical for donors to earmark their funding to specific broad components such as humanitarian, recovery, non-food, provided that these soft earmarkings are given to his office in advance. This keeps the Workplan as the criterion for eligibility for the Common Fund, but allows some flexibility within that to meet different donor conditions for participation.

#### **5.4 Should the Common Fund finance food aid?**

Food made up nearly half of the value of the 2005 Workplan. If the Humanitarian Coordinator is responsible for coordination and allocation of resources according to need, s/he clearly has to be engaged in decisions on the deployment of food aid.

The dynamics of in-kind food aid are very different to cash resources. It is less fungible, lead times and supply chains are long and it is often managed by different donor units from humanitarian assistance in general. In the case of Canada, for instance, the Common Fund could only be used for cash, not for food resources.

It is also important to ensure that the systems recently set up by WFP to improve the delivery of food aid are not jeopardised by changes in the funding arrangements.

***The US and EC, which currently provide the largest amount of food aid to Sudan, do not, at the moment, plan to disburse this through the Common Fund. However, contributions to the Common Fund could be used for food aid, if necessary. The priority for the Humanitarian Co-ordinator is to be able to direct the geographical distribution of food aid so that s/he can ensure that priority needs are met, complementary activities are funded and food aid agencies have the cash needed to support food aid programmes. Since food aid allocation decisions are not made by in-country staff alone, procedures need to be put into place to ensure that the Humanitarian Co-ordinator has good quality information on food aid flows and can exert appropriate influence on their distribution. WFP is already taking steps to inform the HC about food aid forecasts for 2006. This is essential if the HC is to direct resources towards Workplan priorities.***

## **6 What would the Common Fund look like?**

The Common Fund would be set up as a UNDP Trust Fund, managed by a Trust Fund Management Unit within UNDP Khartoum. Under this arrangement, UNDP would act like a bank, receiving and disbursing money, while the planning, monitoring and evaluation function would remain with a better-resourced OCHA (see Annex 4 for costs). The division of labour is logical because UNDP has the financial systems, which OCHA does not, but it would be outside UNDP's mandate to become involved in the allocation and monitoring of humanitarian funds.

There are 5 reasons why it is better for UNDP to hold the fund rather than OCHA:

1. there is general agreement that OCHA does not have the capacity at HQ level to handle such a fund while UNDP has a computer system called ATLAS in place;<sup>18</sup>
2. due to OCHA's location within the UN Secretariat, procedures for the Fund would be complex and could lead to delays;
3. due to OCHA's procedures, decision-making and transfer processes would take place at HQ rather than in Khartoum and this would remove them from the HC's control;
4. In Sudan, the Resident Co-ordinator (who is also the HC), has already invested in a unit in UNDP Khartoum which can handle Trust Funds. This unit managed the JTF and is currently managing an EC Trust Fund channelling STABEX funding to NGOs. The RC is in the process of appointing a high-calibre manager for this unit. It will be

- easy for this unit to take on the administration of the Common Fund without the need for any extra capacity, which will save time and money
5. OCHA has a minimum administration fee of 3% whereas UNDP can administer the Fund for 1% or less.

### **6.1 How would funds be transferred?**

Transfers would be made from the donor to the Common Fund held by UNDP. UNDP would use its established "Pass Through" mechanism to transfer funds to agency HQ accounts on the written instruction of the Humanitarian Coordinator in-country in the form of a letter.

Donors would transfer money into a Contribution Account in New York and send UNDP a reference number for this so UNDP is aware that the funds are due.

As soon as the money is received into this account, UNDP Khartoum will know of this through the ATLAS computer system. The money is immediately available for UNDP Khartoum to use and it can issue cheques which are honoured immediately by banks<sup>19</sup>.

Most of the UN agencies will probably need the money transferred to their headquarters, as they have their own internal procedures for transfers from HQ to the field.

The transfers from UNDP, once it has received the money, should not take more than a few days at the most but to make sure that there is no hold up, it is suggested that a timeframe is written into any agreement of, say, two weeks for transfers to be made between UNDP and other UN agencies.

The transfer of funds from UNDP to the UN agencies will be governed by the 'Standard Memorandum of Understanding between the Participating UN Organizations and the Administrative Agent for pass-through fund management'. This has been negotiated between the UN agencies to enable one to act as a fund holder and channel funding from donors. The basis for the funding would be the Workplan and its associated budget.

### **6.2 When would the transfers be made?**

Timing is critical; money has to be upfront.

- For the Common Fund to work, donors must make reliable commitments to the Common Fund before the start of the year, preferably by November 2005. The test of reliability is that the Humanitarian Coordinator can borrow from the CERF against these commitments if necessary.<sup>20</sup>
- Transfers of funds should be made in advance for at least the first period (120 days), at or before the start of that period – ie 1 January 2006.
- Donors need to assure the Humanitarian Coordinator of their capacity to make transfers within a specific given period of time and of the dates on which they can make firm commitments for funding and over what period. (UNDP raised issue of donor delays as the only potential source of delay with Trust Fund mechanism).
- For 2006, the Workplan will be launched in October. The Humanitarian Coordinator would like firm commitments and at least some money transferred in November. DFID has set aside some money for this but most other donors will only be able to transfer in January.

#### **6.2.1 Cash flow**

The Humanitarian Coordinator discussed three types of resources coming in as soon as Workplan launched.

- Actual cash contributions
- firm pledges (preferably with disbursement dates)

- indications of funding intent

On the basis of firm pledges, the Common Fund may be able to borrow money from CERF (but this is limited to about \$30-35 million by the current size of the CERF). UNDP also has an internal mechanism to cover funds on the basis of firm pledges. Alternatively, may be possible to issue letter of guarantee to agencies against which they can borrow from their own internal mechanisms.<sup>21</sup> These methods could provide a backstop to enable the Common Fund to ensure money is available for implementation early on in year. This should only be used as a last resort and does not replace the need for donors to transfer money as early as possible and take steps in advance to ensure that there are no procedural delays.

### **6.3 What would the impact be on transaction costs?**

One principle of the Common Fund proposal was that it should not increase transaction costs for agencies.

Crude transaction costs overall should decrease as a result of the Common Fund. The decrease will be in the number of transactions for donors and the number for agencies. Transaction costs will clearly increase in UNDP – as it disburses the funds using the Pass Through mechanism. These costs are met through the 1% administration charge. Transaction costs will also increase for the HC's office as s/he makes the decisions on what disbursements should be made. The proposed enhanced processes for sectoral coordination and monitoring, reporting and evaluation will have costs and will place increased demands on senior staff.

Decisions about the scope of the fund will affect transaction costs. If the Common Fund directly only applies to UN agencies the transaction costs will be much lower than if it applies to NGOs as well. There is serious anxiety that management of an NGO grants programme involving many small activities would swamp, even an enhanced capacity in the HC's office.

A point for review at the end of 2006 is the system changes and capacity needed for the Humanitarian Coordinator to be able to decide on disbursements to NGOs or whether NGOs should continue to receive funds via the Allocation Model..

Transaction costs of reporting should not increase for agencies – the Common Fund report will be 'instead of', not 'as well as', country level reports for participating donors – standard current reporting should therefore remain unchanged.

Reporting costs will increase for the HC's office and the substantial monitoring and information gathering that will be necessary. This has been costed (see Annex 4) and will need to be financed - if transaction costs are being passed from donors to the HC's office, the funding for the capacity to deal with them should be transferred additionally too.

### **6.4 How would decisions be made?**

- Once it is clear how much funding is available the Humanitarian Coordinator will discuss strategic, geographical and sectoral priorities with the UNCT. S/he will expect to agree roughly how much should be allocated to each region in Sudan, how much to each sector within the regions.
- The Humanitarian Coordinator will convey these decisions to the sector co-ordinators, who will be responsible allocating funding to individual projects. The Humanitarian Coordinator will make the final funding decisions based on their recommendations. These project-level decisions will not be discussed with the UNCT in order to protect the independence of the sector coordinators. (see 6.4.1)

- The HC will issue a letter to UNDP Khartoum with instructions for disbursements.

This pattern of decision making assumes that there is no conflict and that resources are adequate to meet priorities. In practice this is unlikely to be the case and the decisions of the Humanitarian Coordinator will determine which organisations will or will not get funded. Through the establishment of the Common Fund, the donors have passed those decisions to the Humanitarian Coordinator – and the systemic changes in the structure of the role are likely to have a big impact on how independently the Humanitarian Coordinator can exercise that judgment.

It is at this point that the HC's independence is most vulnerable and that donor and agency discipline is most important. The desirable outcome is that funding shortfalls are made very obvious, that agencies and implementing organisations lobby donors to increase their aid to the Common Fund and to ensure that unfunded needs are met. The less desirable outcome is that donors and agencies collude to create funding channels outside the Common Fund or Allocation Model and subvert the authority and independence of the HC.

Clearly not all donors are going to follow the Common Fund or Allocation Model framework. For the Humanitarian Coordinator to fund according to priorities, s/he must have good knowledge of the other funding flows. Thus donors who are not participating can still influence the success of the Common Fund by ensuring the Humanitarian Coordinator has good, full and timely information on their funding status.

#### **6.4.1 Decision making on priorities within the Workplan – role of sector coordinators**

Sector coordinators have a role in both the Workplan development AND in the identification of real time priorities. They are responsible for setting sectoral priorities and selecting projects for inclusion in the Workplan based on an objective overview of sectoral priorities.

However, sector coordinators are seconded from agencies and it is difficult for them to be independent and impartial. There is a perceived conflict of interest and possible bias (based on greater knowledge and ownership) in favour of the priorities of the agency to which they report – even despite TORs which require them to put the sectoral perspective first. Most sector coordinators continue to have programmatic responsibilities and may not have time to gather the information and data necessary – but on the other hand have both the knowledge and the credibility that comes from programmatic responsibility.

If the Humanitarian Coordinator is to make good decisions about allocations within the Workplan, s/he needs good advice from the Sector Coordinators. Changes to the system could improve the quality of that advice by widening the base from which sector coordinators are drawn to include NGOs, increasing the funding for sector coordination (so agencies/NGOs would receive funding to compensate for the staff they seconded), placement of sector coordinators in the HC's office with clear lines of accountability to the Humanitarian Coordinator and improved terms of reference<sup>22</sup> which require decisions to be made in line with the strategic priorities of the Workplan. Some people doubt whether even these changes would adequately protect the independence of the decision making by the sectoral coordinators.

One option would be to establish a team of technical experts to vet projects for inclusion in the Workplan. This would increase the time and cost of drawing up the Workplan but could guarantee the quality of projects to be included and so increase credibility. However, funding allocation recommendations would still be made by sector coordinators.

While sectoral coordination groups add another step to the process, it is recognised that, if well managed, the system could lead to better inter-agency cooperation and better use of resources.

### **6.5 How would monitoring, reporting and evaluation be done?**

Through UNDP, the Humanitarian Coordinator will provide a monthly report on allocations and disbursements from the entire Common Fund which will be sent to the Humanitarian Coordinator and, via his/her office, to all participating donors.<sup>23</sup>

The Humanitarian Coordinator would produce a single report on the Common Fund for all contributors; this would show income and expenditure from the fund, the rationale for the decisions and, to the extent possible, outcomes – probably after the six month evaluation.

Agencies would report on the Common Fund in exactly the same way as funds direct from donors are reported at present. In 2006, contributions and allocations from the Common Fund will be linked to enable agency reporting systems to remain unchanged.

OCHA is responsible for co-ordination and monitoring Workplan projects so OCHA will also be responsible for monitoring that the UN agencies receive the funds and are implementing their projects.

