

Humanitarian
Outcomes

Independent Review of the Underfunded Emergencies Window of the Central Emergency Response Fund (CERF)

An independent team of professionals providing evidence-based analysis and policy consultations to governments and international organisations on their humanitarian response efforts.

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Executive summary

The processes behind the CERF Under-Funded Emergencies (UFE) window, and more specifically the country selection processes for CAP and non-CAP countries within it, are fundamentally sound. As such, there is no need to replace or to significantly re-model them. A major reboot of functioning systems would also risk undermining the genuine sense of collaboration and ownership of the process built through the various iterations and adjustments made since its inception. Not least because decisions made by the CERF are required to be immediately defensible, the selection processes provide a solid model for evidence-based funding allocation, worthy of consideration for adoption by donors who operate from a global level analysis. In commissioning this study, however, the CERF secretariat acknowledges that neither process is perfect and should be open to continued improvement.

The CERF is a tool of the UN-led humanitarian system, and works for and through this system. As noted in previous evaluations of humanitarian reform, any analysis of CERF processes becomes a frame through which existing weaknesses within the system come into focus. In the analysis of the UFE window, two broad sets of challenges become apparent: first, the data on which the country selection process is based may be the best available, but is beset by a number of acknowledged weaknesses; second, actors with a voice within the system, be they UN agencies, RC/HCs or OCHA desks, differ in their capacities to engage in the CERF process, and furthermore each has to balance the inherent tension between common and self-interests.

Ultimately, this review concludes that there is no superior alternative for country selection that is either purely quantitative (based solely on objective data), or purely competitive (based on agency capacity and influence). As such, it concludes that the methodologies for country selection should continue to consist of multiple 'layers' and rounds of analysis using the best available data, and in conjunction with subjective views from informed sources who are the most 'honest brokers' in the system, to compensate for poor quality and gaps in data.

Allocations from the UFE window have always taken place twice per year and are timed to coincide with the CAP launch and mid-year review. The fact that funding data is not fully reported at the time of the first round means that allocations are based on a reasoned estimate of the potential for underfunding of agency programs. Such estimates are founded on the belief that major donors behave in a predictable fashion in chronic emergencies. To a certain extent, it has to be acknowledged that the broader humanitarian system perpetuates a status-quo whereby pre-existing presence of humanitarian agencies is a key factor in determining where humanitarian response will be directed, and an ongoing presence is sustained on the basis of early indications of availability of funding. Since the CERF functions as a UN-owned tool of this system, it is unsurprising that there was universal support among the UN agencies for the continuation of the two round model, including the current weighting towards the earlier allocation. **Ultimately, the study team supports the continuation of the two-round approach, including weighting.** Despite the weakness in the dataset at time of the first round, the CERF Secretariat has settled on an optimal model for supporting the system in its current configuration.

It is a more general weakness that the current UFE does not solicit the views of INGOs at the global level. INGOs have largely disengaged on the CERF, for the obvious reason that they have no access to it. Whether the UFE window would be an efficient mechanism to deliver greater levels of funding to INGOs working independently from UN agencies is questionable. The lack of formal engagement from non-UN actors, however, undermines the broader aim of the CERF to be an inclusive and transparent mechanism.

Finally, the study concluded that where the UFE and Rapid Response (RR) windows of the CERF are inevitably deployed in the same operational context, the most obvious application of the life-saving criteria effectively means that both windows will be drawn to the same immediate and urgent priorities, given a fair and inclusive process. The logic that the UFE window should be set aside in these circumstances has been refuted in country studies for the CERF's Performance and Accountability Framework. Their argument holds that levels of funding deficit are calculated on projects within the CAP. As such, there was a strong feeling that the CAP priorities should not be automatically overridden by new events or analysis in a reactive manner. This does not imply the application of different criteria for each window, simply an acknowledgement that the life-saving criteria can be applied for chronic, as well as acute need.

Although there is a limit to the extent to which changes in the CERF could effect change in the system as a whole, the additional recommendations of this review focus both on how the UFE process can be strengthened, and how it can maximize the leverage it has to improve the broader system. They include:

- Increasing the transparency and objectivity of the UFE process through the inclusion of INGOs in the country selection process. This could involve engagement with the major operational INGOs and their main coordinating bodies around the construction of an annual, collective position on priority, forgotten crises. A credible, evidence-based position on country vulnerability and funding could be considered as one additional 'under-funded' vulnerability tool to feed into the CERF process. Since this would not lead to direct funding from the CERF, such a tool would have to be seen as having a broader function as an advocacy tool for other donors.
- This could involve soliciting a consensus from the INGOs main coordinating bodies around priority, forgotten crises, and integrating this as an additional layer of analysis to inform the allocation decisions.
- Proactively developing and promoting improved means and higher standards for reporting to FTS, working with agencies and donors in both a support and advocacy role, to improve the evidence base for UFE decisions

Informants for this study showed strong and ongoing support for the original intent and purpose of the UFE window. The funding analysis supports the conclusion that the CERF, in conjunction with country level pooled funding, has assisted in diminishing disparities and imbalances in funding since its introduction. The overarching conclusion, therefore, calls not for a redesign of the mechanism, but rather a reinforcement of the necessary elements to enable the best use of it.

