

Summary

While humanitarian requirements have tripled over the past ten years, the funding target of the Central Emergency Response Fund (CERF) has remained constant at \$450 million since the Fund's inception in 2006. Two independent studies examined whether CERF needs to be revised to remain fit for purpose. This paper provides a summary of the two studies. Thus the views expressed here are those of the consultants that conducted the studies, not necessarily of the CERF secretariat, OCHA or the UN. The studies find wide support for a larger CERF to help fill the humanitarian funding gap, as long as the Fund remains focused on life-saving humanitarian action. Donors, UN agencies, and other stakeholders that were consulted generally believe that funding should be additional, that an expansion of CERF should not be tied to any changes that undermine the good standing of the Fund, and that any new funding target should be realistic and achievable. Respondents were in favour of greater openness to early action and greater flexibility between the Fund's two windows for rapid response and underfunded emergencies. Using assessed contributions to fund a larger CERF could improve predictability and sustainability of CERF funding. Yet, consulted Member States favoured a continuation of the current humanitarian financing practice, and showed little support for assessed contributions.

Context

OCHA regularly reviews whether the humanitarian pooled funds it manages – CERF and country-based pooled funds (CBPFs) – continue to be fit for purpose or need adjustments. In light of growing needs, and encouraged by its partners, OCHA decided to assess opportunities for an expansion and/or revision of CERF. As a first step, OCHA commissioned two independent studies, one exploring if and why CERF should potentially increase its funding target and the other to examine the feasibility and viability of using assessed contributions for an expanded CERF. The studies were conducted by independent consultants – Barnaby Willitts-King and Edward Tsui – and do not necessarily reflect the views of the CERF secretariat, OCHA, or the UN. They are available on the CERF website.¹

The number of people affected by humanitarian crises has almost doubled over the past decade and global humanitarian requirements have tripled.² At the same time, the gap between global humanitarian requirements and funding has increased.³ While requirements tripled, appeal funding did not keep pace and only increased two-and-a-half times.⁴ Thus, while donors contributed a record \$10.5 billion to humanitarian appeals in 2014, the funding gap increased from 33 per cent in 2005 to 40 per cent in 2014.

The CERF's annual funding target has remained at \$450 million. And while the Fund has exceeded the target in three of the last four years, the annual funding levels have not kept pace with growing global humanitarian needs. As a consequence of increasing needs and a constant funding target, annual CERF contributions, as a share of total humanitarian funding, have almost halved from 3.5 per cent in 2008 to 2.1 per cent in 2014.

Still, the studies found that CERF plays an important role and remains a significant funding channel both in terms of volume and its comparative advantage in responding in a timely and strategic way to rapid onset, rapidly deteriorating, and underfunded crises. CERF has evolved into a mature funding instrument with its own institutional culture, and a strong reputation among the humanitarian community. For UN agencies, CERF provides additional funds with low transaction costs and a degree of predictability. Member States consider CERF to be simple, focused, well managed, flexible, and quick.

¹ www.unocha.org/cerf. This note reflects the findings of the studies, using quotes from the two reports and paraphrasing them.

² From \$5.2 billion in 2006 to \$18.7 billion for 2015, Financial Tracking Service as of 16 March 2015, <http://fts.unocha.org>

³ This and the following paragraph reflect findings in the studies that have been updated with more recent data.

⁴ \$10.8 billion in 2014 compared to \$4 billion in 2005, Financial Tracking Service as of 16 March 2015, <http://fts.unocha.org>

A CERF for the future

Both studies found broad support among the consulted recipient UN agencies, donors, and other stakeholders for an increased funding target for CERF to help fill the funding gap and respond to increasing humanitarian needs.

Stakeholders also listed caveats and concerns, which should be taken into account for an expanded CERF:

- A larger CERF should be just as simple, focused, well managed, flexible and quick as CERF is now, and a larger Fund should not be tied to any changes that could undermine its good standing
- Among those interviewed, it was of utmost importance that an expanded CERF should focus on life-saving action and continue to be guided by its 'life-saving criteria'
- A new funding target should be at a level that is realistically achievable
- Donor contributions to a larger CERF should be additional rather than re-allocated from other recipients
- There is uncertainty over where the additional funds would come from, and CERF's major donors are reluctant to fund an increase themselves. They have advised CERF to seek additional support from other potential donors.