The Workplan will be reviewed and revised after 6 months and, at this stage, there will be independent evaluations of the key sectors to determine what has been achieved with the funding received, what gaps remain and what recommendations there are for the revised Workplan. This is not an evaluation of the performance of individual organisations but of the sector as a whole. The evaluations will be undertaken by independent consultants although the process will be managed by OCHA<sup>24</sup>. There will be a similar sectoral evaluation at the end of the year, which can feed into the following year's Workplan. In order that these evaluations can contribute to an assessment of whether the Common Fund really is a better mechanism than existing systems, the Humanitarian Coordinator will ask UN agencies to collect data on funding at the end of 2005 to provide a baseline for comparison.

The HC's office in Khartoum will need to increase its capacity to monitor the Common Fund and manage the sectoral evaluations. In Sudan this M & E function will be placed within OCHA. A costed proposal from the Humanitarian Coordinator for the monitoring and evaluation part of this capacity, is attached as Annex 4. This does not currently include the increase needed in sectoral coordination.

### **6.6 Who would be accountable for what?**

Accountability for the financial transfers will lie with UNDP under the pass through mechanisms. They are responsible for ensuring that transfers are made from the Common Fund to the designated recipient agency accurately and quickly.

When donors put money into the Fund, the donor is accountable for that expenditure. When the Humanitarian Coordinator disburses from the fund, it is Common Fund money (no longer the individual donor's) and the Humanitarian Coordinator is accountable to the ERC and the donors collectively for how the Fund is spent. In 2006, the HC will ensure that the donors identity is retained, so that the recipient agency will know where the money has come from. This will enable agencies to keep their existing reporting relationships with donors. The need for this tracking should be reviewed at the end of 2006.

At a minimum, the Humanitarian Coordinator is accountable for spending Common Fund resources in line with the criteria (ie activities within the Workplan) and for ensuring that

decisions about priorities for funding have been made in line with clear criteria and based on good evidence.

What is not clear is how accountable the Humanitarian Coordinator can be for impact of the funding. S/he does not have control of the agencies delivering the assistance, but s/he does have control over which organisations to choose (within limits, depending on the agreed scope of the fund).

As noted above (4.4) the accountability demanded of the HC must be commensurate with his or her actual authority. If the HC is held accountable for things outside their control it will be dysfunctional.

In the long term, when standards of humanitarian assistance are set, the key issue will be to link financing to the outcomes on the ground.

### **6.7 How would donors ensure that fiduciary requirements are met?**

There are three key planks of the fiduciary requirement:

1. That funds are used for their intended purposes
2. That they are properly accounted for
3. That they represent value for money

The proposal for the Common Fund should meet the fiduciary requirement:

1. That the funds are used for their intended purpose: the purpose is documented in the Workplan and the Humanitarian Coordinator will report on expenditure against the Workplan to the donors, including a proposed six monthly review and an independent evaluation of every sector.
2. That they are properly accounted for should be covered by the UNDP Pass Through Account which will properly account for the receipt of funds and their distribution to agencies as instructed by the HC
3. That they represent value for money – should be fewer transactions and therefore fewer risks; the funds are going through a UN agency using established procedures.

It is recommended that funding should be annual and in advance despite some preference from auditors for tranching funding. The fiduciary case for funding in tranches is that it cuts down the fiduciary risk on the grounds that if money has already been transferred it is harder to make sure that it fits with the intention. However, this argument does not hold completely. The intention of the funding is to empower the Humanitarian Coordinator AND to deliver the Workplan. Therefore the benefit of annual upfront funding in empowering the HC may outweigh the risk. The second reason given in favour of tranching funding is that, if payment is in advance, then it is usually the donor that has to do the chasing to get reports or accounts. If in arrears, then the incentive is with the agency (HC's office in this case) to provide the necessary paperwork..If funding cannot be delivered annually in advance, then the next best alternative may be for two tranches – one at the beginning of the year and the other after the 6-month review of the Workplan.

There are also actions that can be taken to minimise fiduciary risk: These include the use of donor positions on governing bodies of agencies to ensure that the agencies conform to the Workplan and the establishment of agreements between the internal audit officers of agencies and donors. Donors cannot demand to see accounts of UN agencies as they, like governments, are sovereign bodies. With a concord between internal audit officers, problems can be more easily identified and if necessary referred back up to the executive board via donor representation.

A fiduciary risk assessment can also be undertaken which would:

- Discuss financial management systems with the Humanitarian Coordinator and UNDP
- Confirm what agreements would cover the transfers, timing, rights of access to accounts, timetable for meetings and any necessary plans for strengthening fund management – eg employing accountants etc.

Fiduciary monitoring would include monitoring financial performance through audited accounts and monitoring development outcomes through the HCs reports.

## **7 Next Steps – after consensus has been reached**

- The process of developing the 2006 Workplan should begin in July 2005.
- The Workplan will be launched at the end of October. At this point, donors can pledge funding and it will be vital for some cash to be transferred to the Common Fund by November 2005.
- Donors should clarify and state what their funding procedures and level of commitment will be by November 2005 to enable the HC to plan.
- Donors should set up domestic procedures to enable transfers to the UNDP Contribution Account and ensure that all domestic mechanisms necessary for transfers to be made on time and in full are in place.
- Reporting and accounting procedures should be agreed and the financing of the OCHA Monitoring and Evaluation Unit put in place. Financing needed for enhanced and independent sectoral evaluation should be assessed and put in place.

## **8 List of Annexes**

1. People Consulted
2. Funding overview
3. Standard MoU for the Pass Through mechanism
4. Concept paper for M&E Unit, Sudan
5. ERF Guidelines
6. Terms of Reference for Sectoral Co-ordination
7. Revised Terms of Reference for the Humanitarian Co-ordinator
8. Terms of reference
9. List of Documents

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<sup>1</sup> The Workplan is similar to the **Consolidated Humanitarian Action Plan (CHAP)**. A difference is that the Workplan can include recovery, transition and development activities. The Workplan also incorporates the **Consolidated Appeal (CAP)** element –where the resources required to deliver the plan set out in the CHAP are listed. The Sudan Workplan for 2005 is a highly developed plan compared with most current CHAPs.

<sup>2</sup> See UNSG In Larger Freedom: toward development security and human rights for all, 21 March 2005, paragraphs 204 and 205

<sup>3</sup> On the **Common Fund**, Hilary Benn proposed that the Humanitarian Coordinator, with the support of a better resourced OCHA, should take lead responsibility for sharper needs assessment, planning and allocation of resources. The Humanitarian Coordinator should produce a Common Humanitarian Action Plan (CHAP) costing the achievement of targets and standards. Donors should channel their money through the Humanitarian Coordinator who would then pass the funds to other UN agencies for programmes within the CHAP that s/he considers most critical.

<sup>4</sup> The other three were a global humanitarian fund, a proposal that ECHO should focus on neglected situations and proposals for investment in disaster risk reduction.

<sup>5</sup> See [www.aidharmonisation.org](http://www.aidharmonisation.org)

<sup>6</sup> This may be particularly valuable for donors whose domestic procedures may prevent them using the Common Fund.

<sup>7</sup> DFID has experimented with channelling its funding to NGOs through UN agencies like UNICEF, passing on the administrative load to the agency. However, the experience has been extremely problematic and it is NOT recommended that donors use this as a way to fund NGOs.

<sup>8</sup> Other possible reasons are that sector co-ordinators have made more of an effort to include them and they see donor confidence in the Workplan.

<sup>9</sup> Reference current paper on this subject XXX

<sup>10</sup> UNHCR uses unearmarked or broadly earmarked money to fill gaps and can transfer this to other uses as and when earmarked funds are received.

<sup>11</sup> [www.reliefweb.int](http://www.reliefweb.int) Financial Tracking System.

<sup>12</sup> See Revised Terms of Reference for the Humanitarian Coordination, endorsed December 2003

<sup>13</sup> Data from Michael Jensen, OCHA Resource Tracking Service, Khartoum

<sup>14</sup> Although most interviewees thought MSF was the only one

<sup>15</sup> While UN agencies have standard reporting formats for donors, NGOs do not. Would donors accept a variety of NGO reporting formats, particularly if they are from NGOs from other countries (e.g. if a British NGO was funded by Canadian money)?

<sup>16</sup> The rapid response mechanism would probably operate in the same way as the ERF in Angola. OCHA's field staff should be present in the area where the emergency occurs and would be able to discuss needs and priorities with NGO representatives. On the basis of these discussions and discussions between OCHA field staff and OCHA in Khartoum, OCHA would have a good idea of what is needed and what the NGO proposals should cover. OCHA in Khartoum should be able to draw on relevant technical expertise (perhaps from sector co-ordinators) to vet the proposals quickly and recommend them for funding or send them back to NGOs for revision or reject them outright. Once the proposal has been accepted, the Humanitarian Coordinator would authorise disbursement. OCHA field staff would be able to monitor projects and NGOs would report to OCHA according to a set format. There would be a limit on the size of the project - to be agreed with the Humanitarian Coordinator - and a time-limit of 6 months.

<sup>17</sup> See Annex 5, Guidelines for the ERF as a model for this type of fund.

<sup>18</sup> e.g. the Controller would insist that OCHA is responsible for both financial and narrative reporting so it would have to collate reports from UN agencies and present them in a report. This would increase the administrative burden – OCHA would be like a desk officer responsible for all the Workplan projects funded by the CF.

<sup>19</sup> Sudan has a history of controversial exchange rate setting so donors may need to discuss exchange rate issues with UNDP and recipient agencies when establishing Common fund procedures.

<sup>20</sup> The Humanitarian Coordinator has said that firm commitments which enable them to borrow are adequate and it is possible that firm commitments would be enough for agencies' prefinancing mechanisms to kick in. This does not seem desirable and should only be an option of last resort. The reform of humanitarian financing should include the transfer of funds in advance. Failure to get funds in place early enough leads to unmet needs and unspent balances – undesirable from either a moral or a fiduciary point of view. The fiduciary risks of annual upfront funding (idle cash; less control over

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whether money is spent in line with intentions) can be reduced by tranced funding if considered absolutely necessary - maybe two or three tranches a year in line with the deadlines in the Workplan.

<sup>21</sup> Suggested by UNICEF which is very good at borrowing from CERF but also has internal Emergency Programme Budget. Based on firm donor pledges, WFP can borrow up to 60% of the value of the pledge in cash internally. It also has an Emergency Response Facility, which is a revolving fund but repayment of 'loans' is not obligatory. UNHCR can commit and obligate up to 100% of funds on the basis of a formal pledge letter received from any governmental donor. UNHCR also has an Operational Reserve from which it can make allocations of up to US\$ 10 million per emergency per year.

<sup>22</sup> Current Tors date from mid-2004, but OCHA is currently looking at possible revision of these. They need to reflect requirements to work with authorities, identifying gaps in coverage and delivery, finding agencies to fill those gaps.

<sup>23</sup> UNDP's ATLAS system is sufficiently detailed that it can provide separate information on each donor's money, i.e. donor contributions do not lose their identity once they are in the Fund. Donors need to decide whether they want separate reports for individual donors or one report for the entire Common Fund. NB Recommendation would be a common report and this would be acceptable/desired by most donors.

<sup>24</sup> One UN agency suggested that the evaluation process could be overseen by a steering committee comprising evaluation professionals from the UN agencies. This would increase buy-in from the agencies and ensure that they perceive the process as fair and impartial.

