POOLED FUNDING MODELS: GOVERNANCE SYSTEMS

BRIEFING NOTE

FEBRUARY 2024

ICVA

Table of Contents

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[1] This Briefing Note is mainly based on the extensive document, Pooled Funding Models: Governance Models - A Comparative Study. It should be noted that specific sections of this paper were expanded upon, particularly the definitions and structures of governance, as well as the summaries of each of the pooled fund mechanisms. These additional details are outlined in the annexes.

Introduction

This study was commissioned by ICVA in the context of its efforts to increase the access to and quality of pooled funding for its membership, through a comparison of the governance models of four different types of humanitarian pooled funding mechanisms. The report offers:

- A comparative analysis of four pooled funds' governance models;

- An overview of good practices of governance models, aiming at enhancing access to, efficiency and impact of pooled funds to the benefit of people affected by crisis; and

- A set of recommendations for any future pooled fund.[2]

The study focuses on the following humanitarian funds, chosen for the diversity of the structures and governance models:

- The UNOCHA founded and managed Regional Pooled Fund for West and Central Africa.

- The Sahel Regional Fund (SRF) founded and managed by DRC and FCDO.

- The Global Start Fund, a global NGO membership-based fund.

- The Aid Fund for Northern Syria, administered by a consortium led by Adam Smith International.

In analysing the various governance models of these funds, the study looks both at the history, objectives and scope of each fund, the systems and mechanisms put in place to ensure their effective governance, the drivers which led to each specific approach and the lessons learned.

Methodology overview

The study relied on a mix of primary and secondary data. Primary data collection involved 55 interviews with 45 informants.

Donors	7	Northern Syria	8
UN	8	West/Central Africa Region	14
NGOs	11	West/Central Africa country-based	14
Private Entity	3	HQ/Global	9

Secondary data consisted of a desk review of existing documentation, especially Pooled Funds and SRF strategies, governance documents and manuals, and recent literature on Pooled Funds.

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[2] The full report additionally details specific recommendations around adjustments to the existing governance system of the Sahel Regional Fund.

An Overview of Pooled Fund Governance Structures

Whether or not established as a legal entity, pooled fund mechanisms have in general some form of governance structure. Typically, the function of governance is to ensure that the fund meets its stated purpose, objectives and does so accountably. Governance mechanisms typically include variants of:

- A supreme governing organ(s) or oversight bodies ultimately responsible for the fund.
  - This could include a form of membership-based body and/or governing board if the fund is established as a non-for-profit entity or a foundation, or some of dedicated oversight body if the fund is a hosted entity falling formally under the legal governance of the host.
- Standing or ad hoc technical expert bodies to advise/decide on allocations, strategic direction, funding approaches and the like.
- A management body or entity, providing day to day fund management.

The nature and structure of these various governance functions depends on multiple factors including:

- **The founders:** Who they are, their objective for creating the fund, the envisioned funding gap being met, and their level of engagement in the fund.
- **The legal status:** A separate legal entity or a non-legal entity hosted in a larger institution.
- **The fund manager:** Funds managed within the organization, or funds managed by an independent manager or institution.
- **Geographical scope:** Regional or country based.
- **Donors:** The nature of the donor (government, institutional, private) and their level of risk appetite.
- **Fund recipients:** The relative risk level of the recipients, need for oversight or capacity support, the size of grants.
- **Size and lifespan:** The size of the fund, its age, and the anticipated lifespan.

Generally, whatever the nature of the funds, there are a several common governance principles and tools which are commonly found across humanitarian funds. These include:

- **Search for consensus:** The decision-making process within these structures generally seeks to reach consensus, with the possibility of a vote in case of failure to reach consensus.
- **Stakeholder engagement:** All funds generally seek to ensure key stakeholders are represented in governance structures with various degrees of power, including through specific voting rights, permanent or rotating seats, enabling observer status, or the establishment of larger stakeholder advisory bodies (permanent or ad hoc).