1 Introduction

Background and objectives of the study

OCHA commissioned this review in response to concerns raised in the five-year evaluation of the CERF of ‘a persistent gap in knowledge of and breakdown of communication regarding the country selection and apportionment process at the field level’ and its recommendation that the CERF ‘develop a process for Underfunded Emergency (UFE) envelopes that promotes more effective and efficient use of CERF funds.’ (Review Terms of Reference, Annex 1) The evaluation’s recommendation does not necessarily follow from its finding. The gap in knowledge and communication breakdown indicate only that the process is not yet well understood, not that it is necessarily lacking in effectiveness or efficiency. Nevertheless, there is value in revisiting the logic and mechanics of the process to determine if it ‘ensures that UFE funding goes to the most deserving countries.’

This review was therefore designed to re-examine the process to ensure the methodology results in allocations being made to those emergencies most in need of supplemental funding support, and to better promote transparency and clear communications at all stages of the process.

Objectives of the review

The objectives of the review are laid out in the TOR for the study, a full version of which is at Annex 1. The overarching question for the study is as follows:

“Is the current methodology for country selection and apportionment of the CERF Underfunded Emergencies Window the most appropriate, or are there alternative methods worth pursuing?”

The study seeks to answer the following questions related to the current methodology for country selection:

- What are the benefits and limitations of the current country selection and apportionment methodology?
- Is the methodology and criteria for Consolidated Appeals Process (CAP) country recommendations—carried out by the CERF Secretariat and relevant OCHA sections—appropriate and transparent? Can alternative methods be identified?
- Is the methodology and criteria for non-CAP country recommendations—carried out by the headquarters of UN agencies and IOM—appropriate and transparent? Can alternative methods be identified?
- Is the data used (funding information and vulnerability indexes) sufficiently relevant and informative to inform the Emergency Relief Coordinator’s (ERC’s) decisions?
- Are the appropriate stakeholders consulted during the process and at a suitable time? Is the appropriate consideration/weight given to different stakeholder’s inputs to the decision?
- What should be the role of Resident and Humanitarian Coordinators (RC/HCs) or Humanitarian Country Teams (HCTs) in the country selection process, in particular for the countries without Consolidated Appeals (CAPs)?

Although there are a number of common issues, the study treats the methodologies for CAP and non-CAP countries separately.

Research Methods and Approach

To answer the above questions the researchers undertook a desk-based study that entailed a review of relevant documentation, key informant interviews and a financial analysis. The document review included the 2009 OCHA internal review of the same issue, a full UFE country selection documents for 2011 and the first round of 2012, and country studies under the performance and accountability framework (PAF). Thirty-six key informant interviews were conducted with: staff of the CERF Secretariat in New York, relevant OCHA staff in Geneva (including the CAP and FTS section), CERF focal points from UNICEF, IOM, UNPFA, UNHCR, WHO, WFP and FAO. The financial analysis reviewed CERF allocation figures provided by the CERF Secretariat as well as global humanitarian funding figures from FTS, and looked at volumes, distribution and timing issues.

2 Aims and achievements of the Under Funded Window

The Under Funded Emergencies (UFE) window was designed to fulfill one of the two primary goals of the CERF: to make funding for emergencies more equitable and less contingent on donor predilections.

“CERF underfunded grants are provided in order to promote an equitable response to humanitarian crises worldwide. They are not meant to substitute for voluntary contributions from donor governments, nor replace Consolidated Appeals or other traditional funding channels. Instead, CERF underfunded grants should mitigate the unevenness and slowness of the voluntary humanitarian contributions system by targeting emergencies that have not attracted or are unlikely to attract sufficient and timely funding for life-saving activities. CERF grants to underfunded humanitarian activities should enable better coverage of or the continuation of core humanitarian or life-saving activities.”¹

The UFE window, like the Rapid Response Window (RRW), is only available to UN agencies and IOM (referred to collectively hereafter as ‘participating agencies’). The largest agency recipient of CERF UFE funding, in terms of dollar amounts over the past six years, has been UNICEF (\$220M), followed by WFP (\$184M) and UNHCR (\$103M), with every other agency totaling in the tens, not hundreds, of millions. In terms of the numbers of individual CERF allocations, the most frequent agency recipients are, in order: UNICEF, WHO, UNHCR and WFP. This distribution of volume and frequency has stayed largely the same, year by year, over the course of the CERF’s existence.

