

Capacity Building Fund

CHF 2,000,000

Programme No. 01.70/2000

The Capacity Building Fund (CBF) is a new initiative to provide the Federation with the necessary flexibility to finance priority National Society capacity building activities included in the *Building Capacities* section of this Appeal. The Fund will be used to finance planned programmes which do not attract adequate earmarked funding from donors.

The majority of development-related programmes within the Federation have traditionally been financed on a bilateral basis between participating (donor) National Societies and operating National Societies, and funding has usually been earmarked for specific sectoral projects. During the 1990s, some donors have covered wider capacity building components, but few have taken a holistic approach to addressing the overall development needs of the National Society concerned. Donors have also provided funding for Federation initiated development programmes, but this has usually also been earmarked for specific country projects, or for modest programmes at the regional level.

There are a variety of reasons why many priority National Society programmes do not attract adequate funding. Certain National Societies may be from countries that simply do not have traditions of close relationships with the major donor countries. Others may not attract funding support because of the policies or actions of their governments. The financial needs of others may be too small to justify the type of administrative expenditure required by a donor National Society or government. With a mandate to serve all its member National Societies, the Federation must continue to secure funding that can help to fill the gaps left by traditional earmarked project funding.

The programmes presented in this *Building Capacities* section are all based on the Federation's new regional and country assistance strategies, which summarise the priority areas for longer term support to National Society capacity building programmes. While it is anticipated that most of these programmes will still be financed by directly earmarked voluntary contributions, the CBF will be promoted with potential donors as a funding mechanism that will permit the Federation to ensure that other deserving proposals nevertheless receive support.

The CBF marks a revival of the Federation's Development Fund which operated during the period 1991 - 1995 and provided small-scale grants for start-up costs for National Society capacity building activities or other projects of an exploratory nature. An evaluation of the Development Fund concluded that for the most part it had been a useful resource, but also had a number of weaknesses. These included limited impact due to the small size and one-off nature of the grants, the administrative process required to seek support, and the lack of an overall strategy for mobilising resources for the Fund.

A further limitation was the Fund being structured as an endowment fund, utilising only the interest gained from a static capital sum. This type of traditional approach was not attractive to donors, particularly government agencies, which did not wish to see large amounts of their contributions tied up unproductively to earn interest rather than being actively used for development purposes.

To avoid such pitfalls, a CBF committee will be established, utilising an expanded version of the Tripartite Advisory Group and bringing together donor country National Societies and governments to build donor support and provide guidance for the Fund.

How It Works

Response to the programmes in the *Building Capacities* section will be carefully monitored. Those programmes which receive inadequate funding or no funds at all will be eligible for CBF support.

Decisions on allocations will normally be taken on a quarterly basis, according to criteria approved by the Federation's senior management.

All programmes supported by the CBF will be reported on according to the Federation's minimum reporting standards.

The CBF will be funded by non-earmarked contributions from National Societies and governments on an annual basis. The small minimum capital available from the former Development Fund will be kept to ensure that commitments entered into can be respected.

The CBF committee will meet twice a year to review the operations of the Fund, and to provide guidance for its future development. As confidence and familiarity with its operation increases, it is hoped to build up support from a wide circle of National Societies and donor governments, as well as from the private sector.