- **Diversity of voices:** Funds tend to look to ensure a diversity of voices and views in governance bodies, including from NGOs and INGOs active in country, ensuring a gender balance in their governance structures and the voice of fund recipients.

- **Grounding of fund decisions on real-time priorities:** Generally humanitarian funds have some form of formalized mechanisms to ensure that funding decisions are based on up-to-date programmatic needs, access constraints and are community-led or -informed.

- **Preventing conflicts of interest:** Critical to the funds' accountability is to ensure that recipient and allocation decisions prevent conflicts of interests, including ensuring that decision making bodies do not include organizations which have submitted (or are eligible to submit) funding applications, bids are anonymized, allocation decisions/recommendations are based on objective score cards, allocation decisions are either kept separate from the board or subject to board endorsement.

- **Strive towards localization:** As per humanitarian policy priorities, most humanitarian funds tend to have a specific mechanism or approaches to advance localization.

The four funds reviewed in this report represent diverse governance approaches and models, driven both by their nature and purpose, while offering best practices/lessons learned across these areas of governance fund commonalities. The following section provides an overview of these unique governance structures, as presented in the report, and serves as a source of ideas and potential precedents for future funds to consider.

Governance Models of Each Fund

The Regional Fund for West and Central Africa (RFWCA)

Launched in 2021 as a pilot, this UNOCHA-managed fund was created to address humanitarian needs in the 24 countries within its scope, with a current focus on 5 countries in the Sahel. Built to complement the Country-Based Pooled Funds (CBPFs), the Regional Fund looks to cover countries not yet covered under a CBPF. Its governance structures and systems are fundamentally the same as those of the CBPFs. The Fund is legally incorporated within the UN's overall legal structure, and therefore does not have a legal personality or need for any formal governance systems independent from that of the UN. The Fund's governance reflects its vision to strengthen and support humanitarian coordination through the traditional humanitarian system. CBPFS are managed by OCHA under the leadership of the Humanitarian Coordinators (HCs) or UN Resident Coordinators (RCs) and in close consultation with the humanitarian community. Advisory committees are established for each fund, and the cluster/sectors are expected to provide advice in terms of potential fund recipients and programmatic needs. Each fund has a certain degree of autonomy to establish its strategic and funding approaches, guided by minimum guidelines established by OCHA headquarters.

Key governance aspects to note:

- **A family of funds approach:** CBPFs are essentially a family of funds founded and managed by the UN system, in large part OCHA. This centralized management of a family of funds can lead to governance efficiencies, while enabling autonomy at country level.

- **Regional approach while maintaining country level funding envelopes:** The RFWCA seeks to ensure a regional perspective and synergies. The OCHA head of regional office is included in the country level advisory boards. To note however that for some this inclusion of the regional office does not go far enough in delivering a regional approach, given that funding is provided through country specific envelopes, without any common objectives and priorities among them

- **Allocation decisions informed by NGOs/UN:** Funding review decisions are advised by "cluster strategic review committees" with participation of INGOs, NNGOs, and UN representatives. Final decisions are vested in the HC/RC, which some have criticized as placing "too much authority in one person".

- **The Advisory Board includes diverse stakeholders:** The HC/RC decision making is supported by an advisory board, which includes donors, UN agencies, INGOs and NGOs. Advisory boards are established at country level and advise on the use of the funding for each country envelop. Advisory Board agrees by consensus.

- **Eligible recipients informed by clusters and NGO networks:** The cluster coordination bodies have a key role in drawing up the list of potential fund recipients. This strong role of the clusters is seen by some as creating conflicts of interest for cluster chairs and members (potential fund recipients) and potentially sidelining local and national NGOs who historically at least have had unequal voice and representation in these mechanisms. To address this concern, NGO networks are now asked to check the list of potential eligible NGOs. To note however that peer recommendations could also lead to conflicts of interest concerns.

- **Advancing localization:** 23% of funding goes to local or national NGOs (2022 data). To advance localization, the fund provides some capacity strengthening support. As previously mentioned, national and local NGOs are members to the Advisory Board and entitled to apply for funding.