Table 1: Amount and frequency of CERF UFE allocations by agency, 2006-2011

| Agency | CERF UFE allocations 06-11 | Sum total of allocations 06-11 |
|------------|----------------------------|--------------------------------|
| FAO | 96 | \$79,720,735 |
| IOM | 57 | \$31,324,535 |
| OHCHR | 1 | \$146,494 |
| UN Habitat | 4 | \$883,044 |
| UNAIDS | 3 | \$775,496 |
| UNDP | 41 | \$12,362,013 |
| UNDSS | 2 | \$498,688 |
| UNESCO | 2 | \$211,053 |
| UNFPA | 95 | \$28,105,092 |
| UNHCR | 132 | \$102,773,218 |
| UNICEF | 287 | \$220,315,247 |
| UNIFEM | 2 | \$216,340 |
| UNOPS | 6 | \$1,729,997 |
| UNRWA | 2 | \$1,872,312 |
| WFP | 131 | \$183,918,875 |
| WHO | 148 | \$75,284,459 |

Source: figures from CERF Secretariat

Voluntary funding contributions to the humanitarian system will naturally flow in greater amounts from the wealthiest donor governments and to the emergencies in countries where those donors have political interests, geographic proximity, or historical ties. In the first years of its existence, the CERF, together with the country

¹ UN OCHA (2010) CERF Underfunded Emergencies Window: Procedures and Criteria. Retrieved from: ochanet.unocha.org

level common humanitarian funds has already helped to address these structural funding inequities. Past research has noted this correlation between the start of the CERF (and other pooled funding) and the increased volume and equitability of humanitarian flows across emergencies and sectors² and this analysis funds further evidence, below. Of course the CERF alone cannot be responsible for the total additionality seen, as it still represents a small percentage of overall humanitarian contributions. The majority of this funding still comes in the form of bilateral grants from OECD DAC governments to specific agencies for specific emergency response interventions.

In the years prior to 2006, for example, the variance in funding coverage across emergencies was significantly higher than in the post-CERF years. It was not uncommon to have some countries' appeals funded at under 18 percent of requirements while others were over 80 percent (e.g., Republic of Congo and Sudan, respectively, in 2000). In the years after 2006 the average variance in emergency funding (the spread between the best and worst funded emergencies) has decreased by almost a third.

Table 2: Average variance of needs coverage across emergencies

| | |
|---------------------|-------|
| Pre-CERF 2000-2005 | 0.043 |
| Post-CERF 2006-2011 | 0.031 |
| Decrease | -27% |

Source: Figures from FTS

Underfunding was more prevalent prior to humanitarian reform. Before 2006, a third of emergencies received less than 50 percent of their assessed funding requirements from appeals. Some of these countries, such as Burundi, Central African Republic, and DRC were chronically under-funded, appealing each year and receiving less than half their stated needs in most of those years. After 2006 coverage went up for emergencies overall and those three countries saw significantly higher coverage rates (two of them also benefited from the establishment of Common Humanitarian Funds and country level). The countries which have received the most overall funding through the CERF UFE have been DRC, Ethiopia (which had received only 41% funding in its previous, 2001, appeal), and DPRK. Central African Republic and Burundi, despite their small size, were also in the top 10 of UFE recipients.

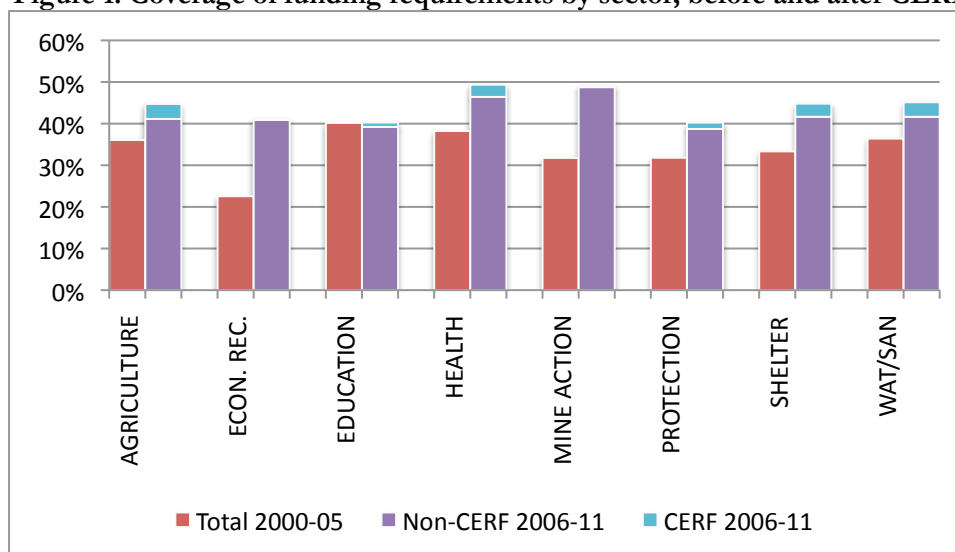
Table 3: The 10 largest UFE grant recipients 2006-2011