Strategic Study

The 'strategic study', which explored if and why CERF should increase its funding target, presents different options for what a larger CERF could achieve: It could fund more emergencies or fund more projects and cover a larger percentage of the needs in the type of emergencies for which it currently provides funding. It could fund a larger number of smaller, low-profile emergencies, which often struggle to attract other funding, or it could increase the funding level of regional allocations to increase impact and to avoid spreading funds thinly across multiple countries. A larger CERF could also systematically fund a greater proportion of individual projects in any given crisis, reducing dependence on other funding sources and thereby facilitating uninterrupted programming (CERF's current policy is not to fund a project entirely). All these options would build on the way CERF currently works, rather than introducing drastically new ways of doing business, and most interviewees were in favour of such incremental changes.

A small proportion of stakeholders interviewed identified the need for more radical change to CERF by opening different funding windows to address specific issues such as preparedness, health emergencies, or NGO access. The rationale given for opening additional windows was considered to be a way to attract more funds. However, given competition for funding, the opposite could also happen. Overall, most interviewees were not in favour of creating new funding windows and recommended CERF to retain its focus on life-saving humanitarian action instead.

The strategic study finds general support among stakeholders for greater flexibility of funds between the two CERF windows for rapid response and underfunded emergencies. This would make CERF more responsive and flexible, and assist with better responses to both protracted and neglected crises. (Currently, as per General Assembly resolution, two-thirds of the funding is to be allocated via the rapid response window and one-third via the window for underfunded emergencies.)

Many stakeholders agreed that an expanded CERF should show greater openness to fund early action to improve the immediate response without undermining CERF's focus on life-saving action, e.g., a higher CERF funding target could create the space for a slightly broader interpretation of early action as a time-critical response and more early action projects could be funded. However, it would be crucial to develop clear guidance that would provide specific examples of the types of activities that could be considered and the criteria for funding, with clear triggers or indicators to assess eligibility.

Such a modification would need to be part of refocusing CERF on a risk management approach, for instance, by requiring consideration of risk management approaches in the funding application template. For example, it may include how the life-saving response has been planned as part of an analysis of key risks with a wider range of actors, and how the life-saving activities link to recovery and development.

CERF could also ensure that the activities it funds are better linked to risk reduction, preparedness, and recovery, without funding these areas directly. An additional window for preparedness was not considered appropriate. In fact,

there was near consensus among those consulted that CERF's narrow focus on the life-saving criteria was critical to its success, and there was very little appetite for CERF to expand its remit beyond actions focused on saving lives and relieving suffering.

The study recommends further exploring CERF's role in responding to Level-3 and other mega crises. Findings on the merits of a new or revised fund for such crises were inconclusive, including with regard to CERF's role. A substantial share of CERF funding already goes to L3 crises, before and after an official L3 declaration. A larger CERF could scale up CERF's response to these crises and inject more funds to help reduce shortfalls. In contrast, ring-fencing funds for L3 crises would risk reducing flexibility and holding back funds which could be used to address current needs rather than potential future ones in an L3 crisis. Yet, should a separate L3 funding window be established, the study notes that CERF would be well placed to manage it, given its structures, capacity, and expertise.

The study explored what a potential increased funding target for CERF could be, and suggests that a useful way of looking at this would be an incremental approach by considering a list of actions that CERF could achieve with different levels of increased funding. To serve as a basis for discussions, the study suggested the following provisional funding ranges and activities:

- With a funding target \$100 million-200 million higher than the current \$450 million, CERF could give larger grants to existing crises and make additional/greater regional allocations.
- With an extra \$250 million-350 million, CERF could additionally increase initial allocations to large-scale (L3) emergencies to \$75-\$100 million, increase support for ongoing crises with flexibility between the windows for rapid response and underfunded emergencies, and expand funding of early action through defined criteria.
- With an additional \$400 million-500 million, CERF could increase initial allocations to large-scale (L3) crises to \$100 million-150 million, in addition to the actions listed above.

Contributions Study

Assessed contributions to the regular budget of the UN by Member States are determined on the basis of a scale recommended by the Committee on Contributions and decided by the General Assembly. For peacekeeping operations, the scale of assessments is different, with larger quotas for the five permanent members of the Security Council. Both the regular and the peacekeeping budget have grown substantially over the past decade.