The Global START Fund

Launched in 2014, the Global Start Fund was founded and is collectively owned by a group of NGOs (the Start Network) to provide "rapid response funding to under-the-radar small to medium scale crises". The Global Start Fund, is one of a family of Start Funds, including country-based funds in Nepal and Bangladesh. Initially hosted by Save the Children UK, the Start Network registered as a UK charity with the associated required governance structure. Save the Children UK remains however the grant custodian of the Global Start Fund, as well as the employer of the Start Fund secretariat. The Start Network governance serves as the governance mechanism of the Fund. The General Assembly of the Network, composed of all 80+ members, is the supreme governing body. Below the membership there is a Board of Trustees, a combination of members and independent experts including in finance, compliance, and fund management. Funding decisions for the fund are ultimately made by the members by through a series of checks and balances. Eligibility to apply and receive funding is membership based.

Key lessons learned from the Global START Fund:

- **Legal autonomy and independence of the Start Network:** Start Network has its own separate legal entity with governance mechanisms and secretariat separate from any one member or founder. This enables the Network (among other advantages) to create fit for purpose governance structures independent from any one member. To note however that Save the Children still legally administers the Fund and is eligible to apply and receive funding from the Fund.

- **Equal votes of all members:** Established as a club of members, all members are given an equal vote in the Assembly, the supreme governing organ of the Network. Providing a fundamental equality of INGOs/NGOs within the structure.

- **Independent experts and membership voices in governance:** The Board of Trustees of the Network combines independent experts with member representation, ensuring that board deliberations and decisions represent members interest and benefit from specific key governance related skills, including finance, compliance, and fund management expertise. Members' voices are in addition included in the Start Fund Committee which oversees the management of the fund, approves allocation decisions, and advises the board on strategic issues.

- **Donor oversight over risk donor's voices** are heard through the Start Fund Council which has been delegated governance oversight over risk management, critical to donors' interest. The Council endorses annual Start Fund policies. The Start Network also has a Finance & Audit Committee and a Risk & Compliance Committee.

- **Outsourced data collection and ad hoc selection committees:** Start Fund has partnered with an independent assessment body, "ACAPS" to ensure that funding decisions are in line with ground realities. Funding decisions are also advised by ad hoc project selection committees at country level, who consider anonymized proposals. Members of the ad hoc committees cannot submit funding requests, to avoid conflicts of interest. This anonymisation and inability for members to review their own proposals including Save the Children, enables Save the Children to apply itself for funding.

- **Efforts to increase localization:** Tiered membership criteria have been included to encourage membership among local and national NGOs, and specific country-based funds have been created. 56% of the membership of the Start Network are local and national NGOs. Funding to local and national actors is largely done through the country- based funds.

The Aid Fund for Northern Syria

The Aid Fund was established in 2022 to "maintain the continuity of flexible multi-donor humanitarian assistance to Northern Syria". The governance structure is built on a logic of a partnership of donors which delegate the governance of the fund to representative Governance Board composed of donors, INGOs and NGOs who are asked to make decisions by consensus. The Board is responsible for the full governance of the fund including approving the funding allocations. If consensus is not reached then the donors step in, in the form of the Partnership Board either to find a consensus or validate the decisions taken. The actual legal status and fund management is outsourced to a consortium led by Adam Smith International, contracted by FCDO. Adam Smith International both manages the fund and presumably assumes its legal liability. Grant Submission are reviewed by a Strategic and Technical Review Committee formed ad hoc for each allocation, including technical experts from Adam Smith, consultants and cluster representatives.

Key lessons learned from the Aid Fund for Northern Syria:

- **A strong, independent chair with no voting power and strong external presence:** The appointment of an independent chair with a strong external presence (and not voting power) was seen as a success factor of the fund.

- **Neutral independent secretariat:** Delegation of the management to a consortium of neutral third-party entities who cannot be fund recipients, was put in place to ensure both a neutral "secretariat" with the skills necessary ensure effective fund management. The fund management expertise is also brought into the review of grant submissions.