## LIST OF ANNEXES

1. People Consulted
2. Funding overview
3. Standard MoU for the Pass Through mechanism
4. Concept paper for M&E Unit, Sudan
5. ERF Guidelines
6. Terms of Reference for Sectoral Co-ordination
7. Revised Terms of Reference for the Humanitarian Co-ordinator
8. Additional UNHCR Comments on Draft Report
9. Terms of reference
10. List of Documents

### Annex 1: People Consulted

#### Khartoum

Andrew Cox, Special Adviser to the DSRSG, UNMIS

Antonio Fernandes de Velasco, ECHO representative

Barbara Manzi, OCHA & sector co-ordinator

Cate Farnsworth, USAID

Elisabeth Schwabe-Hansen, First Secretary, Norwegian Embassy

Erik Kastlander, Donor Relations for the Mission

Evelyn Cheung, WFP, Donor Liaison

Gemmo Lodesani, Deputy Humanitarian Co-ordinator (responsible for North Sudan, particularly Darfur).

Guido Sabatinelli, WHO, Country Director

Hans Veenbaas, Dutch Embassy

Isabel Soares, WHO, former sector co-ordinator in South Sudan

Jane Barham, DFID Khartoum

JoAnna van Gerpen, UNICEF Country Director

Joe Feeney, UNDP, currently supervising Trust Fund Management Unit

Jonathan Lingham, Head of DFID, Khartoum

Karin Soerensen, UNDP, Special Assistant to Resident Co-ordinator

Keith McKenzie UNICEF, Head of Darfur operation

Manuel da Silva, Deputy Special Representative of the Secretary General, Humanitarian Coordinator, UNDP Resident Coordinator and Resident Representative

Mette Nordstrand, head of Education, UNICEF & Education sector co-ordinator for all geographical areas.

Michael Jensen, OCHA (Workplan database)  
Milton Moreno, UNHCR, Jean-Marie Fakhouri's office  
Mohammed Salim, UNDP Head of operations  
Patricia Kormoss, WHO, sector co-ordinator, recently appointed focal point for Core Group on Returns & Reintegration  
Ramesh Rajasingham, Country Director, OCHA.  
Ramiro Lopes da Silva, WFP Country Director & former HC in Angola

**Outside Sudan**

Allan Jury, WFP, Director, Division of External Relations  
Anne Willem Bijleveld, UNCHR  
Bronagh Carr, Ireland, Development Specialist, Emergency and Recovery Section, Development Cooperation Ireland  
Daniel Toole, UNICEF, Director, Office of Emergency Programmes  
Detley Ruenger, Germany, Head of Division, Humanitarian Task Force, Federal Foreign Office  
Ed Tsui, OCHA  
Eva Grambye, Denmark, Head of Section, Humanitarian Department, Danish Ministry of Foreign Affairs  
Geoff Adlide, Australia, Counsellor (Development), Australian Permanent Mission, Geneva  
Hong-Won Yu, Canada, International Humanitarian Assistance Division, CIDA  
Ivan Parks, UK, Sudan Unit, Foreign and Commonwealth Office and DFID  
Javier Perez, ECHO, Sudan Desk Officer (w/o 4 July)  
Jean-Marie Fakhouri, Director, Sudan Situation Operations, UNHCR  
Johanna Langenkamp, Deputy Head of Service, Donors Relations and Resource Mobilisation Division, UNHCR  
Kemlin Furley, Senior External Relations Officer, UNHCR  
Kristen Chenier, Canada, Chief, Strategic Planning and Policy Unit, Humanitarian Assistance, Peace and Security Division, CIDA  
Kristin Barstad, UNICEF, Office of Emergency Programmes  
Louise Thomas, UK Sudan Unit, Foreign and Commonwealth Office and DFID  
Magda Ninaber, Chief, Consolidated Appeals Unit, OCHA  
Manon Olsthoorn, Netherlands, Desk Office, Ministry of Foreign Affairs  
Michael Mosselmans, Head, Conflict and Humanitarian Affairs Department, DFID  
Michel Arrion, ECHO, (TBC)  
Mikael Lindvall, Sweden, First Secretary, Permanent Mission of Sweden to the UN, Geneva

Mike Noronha, Head of Internal Audit Department, DFID

Mirza Hussain Khan, UNHCR, Head, Secretariat and Inter-Organisation Service

Mukesh Kapila, WHO, Director - Special Assignments, Department of Health Action in Crises

Neil Briscoe, UK Representative to WFP

Neil Patrick, UK, Head of Team, Global Policy and Institutions Conflict & Humanitarian Affairs Department, DFID

Nick Harvey, UK Policy Adviser, Sudan Unit, Foreign and Commonwealth Office and DFID

Nick Leader, UK, Poverty Reduction in Difficult Environments Team, DFID

Ole Neustrup, Denmark, Danish Permanent Mission, Geneva (w/o 4 July)

Philip Ward, WFP, Donor Relations including UK and Canada

Quoc Dang Nguyen, UNICEF, Office of Emergency Programmes

Rohini Deshmukh, UNHCR

Rose Barbuto, WFP, Donors relations including USA.

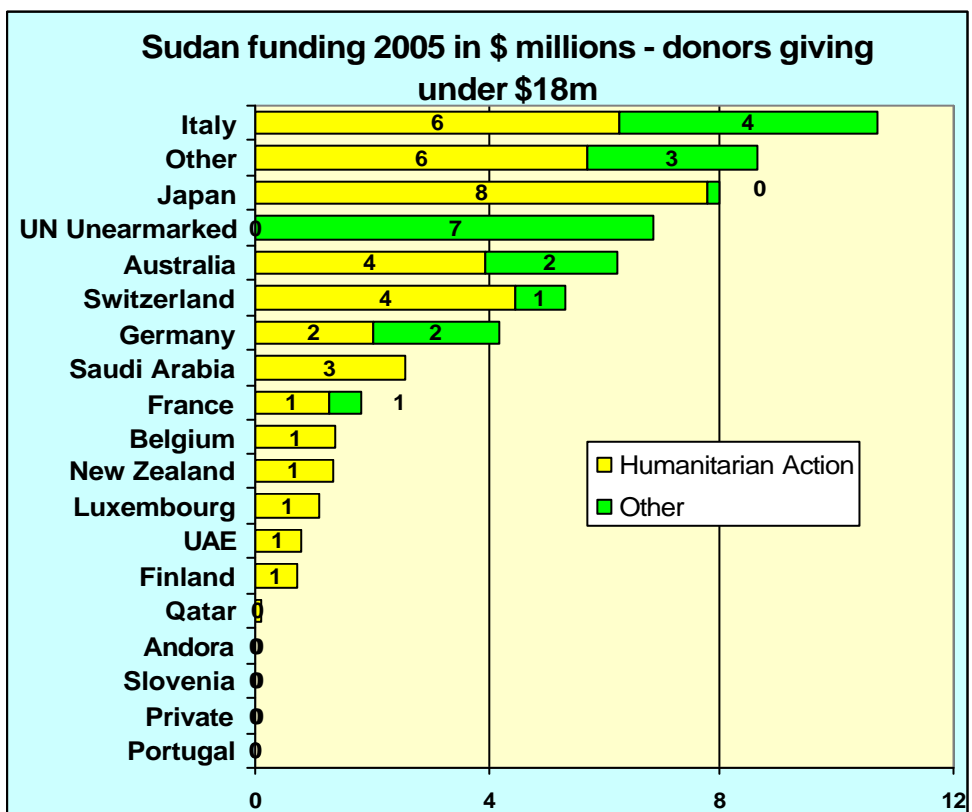
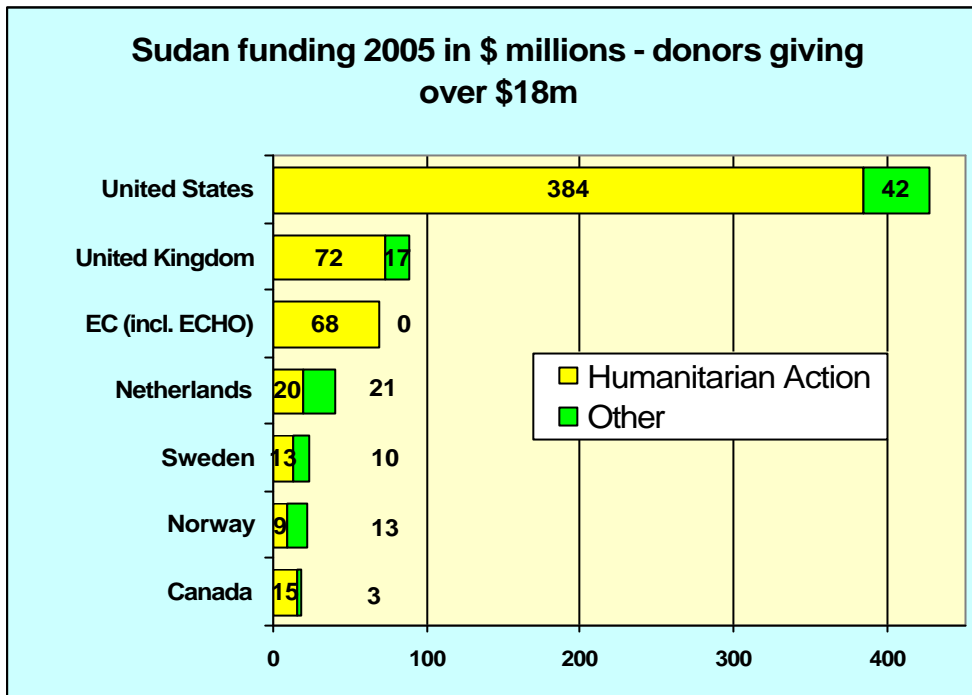
Steffen Stenberg, ECHO, Head of Unit (w/o 4 July)

Stephanie O'Leary, Canada, Policy Advisor, Strategic Planning and Policy Unit, Humanitarian Assistance, Peace and Security Division (MHA)

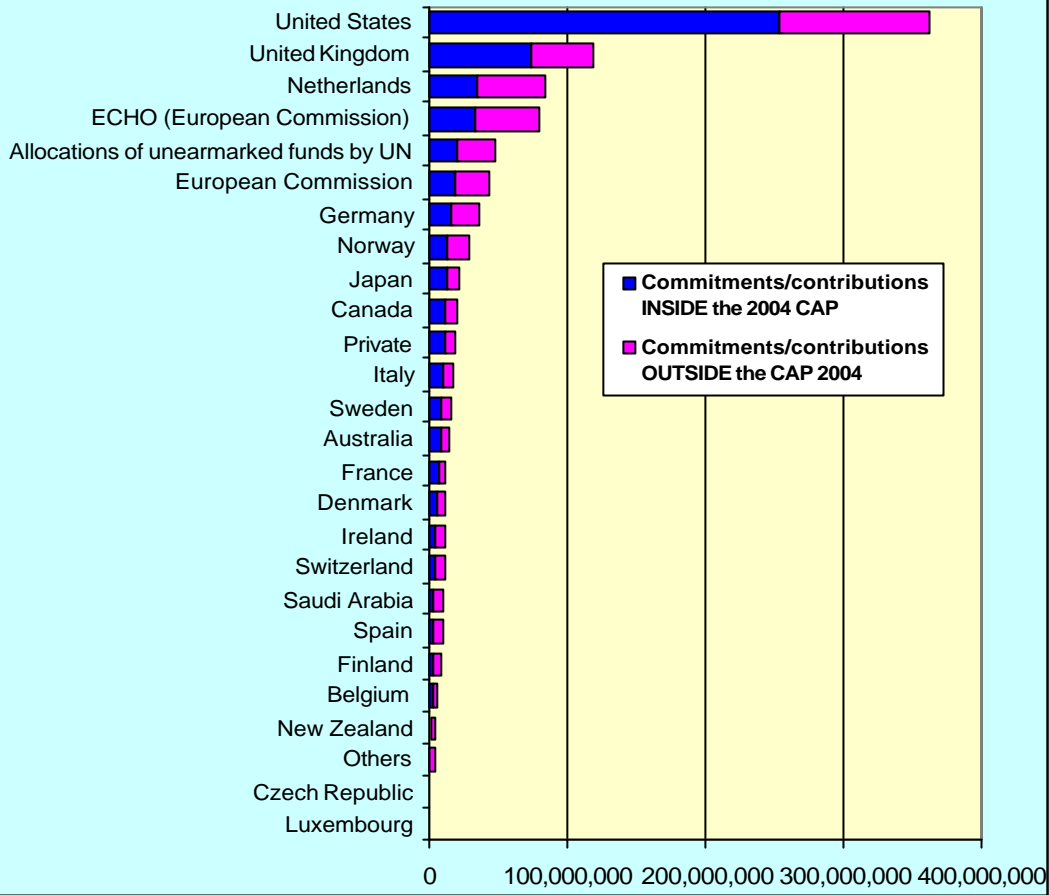
Susan Eckey, Norway, Assistant Director General, Norwegian Ministry of Foreign Affairs (w/o 4 July)