The study suggested that funding a larger CERF through assessed contributions would reflect the collective responsibility of Member States to humanitarian assistance and the critical importance of humanitarian aid to peace and security. It would reconfirm that humanitarian assistance is a core function of the UN system, reinforce the central role of the UN in providing leadership and coordination of humanitarian aid, and further empower it to ensure an impartial and needs-driven approach to humanitarian assistance. It would provide predictability and sustainability of CERF funding, and result in more evenly distributed support from Member States.⁵ Yet, the 'contributions study', which examined the option of using assessed contributions for a larger CERF, finds little support among the small sample of consulted Member States to have an increased CERF be financed, or partially financed, by assessed contributions. Instead, Member States preferred a continuation of the current humanitarian financing practice and to fund disasters and emergencies, particularly large crises, on a case-by-case basis.

A number of Member States pointed out that their governments most likely will cut back their voluntary contributions to CERF if they have to fund it through assessed contributions. However, major contributors to CERF have also indicated their difficulties to increase substantially funding to a strengthened CERF if it is to be funded from voluntary contributions. They advised OCHA to seek additional support from other potential donors, including the Gulf and BRICS countries.

⁵ In 2014, the top-10 CERF donors provided 95 per cent of its income while the top-10 contributors to the UN regular budget covered 68 per cent.

Should a larger CERF be funded from assessed contributions, OCHA would need to find an arrangement so that the flexibility and quickness of CERF would not be compromised, while maintaining the Fund's accountability. This is important given the tendency of the Fifth Committee of the General Assembly and the Advisory Committee on Administrative and Budgetary Questions (ACABQ) to engage in reviewing financial details of all activities funded from assessed contributions. The Fifth Committee and ACABQ could recommend monitoring and other accountability measures to the General Assembly regarding the management of the CERF, and could request additional reporting and information related to CERF-funded action, thereby causing delays to emergency disbursements.

While UN agencies that receive CERF funding could continue to charge indirect programme support costs (currently limited to 7 per cent), no additional indirect costs could be charged to activities funded from assessed contributions. Thus, OCHA and the UN Secretariat would have to find ways to cover the costs of support activities currently funded via an additional 3 per cent in programme support costs charged on incoming contributions.

The study presents four options for funding a strengthened CERF from assessed contributions:

1. As part of the regular budget of the United Nations and the use of its scale of assessment accordingly. This could be difficult due to pressures from Member States to reduce the regular budget.
2. As a separate assessed contributions mechanism similar to peacekeeping operations while using the scale of assessments of the regular budget. In contrast to option 1, this would insulate CERF funding from the bargaining in the Fifth Committee and pressures to reduce the regular budget.
3. As a separate assessed contributions mechanism, using the scale of assessments of peacekeeping operations. This option would entail greater burden for the five permanent members of the Security Council.
4. As a separate assessed contributions mechanism, similar to the Tribunals, with a hybrid scale of assessments composing 50 per cent each of the scale of assessments of the regular budget and peacekeeping operations.

OCHA could consider seeking assessed contributions only for immediate system-wide response to “mega emergencies” (i.e. Level 3 and similarly large emergencies), while increases needed for other activities continue to be funded by voluntary contributions. This option has the advantage of establishing a more direct link to the maintenance of peace and security and a clearer and simpler rationale for requesting assessed contributions on the basis that the UN is the only organization that can ratchet up a quick and comprehensive response to mega emergencies, particularly conflict-related emergencies.

Since CERF was set up by a General Assembly (GA) resolution, any official increase to the target size of CERF would require a GA decision, regardless of whether the increase is to be funded from voluntary or assessed contributions. The process leading to a decision of the GA to strengthen CERF would take time. The 2016 fall session of the GA would be appropriate for the Secretary-General to make a proposal for consideration, and hopefully, adoption by the GA. A decision by the GA to fund an increase of CERF from assessed contributions should be taken by consensus. The World Humanitarian Summit in 2016 could also be an opportunity to discuss or endorse the strengthening of CERF.

Consultations

The CERF secretariat will consult all relevant stakeholders on the two studies, and has created a consultation plan for this. The reports have been shared with CERF's donors and with aid agencies via the Inter-Agency Standing Committee (IASC), and they are available on the CERF website.⁶ Emergency Relief Coordinator, Valerie Amos, briefed Member States on the CERF review on 25 March 2015. Deputy Emergency Relief Coordinator Kyung-wha Kang presented the reports to a meeting of Nordic donors, also in March. The studies were presented and discussed in a meeting of the IASC Humanitarian Financing Task Team on 30 March, followed by the discussion at the CERF Advisory Group in May. Based on these consultations, OCHA will develop an action plan to follow up on the outcomes.

CERF secretariat, 4 May 2015

⁶ <http://www.unocha.org/cerf/partner-resources/evaluations-and-studies/external-reviews/studies-on-the-added-value-of-a-reformed-cerf>