- **Ultimate power rests with the donors:** Whereas the donors, delegate the governance to a Governing Board composed of donors, NGOs, and INGOs, the donors through the Partnership Body maintain control in case consensus at the Board level cannot be reached. It was highlighted that providing donors the final say, was driven by the newness (translated into an elevated risk factor) of the fund and need to ensure donor continued support. These specific powers of the partnership board – were created as well to avoid the establishment of veto powers which were deemed culturally sensitive.

- **Board with equal representation of INGOs, NGOs, and donors:** The board is equally composed of INGOs, NGOs and donors, elected by their own constituencies, ensuring that the key humanitarian actors and fund recipients effectively have a governance voice. To be noted however that donors observers are welcomed with no maximum numbers.

- **Grants determined based on individual expert advice:** The Strategic and Technical review committees include individual experts engaged in humanitarian response in Syria, including experts from the fund management and the engagement of cluster leads, to provide ground realities. The Board, however, maintains a final say over allocations.

- **Efforts to increase localization:** 72% of the funds go to local and national actors (to date). Funding is provided based on six tiers of relative risk with grants between $500,000 and $5 million. Good grant performance enables movement between tiers.

The Sahel Regional Fund

The Fund was launched in 2022 to provide funding to for protection and humanitarian needs across the Sahel and Lake Chad Basin, including taking account cross broader and regional dynamics. The fund was essentially founded and governed as joint venture between DRC and FCDO. FCDO is currently the sole funder. The fund is legally **managed and hosted by DRC**, who has deemed itself ineligible to receive funding from the Fund, due to a conflict of interest. The Fund has a **Governing Board**, on which DRC and the fund donors, (currently only FCDO) have permanent seats, and 5 INGOs and 3 NGOs have rotating seats of 18 months with ICVA as an observer. The board notably approves the Fund's strategy, frameworks and project proposals. Proposals are evaluated by an **Evaluation Committee**, composed essentially of DRC and FCDO technical experts. (Additional expertise can be brought in if needed).

Key lessons learned from this structure:

- **Regional focus:** The fund mechanisms including representative staffing from both regional and country offices of DRC looks to ensure that regional challenges and cross-border synergies are addressed.

- **Strong voice of DRC and FCDO:** The founders, especially DRC are highly engaged and exercise a strong oversight of the fund. DRC and FCDO are the two permanent members of the Board, and the sole permanent members of the Evaluation and Grievance Committees. Both hold veto powers on the Board. In addition, DRC is the legal representative and ensures the management of the fund. Given the strong role of DRC in all levels of governance and management, DRC has deemed itself ineligible to receive funding for the Fund. (Different from the Save the Children and Start Fund dynamic).

- **Representation numbers of NNGOs /INGOs on the board:** The Board is composed of 6 INGOs including DRC and 3 non-permanent NNGOs, plus the donors (currently FCDO).

- **Funding consortiums with INGOs in the lead:** The first round of funding has been allocated to consortiums led by INGOs, some of which currently serve as Board members. The NGOs applying for funding are evaluated by DRC and FCDO. The Board approves the project proposals based on anonymised data.

An Overview of Good Practices

Through their differences, the four funds chosen for this study offer several good practices. It is important to note that the impact of these practices has not been formally evaluated. These practices were drawn from a combination of literature reviews and interviews conducted, relying on the insights and experiences of humanitarian professionals. While some of these practices may be highly relevant in their specific contexts, their impact might vary when applied in different settings.

Participation

Decision-making structures that closely reflect the realities on the ground, involving humanitarian actors operating in all affected areas, provides a better understanding of real-time priorities, access capabilities, and preferences of the affected population. These should be inclusive and reflect a diversity of perspectives.

Frequent rotation of members of decision-making structures is encouraged; selection by their peers enhances representation and legitimacy.