Ulrika Johanssen, Sweden, Sida

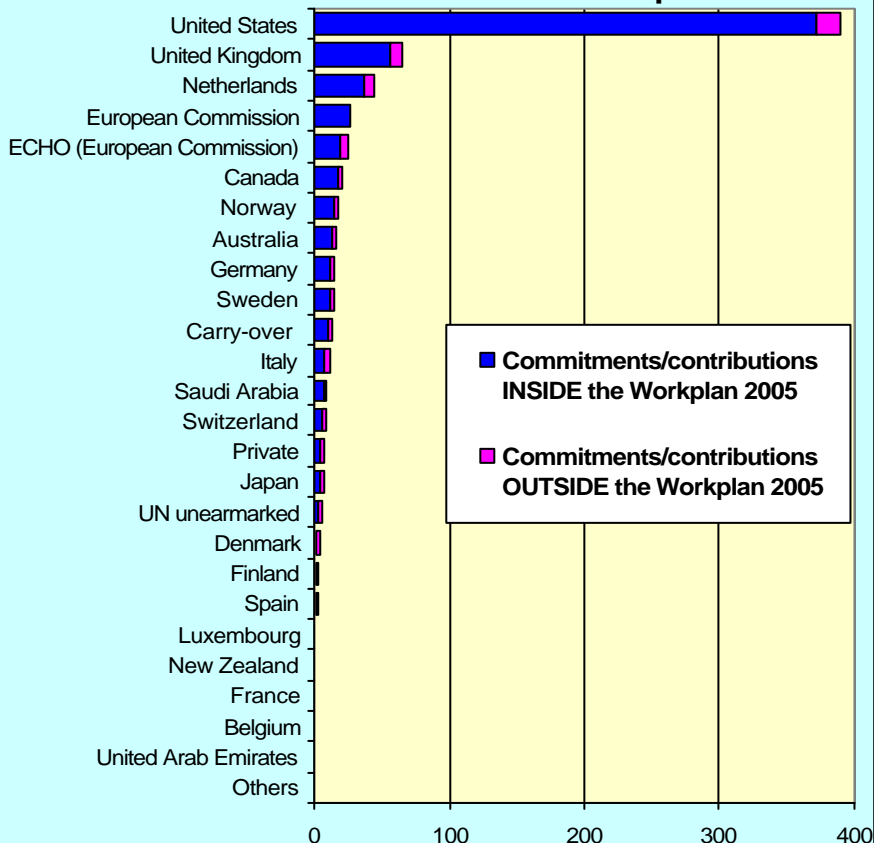
## Annex 2: Funding Overview



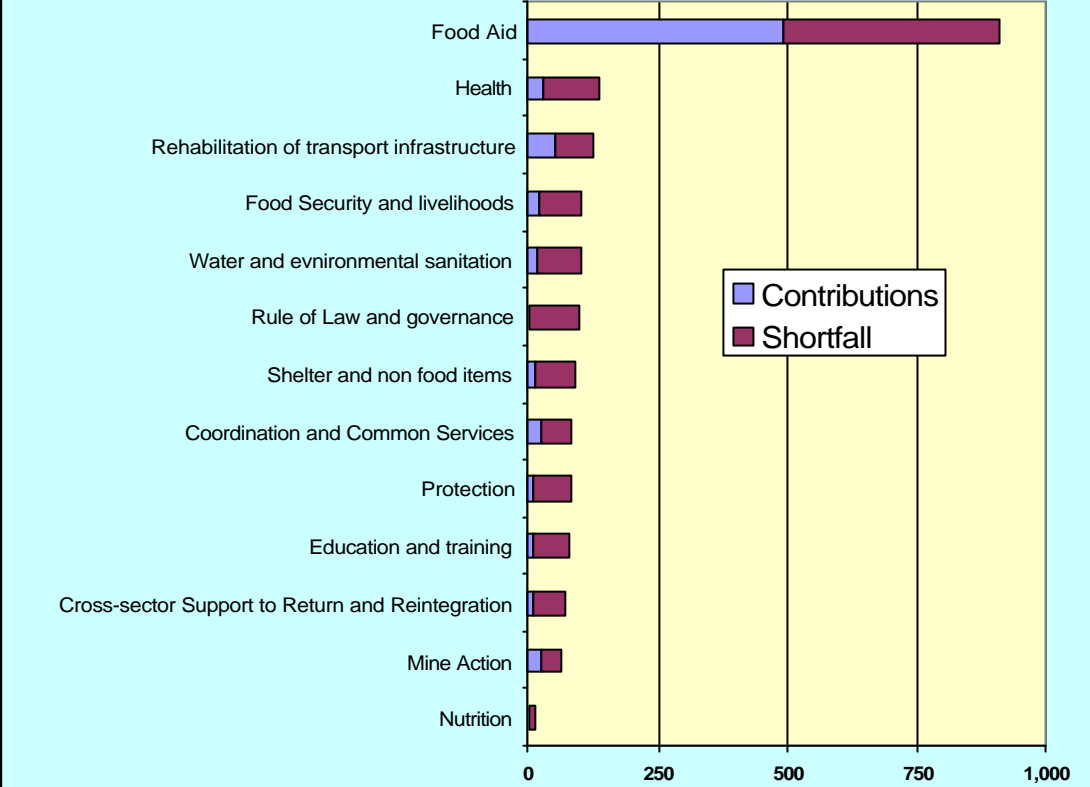
### Total contributions to Sudan in 2004, showing the volumes inside and outside the CAP



### Total contributions to the Sudan in 2005 in \$ millions, showing volumes inside and outside the Humanitarian Workplan



**Sudan Funding requirements and shortfalls  
by sector in \$ millions 2005**



# **Annex 3: Standard Memorandum of Understanding between the Participating UN Organizations and the Administrative Agent for pass-through fund management**

**Memorandum of Understanding  
Between  
[Names of the Participating UN Organizations]  
and  
[Name of the Administrative Agent]  
regarding the Operational Aspects of a Joint Programme in [name of country]**

**WHEREAS, [list names of Participating UN Organizations] (hereinafter referred to**

**collectively as the “Participating UN Organizations”) have developed a joint programme (hereinafter referred to as the “Joint Programme”) as part of their respective development cooperation with the Government of [name of country], as more fully described in the detailed Joint Programme document dated [date of Joint Programme document], document no. [reference no. of document] (hereinafter referred to as the “Joint Programme Document”<sup>1</sup>), and have agreed to establish a coordination mechanism 2 (hereinafter referred to as the “Joint Programme Steering Committee”)<sup>3</sup> to facilitate the effective and efficient collaboration between the Participating UN Organizations and the host Government for the implementation of the Joint Programme;**

**WHEREAS, the Participating UN Organizations have agreed that they should adopt a coordinated approach to collaboration with donors who wish to support the implementation of the Joint Programme and have developed a Joint Programme Document to use as the basis for mobilising resources for the Joint Programme, and have further agreed that they should offer donors the opportunity to fund the Joint Programme and receive reports on the Joint Programme through a single channel; and**

**WHEREAS, the Participating UN Organizations have further agreed that [name of the Administrative Agent] (which is also a Participating UN Organization in connection with this Joint Programme)<sup>4</sup> should be asked to serve as their administrative interface**

<sup>1</sup>The Joint Programme Document contains at a minimum a common work plan, a budget, the coordination and management mechanism and signature of all parties to the Document.

<sup>2</sup>The Parties to the Joint Programme Document will decide what is the most appropriate coordination mechanism, for example a theme group, steering committee, management committee etc. For ease of reference, this mechanism is referred to as the “Joint Programming Steering Committee” in this document.

<sup>3</sup>The composition of the Joint Programme Steering Committee or other body shall include all of the signatories to the Joint Programme Document. The Steering Committee may also have other members in an observer capacity, such as donors and other stakeholders.

<sup>4</sup>In most cases the AA will also be a Participating UN Organization. However, where the AA is not a

Participating UN Organization, this provision can be deleted.

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between donors and the Participating UN Organizations for these purposes and [name of Administrative Agent] has agreed to do so in accordance with this Memorandum of Understanding.

**NOW, THEREFORE, the [name of Administrative Agent] and the Participating UN Organizations (hereinafter referred to collectively as the “Parties”) hereby agree as follows:**

#### Article I

##### Appointment of Administrative Agent; its Status, Duties and Fee

1. The Participating UN Organizations hereby appoint [name of Administrative Agent] (hereinafter referred to as the “Administrative Agent” or the “AA”) to serve as their Administrative Agent in connection with the Joint Programme, in accordance with the terms and conditions set out in this Memorandum of Understanding. The Administrative Agent accepts this appointment on the understanding that the Participating UN Organizations assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent. This appointment shall continue until it terminates, or is terminated, in accordance with Article VII below.

2. On behalf of the Participating UN Organizations, the Administrative Agent shall:

- (a) Receive contributions from donors that wish to provide financial support to the Joint Programme through the Administrative Agent;
- (b) Administer such funds received, in accordance with this Memorandum of Understanding including the provisions relating to winding up the Joint Programme Account and related matters;
- (c) Subject to availability of funds, disburse such funds to each of the Participating UN Organizations in accordance with instructions from the Joint Programme Steering Committee, taking into account the budget set out in the Joint Programme Document, a copy of which is attached hereto as ANNEX A, as amended in writing from time to time by the Joint Programme Steering Committee;
- (d) Compile financial reports produced by each of the Participating UN Organizations into a consolidated report, and distribute such financial reports together with consolidated programme reports produced by the Participating UN Organizations, as further described in the Joint Programme Document, to each donor that has contributed to the Joint Programme Account and to the Joint Programme Steering Committee;

- (e) Provide final reporting, including notification that the Joint Programme has been operationally completed, in accordance with Article IV below<sup>5</sup>
- (f) Perform such other activities as the Participating UN Organizations and the Administrative Agent may agree in writing.

3. The Administrative Agent shall enter into a letter of agreement, in the form attached hereto as ANNEX B (hereinafter referred to as a ‘Letter of Agreement’), with each donor that wishes to provide financial support to the Joint Programme through the Administrative Agent. The Administrative Agent shall not amend the terms of Annex B without prior written agreement of the Participating UN Organizations. The Administrative Agent shall provide the Participating UN Organizations with a copy of each Letter of Agreement it enters into.

4. [Should there be a donor committee or other donor consultative mechanism established at any time in respect of the Joint Programme, the Participating UN Organizations will decide on the appropriate manner in which the Participating UN Organizations (including the Administrative Agent) will engage with such committee.]

5. None of the Participating UN Organizations shall be liable for the acts or omissions of the Administrative Agent or its personnel, or of persons performing services on its behalf, except in regard to any contributory acts or omissions of other Participating UN Organizations. With respect to such contributory acts or omissions of the Participating UN Organizations, the resulting liability shall be apportioned among them or any one of them to the extent of such contributory acts or omissions, or as may otherwise be agreed.

6. The Administrative Agent shall be entitled to allocate an administrative fee of one percent (1 %) of the amount contributed by each donor signing a Letter of Agreement, to meet the Administrative Agent’s costs of performing the Administrative Agent’s functions described in this Memorandum of Understanding. Notwithstanding the foregoing, in cases the contribution is less than \$2 million, the fee will be subject to a minimum floor of \$20,000; if the contribution is above \$10 million, the fee will be subject to a maximum ceiling of \$100,000.<sup>6</sup>

To the extent that under a particular Joint Programme the AA has responsibilities beyond those set forth in “a” through “e”, additional tasks can be added as a new “f”.

<sup>6</sup> In cases where the Participating UN Organizations and the AA agree that the AA’s responsibilities are more complex than envisioned in Article I, para 2 (a)-(e), such additional responsibilities will be included in Article I, para 2(f) and a higher percentage or amount for the fee of the AA than that stipulated here may be agreed with the donor or included as direct costs in the budget directly managed by the AA as appropriate

## Article II Financial Matters

### The Administrative Agent

1. The Administrative Agent shall establish a separate ledger account under its financial regulations and rules for the receipt and administration of the funds received pursuant to Letters of Agreements (hereinafter, the “Joint Programme Account”). The Joint Programme Account shall be administered by the Administrative Agent in accordance with the regulations, rules, directives and procedures applicable to it, including those relating to interest. The Joint Programme Account shall be subject exclusively to the internal and external auditing procedures laid down in the financial regulations, rules, directives and procedures applicable to the Administrative Agent.

2. The Administrative Agent will not absorb gains or losses on currency exchanges. Such amounts will increase or decrease the funds available for disbursements to Participating UN Organizations

3. The Administrative Agent shall make disbursements from the Joint Programme Account based on instructions from the Joint Programme Steering Committee, in line with the budget set forth in the Joint Programme Document, as amended from time to time by the Joint Programme Steering Committee. The disbursements shall consist of direct and indirect costs as set out in the budget.

4. Subject to the availability of funds, the Administrative Agent shall normally make each disbursement within seven (7) to ten (10) business days after receipt, in accordance with the instructions received from the Joint Programme Steering Committee in line with the Joint Programme Document. The Administrative Agent shall transfer funds to each Participating UN Organization through wire transfer. Each Participating UN Organization shall advise the Administrative Agent in writing of the bank account for transfers pursuant to this Memorandum of Understanding. When making a transfer to a Participating UN Organization, the Administrative Agent will notify that Participating UN Organization’s Treasury Operations of the following: (a) the amount transferred, (b) the value date of the transfer; and (c) that the transfer is from **[name of Administrative Agent]** as Administrative Agent in respect of the joint programme in **[name of country]** pursuant to this Memorandum of Understanding.

5. Where the balance in the Joint Programme Account on the date of a scheduled disbursement is insufficient to make that disbursement, the Administrative Agent shall consult with the Joint Programme Steering Committee and make a disbursement, if any, in accordance with the Joint Programme Steering Committee’s instructions.

### The Participating UN Organizations

6. Each Participating UN Organization shall establish a separate ledger account under its financial regulations and rules for the receipt and administration of the funds

disbursed to it by the Administrative Agent from the Joint Programme Account. That

separate ledger account shall be administered by each Participating UN Organization in accordance with its own regulations, rules, directives and procedures, including those relating to interest. That separate ledger account shall be subject exclusively to the internal and external auditing procedures laid down in the financial regulations, rules, directives and procedures applicable to the Participating UN Organization concerned.

7. Each Participating UN Organization shall use the funds disbursed to it by the Administrative Agent from the Joint Programme Account to carry out the activities for which it is responsible as set out in the Joint Programme Document, as well as for its indirect costs. The Participating UN Organizations shall commence and continue to conduct operations for the Joint Programme only upon receipt of disbursements as instructed by the Joint Programme Steering Committee. The Participating UN Organizations shall not make any commitments above the approved budget in Annex A, as amended from time to time by the Joint Programme Steering Committee. If there is a need to exceed the budgeted amount, the Participating UN Organization concerned shall submit a supplementary budget request to the Joint Programme Steering Committee.

### Article III Activities of the Participating UN Organizations

1. Each of the Participating UN Organizations shall carry out its activities contemplated in the Joint Programme Document in accordance with the regulations, rules, directives and procedures applicable to it. Accordingly, personnel shall be engaged and administered, equipment, supplies and services purchased, and contracts entered into in accordance with the provisions of such regulations, rules, directives and procedures. On the termination or expiration of this Agreement, the matter of ownership shall be determined in accordance with the regulations, rules, directives and procedures applicable to such Participating UN Organizations, including, where applicable, its basic agreement with the Government of [name of country].

2. Any modifications to the activities set out in the Joint Programme Document, including as to their nature, content, sequencing or the duration thereof shall be subject to mutual agreement in writing between the relevant Participating UN Organization and the Joint Programme Steering Committee. The Participating UN Organization shall promptly notify the Administrative Agent through the Joint Programme Steering Committee, of any change in the budget as set out in the Joint Programme Document.

3. Where a Participating UN Organization wishes to carry out its Joint Programme activities through or in collaboration with a third party, it shall be responsible for discharging all commitments and obligations with such third parties, and no other Participating UN Organization, nor the Administrative Agent, shall be responsible for doing so.

4. In carrying out their Joint Programme activities, none of the Participating UN Organizations shall be considered as an agent of any of the others and, thus, the personnel of one shall not be considered as staff members, personnel or agents of any of the others. Without restricting the generality of the preceding sentence, none of the Participating UN Organizations shall be liable for the acts or omissions of the others or their personnel, or of persons performing services on their behalf.

5. Each Participating UN Organization shall advise the Administrative Agent in writing when all activities for which it is responsible under the Joint Programme have been completed.

#### Article IV Reporting

1. Each Participating UN Organization shall provide the Joint Programme Steering Committee and the Administrative Agent with the following statements and reports prepared in accordance with the accounting and reporting procedures applicable to the Participating UN Organization concerned, as set forth in the Joint Programme Document. The Participating UN Organizations will endeavor to harmonize their reporting formats to the extent possible:

- (a) Narrative progress reports for each twelve-month period, to be provided no later than one month after the end of the applicable reporting period;
- (b) Annual financial reports as of 31 December each year with respect to the funds disbursed to it from the Joint Programme Account, to be provided no later than four months after the end of the applicable reporting period;
- (c) A final narrative report and financial report, after the completion of the Joint Programme and including the final year of the Programme, to be provided no later than 30 April of the year following the financial closing of the Programme;
- (d) A final certified financial statement, to be provided no later than 30 June of the year following the financial closing of the Programme.

2. The Administrative Agent shall prepare consolidated narrative progress and financial reports consisting of the reports referred to in paragraph 1 (a) to (d) above submitted by each Participating UN Organization, and shall provide those consolidated reports to each donor that has contributed to the Joint Programme Account, in accordance with the timetable established in the Letter of Agreement, and to the Joint Programming Steering Committee.

3. The Administrative Agent shall also provide a financial report and a final certified financial statement to Donors and Participating UN Organizations, on its activities as

Administrative Agent, to be provided no later than 30 June of the year following the financial closing of the Programme.

Article V  
Monitoring and Evaluation

Monitoring and evaluation of the Joint Programme shall be undertaken in accordance with the provisions contained in the Joint Programme Document, which are consistent with the respective regulations, rules and procedures of the Participating UN Organizations.

Article VI  
Joint Communication

Each Participating UN Organization shall take appropriate measures to publicize the Joint Programme and to give due credit to the other Participating UN Organizations. Information given to the press, to the beneficiaries of the Joint Programme, all related publicity material, official notices, reports and publications, shall acknowledge the role of the host Government, the donors, the Participating UN Organizations, the Administrative Agent and any other relevant parties. In particular, the Administrative Agent will include and ensure due recognition of the role of each Participating UN Organization and national partner in all external communications relating to the Joint Programme.

Article VII  
Expiration, modification and termination of the Agreement

1. This Memorandum of Understanding shall expire upon completion of the Joint Programme, subject to the continuance in force of paragraph 5 below for the purposes therein stated.
2. This Memorandum of Understanding may be modified only by written agreement between the Parties.
3. Any of the Participating UN Organizations may withdraw from this Memorandum of Understanding upon giving thirty (30) days' written notice to all other parties to this Memorandum of Understanding stating that it has given notice, in accordance with the Joint Programme Document, of its withdrawal from the Joint Programme, subject to the continuance in force of paragraph 5 below for the purpose therein stated.
4. The Administrative Agent's appointment may be terminated by the Administrative Agent (on the one hand) or by the mutual agreement of all Participating UN Organizations (on the other hand) on thirty (30) days' written notice to the other

party, subject to the continuance in force of paragraph 5 below for the purpose therein

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stated. In the event of such termination, the Parties shall agree on measures to bring all activities to an orderly and prompt conclusion so as to minimize costs and expense.

5. Obligations assumed by the withdrawing or terminating Parties under this Memorandum of Understanding shall survive the expiration or termination of this Memorandum of Understanding or the termination of the Administrative Agent or withdrawal of a Participating UN Organization to the extent necessary to permit the orderly conclusion of the activities and the completion of final reports, the withdrawal of personnel, funds and property, the settlement of accounts between the Parties hereto and the settlement of contractual liabilities that are required in respect of any subcontractors, consultants or suppliers. Any balance remaining in the Joint Programme Account or in the individual Participating UN Organizations' separate ledger accounts shall be used for a purpose mutually agreed upon by the Administrative Agent, the donors and the Joint Programme Steering Committee.

#### Article VIII Notices

1. Any action required or permitted to be taken under this Memorandum of Understanding may be taken on behalf of the Administrative Agent by \_\_\_\_\_ or his or her designated representative and on behalf of a Participating UN Organization by the head of office in [**name of country**], or his or her designated representative.

2. Any notice or request required or permitted to be given or made in this Memorandum of Understanding shall be in writing. Such notice or request shall be deemed to be duly given or made when it shall have been delivered by hand, mail, cable or telex to the party to which it is required to be given or made, at such party's address specified in ANNEX C to this Memorandum of Understanding or at such other address as the party shall have specified in writing to the party giving such notice or making such request.

#### Article IX Entry into force

This Memorandum of Understanding shall enter into force upon signature by authorized officials of the Parties and shall continue in full force and effect until it is expired or terminated.

Article X  
Settlement of disputes

The Parties shall use their best efforts to promptly settle through direct negotiations any dispute, controversy or claim arising out of or in connection with this Memorandum of Understanding or any breach thereof. Any such dispute, controversy or claim which is not settled within sixty (60) days from the date either party has notified the other party of the nature of the dispute, controversy or claim and of the measures which should be taken to rectify it, shall be resolved through consultation between the Executive Heads of each of the Participating UN Organizations and of the Administrative Agent.

**IN WITNESS WHEREOF**, the undersigned, duly authorized representatives of the respective Parties, have signed this Memorandum of Understanding in the English in **[number of signatories]** copies.