The collective character of participation should also extend to means of redress that all participants can activate. Creating a dedicated culture around the fund, one strongly built on consensus, is also good practice.

Project review and selection

Processes that are transparent and well-defined to clearly justify project choices are recommended.

Frameworks and processes should accommodate different situations to avoid exceptions that would erode confidence in the Fund.

The fact that members serving on review committees are distinct from applicants and board members too is also to be considered as a good practice as it upholds independence. Lastly, review committees composed of a variety of profiles and backgrounds are considered more legitimate.

Quality

Strong M&E frameworks, including external M&E down to the local level is considered as a good practice, especially when conducted by entities with direct access and in-depth knowledge of specific areas and local dynamics.

It is key for individuals familiar with the context to be involved in decision-making processes. The pooling of expertise found in pooled funds can be leveraged to identify improved methods to integrate insights obtained through M&E in subsequent project phases and allocations, as well as sharing these findings with other stakeholders.

Accessibility

Information-sharing about the funds and the allocation processes at all steps, via diverse communication channels, is essential. Information provided through country or regional working groups and fora, as well as through meetings with constituency representatives, is also flagged as good practice.

Localization

Pooled funds can promote equal participation of L/NNGOs in their governance, facilitate NNGO's access to funding via a tiered due diligence model rather than a binary pass/fail approach, harmonize tools and requirements, implement capacity-building plans, and accompany allocations with parallel incentives such as capacity-strengthening.

Collaboration

Incorporating consultations with a diverse array of key stakeholders to inform the strategic positioning of PF allocations, encompassing geographic priorities and addressing unmet acute needs.

Recommendations

Building on the diversity and lessons learnt from each fund, along with the best practices observed across them, there are several recommendations that can be emphasised for any future pooled fund.

1. Pay attention to the composition of governance and advisory bodies

The Board and advisory body composition is an essential instrument to the legitimacy and trust of a pooled fund governing structure. Key elements could include:

- The importance of balancing independent expertise with membership voices (as seen in the Global START Fund).

- A strong, independent chair with no voting power and strong external presence (as seen in the Aid Fund for Northern Syria).

- A collective last resort mechanism to ensure risk control and provide a balanced power structure in the case of multiple donors.

- Ensure equal seats between different stakeholders, especially if both represent potential recipient organizations.

- Ideally ensure that representative board seats are elected from the communities they represent (NGOs – selected by the NGO networks for example).

- Ensure all key stakeholders are given a voice in some form.

2. Promote the link between countries and regional entities within governance structures

For regional funds, the regional dimension holds inherent value but also presents unique challenges that should be acknowledged and addressed. Key elements to address challenges include:

- Individuals with the best knowledge of local realities should have the opportunity to influence fund allocations, ensuring the fund remains closely connected to the affected populations.

- The mix of both regional and country expertise at fund strategic and grant/allocation levels.

- Develop a detailed communication plan that allows information to reach the widest group possible of in-country actors and across regions.

- Triangulation is important to ensure alignment between regional strategies and field-level concerns and avoid overlaps between new and existing projects.

3. Reinforce integration within the wider humanitarian system

Complementarity between and across funds can achieve considerable outcomes for affected populations. Key elements to facilitate this include:

- Allocation priorities could be defined in wider consultation with other actors within the humanitarian system.

- Coordination is ensured among funds at the strategic level.

4. Mitigate conflicts of interest

Perceived or actual conflicts of interest are essential to tackle for any pooled fund to ensure both the legitimacy of the fund and its effectiveness. Key options to achieve this include:

- Entrusting the Fund's management to humanitarian actors uninterested in the type of funding it offers.

- Ensuring the fund is managed by a neutral and independent secretariat, with expertise in fund management.

- Ensure the grant review committees include technical experts, not necessarily only associated with international coordination mechanisms.

Implementing risk-mitigating adjustments if the hosting INGO is able to apply for allocation envelopes, including ensuring host entity is not in the fund review committees, grant applications are anonymised when brought to the board level, grant applications are reviewed as per an objective score card approach.

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