For the Administrative Agent  
Signature:  
Name: \_\_\_\_\_

\_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
Place: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_

For \_\_\_\_\_  
Signature:  
Name:

Title:

Place:

Date:

For \_\_\_\_\_  
Signature:  
Name: \_\_\_\_\_

\_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
Place: \_\_\_\_\_

\_\_\_\_\_  
Date: \_\_\_\_\_

\_\_\_\_\_

For \_\_\_\_\_  
Signature:  
Name:

Title:

Place:

Date:

ANNEX A: Joint Programme Document — Budget

ANNEX B: Donor-AA Agreement

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ANNEX C

## **Annex 4: Concept paper for the Monitoring & Evaluation Unit in OCHA Sudan**

**26 June 2005**

### Purpose of Unit:

Monitor and evaluate the implementation of the Workplan for Sudan 2006. Together with the sector focal points under the Workplan for Sudan 2006, recommend priority activities to the Humanitarian Coordinator. Through the Financial Tracking specialist in OCHA, recommend allocations from the Common Fund. Provide analysis of impact of prioritization through the Common Fund and produce narrative status and priority reports every 120 days. Submit a final narrative analysis on the effectiveness of the Workplan for Sudan 2006, and the use of the Common Fund by 31 March 2007. The unit may organize, in collaboration with the different sectors and Agencies, individual sector evaluations.

### Organizational setting:

The M& E unit will be an independent entity but due to the humanitarian and recovery nature of the projects included in the Workplan for Sudan 2006, organizationally be a part of OCHA Sudan.

### Size of the M &E unit:

The unit will consist of one P-4 HAO and one P-3 HAO specialized in Monitoring and Evaluation. The unit will receive administrative support from OCHA Sudan.

### Budget:

The yearly budget for the unit is estimated as below:

FINANCIAL SUMMARY	
Budget items	US\$
Staff costs	274,608
Consultancy costs	96,000
Operating Costs (including travel of staff and consultants)	144,000
Administrative Costs	66,899
TOTAL	581,507

## **Annex 5: EMERGENCY RESPONSE FUND (ERF)**

### **1. Objective of the ERF**

The objective of the fund is to provide NGOs and International Organizations with a rapid response mechanism to meet short-term emergency needs of vulnerable communities. This fund provides initial financing that enables implementing partners to respond without delay to a crisis. In keeping with this premise, ERF funds are used to support emergency interventions for not more than six months.

Emergency interventions should focus on preventing a more serious problem and re-establishing basic living conditions in response to a particular crisis. The fund is not intended to respond to chronic social problems or other long-term development needs.

### **2. Access to the fund and roles of the partners**

NGOs and international organizations accredited by the Government and affiliated with OCHA may submit project proposals to OCHA for ERF funding.

NGOs and international organizations:

- Submit applications to OCHA for project funding;
- Sign a written agreement with OCHA regarding approved projects;
- Facilitate the monitoring of ERF projects in collaboration with OCHA; and
- Submit narrative and financial reports to OCHA as described below.

OCHA:

- Receives project proposals from NGOs and International Organizations and approves or rejects the project within two weeks of receiving the final version of the project proposal;
- Prepares an official agreement upon approval of project. After the agreement is signed, OCHA requests a transfer of funds from OCHA-Geneva to an accredited international bank. Depending on project needs, fund disbursement may be divided in to more than one tranche, and;
- Monitors projects through reports produced by the implementing partner and evaluation missions.

### **3. Guidelines for project proposals and final reports**

#### **3.1 Project proposal**

A framework for the presentation of project proposals and budgets is presented in annex 1.

- Funding covers project activities within a six month period; In case of necessity, the NGO may request a no cost extension; The request must be submitted to OCHA at least two weeks prior to the Project planned end date;
- Funding covers a maximum of USD 130,000 per project (some exceptions may be made in cases where beneficiary levels are extremely high and the appealing organization or agency has demonstrated the capacity to handle such a case load – not to exceed USD 200,000);
- Funding is not to be used to purchase major capitals assets (vehicles, communication and office equipment) or to cover international travel expenses. Payment of staff/personnel and rental of equipment should be limited to the additional resources required by the NGO to implement the project;
- The maximum allowable administration cost is seven percent (7%) of the budget;
- Expenses within a budget line must not exceed the approved budget line by more than ten percent (10%) without the approval of OCHA and must be matched by equivalent decreases in other lines;
- Personnel cost must not exceed the amount approved in the budget;
- A budget line for contingency expenses can not exceed five percent (5%) of the total project cost. Expenditures against this line must be fully justified. The NGO needs to address a letter to OCHA requesting authorization for using the budget line contingency expenses and justifying its use. In addition, it is necessary to explain in detail in the budget each component of the contingency expenses.
- A narrative budget for each budget line must be included.

### 3.2 Report requirements

A framework for the presentation of project reports is presented in annex 2.

- Progress reports on project activities and financial status (2-3 pages) must be submitted every two months from the start date of the project. Any constraints (financial, logistical, security etc.) affecting the project should be included in the report or reported directly to the ERF Manager before submission of the bimonthly reports.
- The implementing partner must submit a final report within one month following the end date of the project. Should the project require an extension, an interim report must be submitted two weeks prior to the planned end date to facilitate an extension;
- The final report must describe background, planned objectives, project activities and accomplishments. The report should include an explanation of variances between project plans and results. The final report must be presented according to the project report format (annex 3);
- The final report must include a final account of project spending accompanied by supporting documentation. The financial report must be presented according to the format for the financial progress and final report (annex 3A).

## **Annex 6: Terms of Reference for Sectoral Coordination**

### ***Darfur Emergency: Sectoral Coordination***

1 August 2005

While playing an important assistance role in Darfur, the United Nations and its partners emphasise the full responsibility and authority of the Government for the welfare and protection of its people. Under this premise, and given that the Government of Sudan has requested international support to address the humanitarian crisis in Darfur, the UN and its partners have been able to mobilise international resources and carry out humanitarian operations. In this regard, the United Nations has a specific coordination role in managing the international response, complementary to the overall responsibilities of the Government of Sudan.

The humanitarian coordination role of the United Nations is divided into two key areas.

1. The mandate of the Humanitarian Coordinator for the emergency as a whole, supported by OCHA.
2. Coordination of key sectors of the humanitarian response.

Sector Coordinators are intended to coordinate the work of humanitarian organisations active in the designated sector, and to support the Government of Sudan in its own efforts. They must develop, through effective coordination, a comprehensive and effective response to the humanitarian emergency. It is expected that a sector coordinator must play a transparent and facilitative role, and resolve conflicts of interest and technical problems through open consultation with their partners. International sector coordination responsibilities are initially assigned for six months to a humanitarian agency, and are subject to periodic review.

<b>Sector</b>	<b>Sector Coordinator</b>	<b>Government Ministry / counterpart.</b>
Food	WFP	HAC
Shelter, NFIs	OCHA/JLC	HAC
Health	WHO	Ministry of Health
Watsan	UNICEF	WES
Nutrition	UNICEF	MOH
Agriculture	FAO	MOA
Protection	UNMIS	MOFA & Ministry of Justice, Advisory Council for Human Rights
Education	UNICEF	Ministry of Education

#### **Specific Terms of Reference of an Agency Serving as Sector Coordinator**

The Sector Coordinator will dedicate sufficient staff and resources to coordination, including support for the work of its counterpart Ministry, and operational partners. In most cases, (especially in health, watsan, and nutrition), a full time focal point will be required so as to properly carry out this important task. Sector Coordinator responsibilities include the following:

### *Coordinating the humanitarian response*

- Co-chair, with the relevant Ministry / Counterpart, a Sector Coordination Group (SCG), involving key humanitarian actors within the sector;
- Provide leadership to, and facilitate collaboration among, all partners/agencies;
- Compile and maintain an overview of program issues, actors, and activities, facilitate comprehensive analysis, and make results readily available to all members of the SCG and the Humanitarian Coordinator;
- Develop, maintain and update the 120 day plan and the Humanitarian Needs Profile and elaborate/participate in the revision of the Workplan with the support of sector group members;
- Elaborate with the SCG a sectoral overview, objectives and plan of action to mobilize a proper and full humanitarian response;
- Organize the work of the SCG, including the preparation and distribution of meeting agendas and minutes, and the follow-up on allocated tasks;
- Maintain transparency and professional courtesy in all communications with and among SCG members, and ensure an atmosphere of cooperation and collegiality;
- Provide a central clearinghouse for sector-specific information, ensuring information gaps are filled and situation reporting is systematized;
- Ensure that HIC and other information-management systems reflect the latest updates on program activities;
- Give policy guidance to the SCG according to international conventions, humanitarian and human rights principles, professional mandates, Government priorities, and current situation/needs assessments;
- Ensure that gender and human rights principles are fully integrated into the activities of the program area;
- Ensure a link between the national level sector coordination group, and the state level groups;
- Plan and provide regular donor briefings and updates, and mobilization of resources to ensure an adequate response to the humanitarian crisis;
- On cross-sectoral or complex issues, interaction with other Sector Coordinators as appropriate;

### *Support to the Government of Sudan*

- Support the Government in its efforts to mobilize and deploy resources to respond to the humanitarian crisis in Darfur;
- Depending on the needs of the sector and role of the GoS in that sector, to mobilize and facilitate support for the relevant GoS ministry or body pertaining to the humanitarian situation. In some cases, this could include the provision of technical support, personnel and training. This must be agreed between the sector coordinator and the relevant ministry;
- Contribute to transparency and accountability in the direction and management of aid and other resource flows;
- Seek with the GoS an early and coordinated response to problems, bottlenecks, and foreseeable crises, especially in areas directly related to the provision of assistance within that sector;

### *Management and accountability*

- The Resident / Humanitarian Coordinator is accountable to the GoS, as per the existing country agreement;
- Sector Coordinators (in this role) report to the Humanitarian Coordinator;
- A weekly ‘Sector Coordination Meeting’ will be held to coordinate the work of the sectors at sector level. The Sector Coordination Meeting will take primary responsibility for coordinating the response to the humanitarian crisis at senior level;
- OCHA will act as Secretariat to the Sector Coordination Meeting;
- Sector Coordinators will be requested by the Humanitarian Coordinator to provide workplans for 120-day periods. These workplans will be reviewed by the Sector Coordination Meeting, and should be consistent with the Humanitarian Monthly Profile;
- If a coordinating agency is not able to dedicate sufficient resources/capacity to coordination, or loses the confidence of program partners, designation of sectoral coordination responsibility can be changed, as required, by the Humanitarian Coordinator in consultation with the Sector Coordination Meeting;
- Sector Coordinators are encouraged to develop close relationships with key NGOs in relevant sectors to strengthen sector management. A Sector Coordinator may choose, with the agreement of the relevant NGO, to delegate responsibility for some sector coordination tasks.

### **Division of Responsibility at National and State level**

The Sectoral Coordination Groups will meet at both National and State levels, but will focus on different areas of work. Broadly speaking, the coordination at the national level is focused on strategic and overall management of the sector, while coordination at the state level should be focused on operations.

### **National Level Coordination**

- Responsible for overall approach to emergency in the given sector.
- Provision of support and advice to the relevant federal ministry.
- Mobilisation of sufficient resources to properly respond to the crisis.
- Setting of priorities and objectives (on basis of consultation) for agencies in the group.

### **State Level Coordination**

Sector coordinators are encouraged to develop the most flexible and useful model for sector coordination at the state level. In particular, NGO partners are encouraged to carry some of the coordination responsibility and share information. Sector

coordinators may chose to merge certain coordination meetings where appropriate, such as between health and watsan.

- Responsible for operational coordination
- Support and advice to local ministry/government
- Allocation of tasks / areas of responsibility at state level
- Reporting to weekly inter-agency meeting, in cooperation with OCHA
- Ensuring common data collection and reporting standards, in cooperation with the Humanitarian Information Centre.

## **Annex 7: Revised Terms of Reference for the Humanitarian Coordinator**

### **Revised Terms of Reference for the Humanitarian Coordinator**

#### **Appointment**

1. In a given country, upon the occurrence of a complex emergency or when an already existing humanitarian situation worsens in degree and/or complexity, the United Nations Emergency Relief Coordinator, on behalf of the Secretary-General and after consultation with the IASC, will designate a Humanitarian Coordinator for that country.
2. Depending on the context, the Emergency Relief Coordinator, in consultation with the IASC, may:
  - assign the functions of Humanitarian Coordinator to the Resident Coordinator for that country, who therefore becomes Resident and Humanitarian Coordinator<sup>1</sup>. This is the normal practise.
  - appoint a separate Humanitarian Coordinator;
  - designate a lead agency for the provision of humanitarian assistance, with the in-country agency head also serving as Humanitarian Coordinator, as outlined in the “IASC Recommendations Related to the Review of the Capacity of the United Nations System for Humanitarian Assistance” endorsed by the IASC on 29 July 1998.<sup>2</sup>
  - appoint a Regional Humanitarian Coordinator, when an emergency occurs that involves more countries at the same time. In such instances Resident/Humanitarian Coordinators of countries in the region should work as a team under the guidance of the Regional Humanitarian Coordinator.
3. The Humanitarian Coordinator is expected to possess specific knowledge and experience of the humanitarian environment and to have demonstrated leadership in complex emergencies.
4. The Humanitarian Coordinator serves as the representative of the Emergency Relief Coordinator (and therefore of OCHA) in the country/region concerned.

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<sup>1</sup> Refer to General Assembly Resolutions 47/199 and 48/209.

<sup>2</sup> Factors influencing the designation of a lead agency are that i) the various sectors of assistance being delivered are closely related to the mandate of the agency; ii) the assigned agency has the capacity to undertake strategic coordination needs and to establish and maintain both sectoral and common operational support mechanisms, while at the same time executing the operations specific to its mandate; and iii) the agency has a presence on the ground and/or is able to mobilize rapidly.

## **Reporting**

5. The Humanitarian Coordinator will report directly to the UN Emergency Relief Coordinator.
6. The Humanitarian Coordinator who is also the in-country head of a designated lead agency for humanitarian assistance will also report directly to his/her agency headquarters.
7. If a Special Representative of the Secretary-General (SRSG) is appointed for the country in question, the Humanitarian Coordinator will function under the overall authority of the SRSG, with the responsibility for coordination of UN humanitarian assistance for the complex emergency in question, in accordance with the Note of Guidance on the Relationship between Humanitarian Coordinator and SRSG.
8. In the event the Humanitarian Coordinator is separate from the Resident Coordinator and there is no SRSG present, the Humanitarian Coordinator works within the overall country coordination framework of the Resident Coordinator system.

## **Management functions**

9. The Humanitarian Coordinator is responsible for coordinating the humanitarian activities of the Country Team. He/she will provide liaison between the Country Team and the Emergency Relief Coordinator.
10. The Humanitarian Coordinator is responsible for the management of the OCHA office, which is put in place to support the Humanitarian Coordinator in his/her functions.

## **Operational coordination functions**

### Coordination mechanisms

11. The Humanitarian Coordinator is responsible for establishing and maintaining comprehensive coordination mechanisms based on facilitation and consensus building. These mechanisms should be inclusive of all the actors involved at the country level in the provision of humanitarian assistance and protection, including in particular all locally represented members and standing invitees of the Inter-Agency Standing Committee (IASC)<sup>3</sup>.

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<sup>3</sup> IASC is composed of seven full members (FAO, OCHA, UNDP, UNHCR, UNICEF, WFP and WHO) and ten Standing Invitees (ICRC, IFRC, IOM, RSG-IDPs, OHCHR, UNFPA, World Bank and three NGO consortia: Steering Committee for Humanitarian Response (SCHR), Interaction, and International Council of Voluntary Agencies (ICVA))

12. Through these coordination mechanisms, the Humanitarian Coordinator is responsible for ensuring agreement on the basic division of responsibilities among agencies, in accordance with their respective mandates and capacities, with the aim of:
- ensuring that timely and appropriate humanitarian assistance is rapidly and effectively delivered to the victims of the complex emergency;
  - ensuring that any gaps or overlaps in protection, that could arise as a result of the respective mandates of the agencies, can be resolved in practice.
13. Within this framework, the Humanitarian Coordinator is specifically responsible for:
- convening and serving as the chair of regular inter-agency meetings involving all relevant humanitarian actors and providing the necessary secretariat support.
  - ensuring that leadership for coordination within specific sector and/or geographic areas is agreed upon and that the relevant coordination mechanisms are established and managed efficiently.
  - ensuring consultation with national authorities on matters regarding the planning and implementation of humanitarian assistance.
  - ensuring overall coordination between the UN and other humanitarian aid agencies and the UN Department of Peacekeeping Operations when such forces are present, including promoting resolution of matters of joint concern to the humanitarian aid agencies.
  - facilitating communications and consultation between the UN and other humanitarian aid agencies on the one hand and the relevant components of bilateral military forces when such forces are present.
  - acting as a focal point for discussion within the relief community regarding policy issues of inter-agency concern (e.g., wage levels for local staff, payments for services and difficulties with customs procedures and policies, government clearances for travel and passes, etc.) and as an interlocutor with the relevant parties (e.g., the host government) for resolution of such matters.
  - developing and maintaining a central registry of locally represented humanitarian agencies and their respective activities and expertise.

#### Internally Displaced Persons (IDPs)

14. The Humanitarian Coordinator is responsible for overseeing the development of a comprehensive strategic plan for responding to the assistance and

protection needs of IDPs and identifying the most appropriate collaborative arrangements amongst operational agencies for implementing the plan, ensuring that all needs are met. The strategic plan should be integrated in the Common Humanitarian Action Plan (CHAP) and the Consolidated Appeal (CA).

15. The Humanitarian Coordinator's responsibility vis-a-vis IDPs stems directly from the ERC's role as focal point for IDPs. In discharging his/her duties in this regard, the Humanitarian Coordinator will be guided by the IASC Protection Policy Paper and the Supplementary Guidance to HC/RC on their responsibilities in relation to IDPs.

#### Common services

16. In those cases, in which the Humanitarian Coordinator is not the Designated Official, the Humanitarian Coordinator is responsible for obtaining guidance from the Designated Official regarding the implementation of security procedures in support of humanitarian assistance activities, ensuring that this is effectively communicated to the concerned agencies in the field, and facilitating their coordinated implementation.
17. The Humanitarian Coordinator is responsible for facilitating the provision of key support services for the larger relief community, such as telecommunications, transportation (e.g.. via vehicle or light aircraft operation), etc.
18. In the cases in which the IASC decides on the deployment of a UN Joint Logistic Centre (JLC) to complement and coordinate the logistic capabilities of cooperating humanitarian agencies, the Humanitarian Coordinator is responsible for overseeing the operations of the UN JLC through supervision of its Chief.

#### Information

19. The Humanitarian Coordinator, supported by OCHA, is responsible for putting in place systems, including as appropriate Humanitarian Information Centres, for collecting and disseminating timely, accurate, detailed, reliable and up-to-date information on the humanitarian situation and on the relief efforts.

### ***Strategic coordination functions***

#### Negotiation and Advocacy

20. The Humanitarian Coordinator has responsibility for advocating with the relevant parties for the application of humanitarian principles on behalf of the victims and of the humanitarian community. This will include:
  - Promoting, assisting and, if necessary, leading negotiations to obtain free, safe and unimpeded access for humanitarian assistance to those in need, in a manner consistent with the operational requirements of the various partners.

- Promoting respect for Human Rights and Humanitarian Law (HRHL) as well as the Guiding Principles on Internal Displacement.
- seeking acceptance by all parties to the civil conflict in question on the principles of neutrality and impartiality that underline humanitarian action, as well as on other fundamental issues such as the access to those in need, the security of humanitarian personnel, and the need to be accountable to donors and beneficiaries for the aid provided.
- carrying out advocacy initiatives with the local and international media, the international community, the civil society and the public at large.

### Strategic planning

21. The Humanitarian Coordinator is responsible for overseeing all the in-country aspects of the inter-agency strategic planning process. This includes:
  - ensuring that multi-sectoral needs assessments are quickly initiated and priority humanitarian needs are identified, adequately supported, and effectively carried out.
  - triggering and leading the Consolidated Appeal Process (CAP) in collaboration with the IASC Country Team and the Emergency Relief Coordinator, as detailed in the IASC Consolidated Appeal Process Guidelines.
  - ensuring that a Common Humanitarian Action Plan (CHAP) is prepared as part of the Consolidated Appeal Process and ensuring that the humanitarian strategy presented in the Common Humanitarian Action Plan is compatible with other strategic planning initiatives such as the UN Development Assistance Framework and poverty reduction initiatives.
  - ensuring that strategic monitoring is carried out as detailed in the IASC Consolidated Appeal Process Guidelines.
22. The Humanitarian Coordinator is responsible for monitoring the provision of resources against the Consolidated Appeal, for bringing donor attention to important outstanding gaps and for facilitating inter-agency resource mobilisation efforts both in-country as well as at the headquarters level with the capitals.

### Contingency planning

23. The Humanitarian Coordinator is responsible for ensuring that a comprehensive contingency plan is developed and regularly updated by the UN Country Team in consultation with all the humanitarian partners in the country.

### Humanitarian accountability

24. The Humanitarian Coordinator is responsible for promoting and monitoring the implementation of the relevant policies and guidelines adopted by the IASC. These include the following existing policies as well as future new ones as they are developed, adopted and issued by the IASC:

- CAP Guidelines (1994) and IASC Plan of Action for Strengthening the CAP (2002)
- IASC Appeal and Strategy Documents (2003)
- Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief (1994)
- Guiding and Operating Principles for the Use of Military and Civil Defence Assets in Support of Humanitarian Operations (1995) and Guidelines on the use of Military and Civil Defence Assets in Complex Emergencies (2003)
- Exit Strategy from Relief to Development (1995)
- Respect for Humanitarian Mandates in Conflict Situations (1995)
- Guidelines for HIV/AIDS Interventions in Emergency Settings (1996) and Revised Guidelines for HIV/AIDS in Emergency Settings (2003)
- Exit Strategy for Humanitarian Actors in the Context of Complex Emergencies (1997)
- Policy Statement for the Integration of a Gender Perspective in Humanitarian Assistance (1999)
- Guiding Principles on Internal Displacement (1999)
- Policy Paper for Protection for IDPs (1999)
- Guidelines for Field Staff Promoting Reintegration (Golden Rules) (2000)
- Inter-Agency Contingency Planning Guidelines for Humanitarian Assistance (2001)
- Recommendations on UN/Non-UN Field Security Collaboration (2001)
- Plan of Action on Protection from Sexual Exploitation in Humanitarian Crises (2002)
- Growing the Sheltering Tree: Protecting Rights Through Humanitarian Action (2002)
- Frequently Asked Questions on International Humanitarian, Human Rights and Refugee Law in the Context of Armed Conflicts (2002)

25. The Humanitarian Coordinator is responsible for promoting gender mainstreaming and women's rights at the policy, planning and implementation levels as part of their strategic coordination and humanitarian accountability functions.

26. The Humanitarian Coordinator is responsible for supporting effective evaluations of the overall relief efforts, especially the coordination aspects.

#### Rehabilitation/reconstruction

27. The Humanitarian Coordinator is responsible for cooperating with entities responsible for planning and implementation of rehabilitation and development activities to ensure that rehabilitation actions begin as soon as they become feasible (which will often be simultaneous with relief efforts), and that relief actions are planned and undertaken with the perspective of their longer-term continuation and impacts.

## **Annex 8: Additional UNHCR comments on draft proposal for a Common Fund for humanitarian assistance in Sudan**

### **1. Fund allocation process/decision-making**

In addition to issues raised regarding the structure for decision-making (UNHCR suggested a board comprising heads of major UN agencies), the criteria for the allocation process should be established in a transparent manner and agreed between the stakeholders. It is crucial that consensus is reached on these matters within the country team.

### **2. Predictability**

Based on the premise that the Workplan already represents an integrated package of prioritized activities, effective real time priority setting and phasing should also be guided by solid information from donors as regards the size of the Common Fund and the period covered.

### **3. Accountability**

In addition to the accountability issue of the HC there is also the matter of accountability of the individual agencies, i.e. accountability to raise funds for programmes approved at agency level and, if appropriate, endorsed by relevant UN member states. In other words, individual agencies cannot be held accountable for the level of funds in the Common Fund and the amounts allocated by agency if their own fund raising efforts and exclusive donor contacts are all pooled. In the best case scenario, the resulting competition will absorb a lot of energy that could have been used elsewhere.

### **4. Country versus situational approach**

The Common Fund mechanism may be appropriate in the context of an IDP situation. However, the current draft does not provide for situations and programmes that, by nature, straddle the borders with a number of countries such as (in preparing) for voluntary repatriation of refugees which requires an integrated situational approach. Likewise, agencies may need to cover part of their HQs costs that are directly related to the specific field operation.

### **5. Competition between “unearmarked” funds and Common Fund**

It is understood that the prioritization/allocation process is not meant to function as a gap filling mechanism. Agencies however may need to allocate funds from their unearmarked contributions pending Common Fund allocations. It is noted however that some agencies may allocate funds based on pledges while others can only do so when the cash has been received. Such diversity would create an imbalance between agencies unless considered as part of the fund allocation criteria.

The above points added to the various issues mentioned in the draft report suggest that the introduction of the Common Fund should be contingent on quite explicit conditions and criteria and, as a minimum, based on full donor predictability as the amount of funds available. Two resource allocation rounds in e.g. December 2005 and June 2006, rather than a rolling process may provide some of the required transparency.

## **Annex 9: Terms of Reference**

### **TERMS OF REFERENCE**

ENGAGEMENT OF DEVELOPMENT INITIATIVES (JUDITH RANDEL) UNDER TERMS AND CONDITIONS OF CALL DOWN CONTRACT CNTR 04 5993 – GOOD HUMANITARIAN DONORSHIP & ANALYSIS OF GLOBAL HUMANITARIAN ASSISTANCE

#### **Background**

DFID is committed to reform of the international humanitarian system. The Secretary of State, Hilary Benn's, speech to ODI in December 2004 sets out the elements of this reform agenda. To push forward the strengthening of the role of UN Humanitarian Coordinators, the UK is undertaking a pilot in Sudan. We would like to establish a common fund for all donor contributions to the humanitarian elements of the 2006 UN Workplan, which would be managed by the UNHC. The UNHC would in turn report back to donors on the impact of the fund, as well as financial reporting. In order to ensure the mechanism is ready for the 2006 Workplan, it should be in place by September 2005. The Humanitarian Coordinator has agreed the establishment of this fund and the timeframe for setting it up.

A wider number of donors are committed to using a similar approach in DRC in 2006 and the results of this assignment are likely to be valuable to donors in determining how to take forward the DRC pilot. In addition, a third pilot in Ethiopia is currently under discussion in DFID.

At the same time CHAD/DFID and Ireland are contracting Barnaby Willits-King to undertake a study of the scope for reforming the UN Central Emergency Revolving Fund. It would be very helpful for both studies to inform each other, as some similar issues are likely to arise. Two days will be set-aside for this in the Workplan to engage with the CERF study.

#### **Scope of assignment**

The assignment has two main objectives:

- to identify the conditions under which a consensus with key UN partners and donors can be reached on the establishment of a multi donor fund for the humanitarian elements of the 2006 UN Sudan Workplan and the impact of establishing the fund on the strength HC and the humanitarian response.
- to outline how a multi-donor fund, managed by the HC, can be set up in Sudan in the short term.

It may not be possible to establish a multi-donor fund within the UN system, which will strengthen the role of the HC by September 2005. In this case the consultants

will identify the systemic changes required at different stages of the process  
(decision-making, funding authorisation, release of funds, monitoring and reporting)  
for such a fund to work.

The following tasks are likely to be covered by the assignment:

- Discussions with UNHC Sudan and his office on how they see the fund working and what systems and structures they would need to put in place to manage the fund;
- Discussions with UNHC and WB representation on how this fund would complement the Multi-Donor Trust Funds;
- Discussions with OCHA headquarters and field team on what additional structures or systems they would need to put in place;
- Discussions with UN headquarters, and representatives in Sudan, of key operational agencies (particularly WFP, UNICEF, UNHCR and UNDP) to understand their concerns about such a fund and the conditions under which it would lead to an improvement in humanitarian response;
- Discussions with CHAD about the future shape of the fund;
- Discussions with Sudan Unit humanitarian team, and that in Khartoum, on lessons learned from the pilot and thoughts for the future fund, including performance monitoring;
- Discussions with DFID's audit and financial procedures departments on minimum requirements, including fiduciary and monitoring and reporting requirements;
- Discussions with other key donors and those most likely to join use the mechanism in 2006 including, - the Dutch, the Canadians, the Nordics, ECHO and possibly Germany and the US - on the conditions under which they would be able to channel their ODA through the fund
- Identification of precedents that have already been set of establishing funding mechanisms for humanitarian operations, which agencies have received funds through this and the lessons learned.
- In such discussions the consultants should consider whether there are any generic issues or arrangements that might be applicable if a similar approach is taken in another country such as DRC.

### **Reporting requirements**

By 30 June 2005, the consultant will produce and present a report of no more than 10 pages plus annexes including 1 page executive summary covering:

- Key operational requirements of the fund, including decision-making processes, minimum level of commitment by the fund, monitoring and reporting arrangements;
- How the fund will relate to the MDTFs for Sudan;
- Additional needs for UNHC's office for managing the fund;
- Process for establishing the fund;
- Recommendations as to monitor the success of the pilot and draw lessons learned from it;
- Annex of notable concerns raised by interlocutors.

**Timeframe**

The assignment will initially be for up to 27 days between 14 March 2005 and 30 June 2005. If more days are required for the assignment, the consultant should contact Ivan Parks for approval.

**Contact Point**

Ivan Parks, Deputy Programme Manager, Sudan Unit, has responsibility for oversight of this assignment.

Sudan Unit

14 April 2005.

Research Team: The research will be led and managed by Judith Randel and undertaken by a Development Initiatives team of Tasneem Mowjee, Tony German and Judith Randel. The work in Khartoum will be done by Tasneem Mowjee.

## Annex 9: List of Documents

*"2005 Work Plan for the Sudan - Funding Proposal"* Office of the UN Resident and Humanitarian Coordinator for the Sudan. DFID 2<sup>nd</sup> Tranche 25 March 2005

*"2005 Work Plan for the Sudan - Funding Overview"* Produced by the Office of the UN Resident and Humanitarian Coordinator for the Sudan 1 June 2005

*"In larger freedom: towards development, security and human rights for all"* Report of the Secretary - General to the United Nations General Assembly, 21 March 2005

*"United Nations and Partners Work Plan for the Sudan 2005"*

[www.unsudanig.org/publications/workplan](http://www.unsudanig.org/publications/workplan)

27 June 2005 *"2005 Work Plan for the Sudan - Sector Contributions by Donor and Project"*

27 June 2005 *"2005 Work Plan for the Sudan - Funding Summary by Sector"*

[www.unsudanig.org/publications/workplan](http://www.unsudanig.org/publications/workplan)

27 June 2005 *"2005 Work Plan for the Sudan - Donor Funding Summary - all of Sudan"* [www.unsudanig.org/publications/workplan](http://www.unsudanig.org/publications/workplan)

27 June 2005 *"2005 Work Plan for the Sudan - Agency Contributions by Donor and Project"* [www.unsudanig.org/publications/workplan](http://www.unsudanig.org/publications/workplan)

27 June 2005 *"2005 Work Plan for the Sudan - Funding Summary by Appealing Agency"*

[www.unsudanig.org/publications/workplan](http://www.unsudanig.org/publications/workplan)

27 June 2005 *"2005 Work Plan for the Sudan - Donor Funding by Assistance Category - All of Sudan"* [www.unsudanig.org/publications/workplan](http://www.unsudanig.org/publications/workplan)

*"Annex G: Standard Memorandum of Understanding between the Participating UN Organizations and the Administrative Agent for pass-through fund management"*

*"DFID 1<sup>st</sup> Tranche - Proposal Summary"*

*"Managing Fiduciary Risk When Providing Direct Budget Support"* Department for International Development Policy Division, Issues Paper Series, March 2002

*"Managing Fiduciary Risk when providing Poverty Reduction Budget Support"* Department for International Development, Policy Division 'How to Note' series, September 2004

*"How to Note - Managing Fiduciary Risk when providing PRBS - Additional Guidance 'Managing the Risk of Corruption'"* Department for International Development, Policy Division 'How to Note' Series, June 2005

*"A Review of Safeguards Against the Misappropriation and Diversion of Aid"* Grogan, F, Baynham, R and Malik A, Department for International Development, National Audit Office [www.nao.gov.uk](http://www.nao.gov.uk)

*"Briefing Note: The ASDI-UCAH Mechanism"* Prepared by the United Nations in Collaboration with the Swedish Embassy, Luanda, Angola, May 1995

*"ACC Guidelines on the Functioning of the Resident Coordinator System"* Approved on behalf of the Administrative Committee on Coordination (ACC) by the Consultative Committee on Programme and Operational Questions at its 15<sup>th</sup> Session, New York, 21 - 24 September 1999.

*"Note of guidance on relations between Representatives of the Secretary-General, Resident Coordinators and Humanitarian Coordinators"* 30 October 2000

"Terms of Reference for an OCHA Field Office"

"Terms of Reference for Sectoral Coordination Darfur Emergency: Sectoral Coordination" 26 June 2004

"Revised Terms of Reference for the Humanitarian Coordinator" 11 December 2003

"Terms of Reference Engagement of Development Initiatives (Judith Randel)" under terms and conditions of call down contract Good Humanitarian Donorship and Analysis of Global Humanitarian Assistance, 14 April 2005

*"Concept paper for the Monitoring & Evaluation Unit in OCHA Sudan"* DaSilva, M, 26 June 2005

*Contributions for Sudan by the Australian Government - May 2004 Onwards*

Emergency Response Fund (ERF)

From the Formal Minutes of the International Development Committee evidence 'Darfur, Sudan: The responsibility to Protect'. *"Reform of the international humanitarian system"* Speech given by the Rt Hon Hilary Benn MP, Secretary of State for International Development, addressing the Humanitarian Policy Group of the Overseas Development Institute (ODI), 15 December 2004.

Standard Memorandum of Understanding between the Participating UN Organizations and the Administrative Agent for pass-through fund management

Memorandum of Understanding between the Department for International Development (DFID), United Kingdom of Great Britain and Northern Ireland and The World Health Organisation (WHO) Regarding UK Contribution to the United Nations 2005 Workplan for the Sudan.

Memorandum of Understanding between the Government of the United Kingdom of Great Britain and Northern Ireland and the United Nations World Food Programme Regarding the UK contribution to the United Nations Workplan for the Sudan.