| Recipient country/emergency | RR (USD millions) | UFE (USD millions) | # UFE grants |
|-----------------------------|-------------------|--------------------|--------------|
| DR Congo | \$37 | \$158 | 107 |
| Ethiopia | \$59 | \$74 | 70 |
| DPR Korea | \$17 | \$44 | 33 |
| Chad | \$37 | \$43 | 79 |
| Zimbabwe | \$37 | \$40 | 68 |
| Kenya | \$93 | \$34 | 32 |
| Somalia | \$131 | \$26 | 13 |
| Niger | \$56 | \$24 | 22 |
| Burundi | \$1.6 | \$24 | 29 |
| Central African Republic | \$9.4 | \$21 | 77 |

² Stoddard, A. (2008) International Humanitarian Financing: Review and comparative assessment of instruments: A study for the Good Humanitarian Donorship initiative commissioned by the Office of US Foreign Disaster Assessment. Humanitarian Outcomes.

CERF funding has also contributed to coverage for sectoral requirements becoming less unequal, by boosting amounts going to two of least funded sectors - shelter and protection – as well as to health, water and sanitation, and agriculture. Although it did not add significant amounts to mine action or economic recovery, CERF allocations to shelter and protection were a factor in raising the overall average funding coverage of the chronically lowest funded sectors in appeals from 23-33 percent of requirements funded before the CERF came online to 40-45 percent after. This brought them to a funding level comparable to the other sectors (apart from food, which is historically the best funded sector, currently averaging 86% of requirements covered.) As shown in figure 1, below, funding coverage has increased in all operational sectors after 2006, and there is less unevenness between sectors on levels of funding.

Figure 1: Coverage of funding requirements by sector, before and after CERF



Source: FTS and CERF Secretariat figures

Allocations for food aid make up the largest percentage of both non-CERF and CERF humanitarian flows. Compared to non-CERF funding, however, the CERF allocated a smaller percentage to food and larger percentages to key operational sectors than overall non-CERF flows to key operational sectors.

Table 4: Sector percentages in CERF and non-CERF total funding

| 2006-12 | CERF (UFE & RR) allocations | Non-CERF contributions |
|--------------|-----------------------------|------------------------|
| Protection | 4% | 3% |
| Shelter | 8% | 3% |
| ER (RR only) | 0.4% | 3% |
| Mine action | 0.1% | 2% |
| Food | 27% | 33% |
| Health | 16% | 9% |
| WASH | 9% | 3% |
| Agriculture | 9% | 4% |

Source: Figures from CERF Secretariat

Taking the above trends in funding for emergencies and sectors together, it is reasonable to conclude that CERF allocations, in addition to the country level common funding instruments, directly contributed to the increased equitability observed in overall humanitarian funding since 2006. By providing a centralised source of un-earmarked humanitarian funding, the CERF and other pooled funding mechanisms have thus helped to

lessen the disparity between the haves and have-nots in terms of emergencies and sectors, but by no means have they eliminated it. Resourcing inequities remain, signaling continued need for the use of the underfunded window and the appropriateness of efforts to improve it.

It is important to recognise that the ultimate goal of the CERF UFE window is not funding parity, *per se*, but improved ability to meet humanitarian needs wherever they are found. This distinction is at the heart of the question of how to define underfunded emergencies, discussed more below. The merits of the methodology depend on whether it enables funding to go to the greatest needs, while also being transparent and understood by all stakeholders.

Humanitarian Reform

The scope of this study does not encompass all the dynamics surrounding humanitarian reform. The positioning of the recipient agencies and other partners of the CERF on key reform issues shapes the environment in which the CERF operates. The CERF was one key instrument of the reform agenda in the mid-2000s. Basic premises of reform were that humanitarian response would be strengthened when decisions were made by those in leadership positions at country level and that underpinned by centralised funding, the roles of HCs and cluster coordination would be mutually reinforcing. In essence, reform sought to provide a balance between collective, inclusive decision making at country level and more vertical, mandate-driven approaches by individual agencies. Centered on the cluster approach and in conjunction with country level pooled funding instruments, the fundamental logic of the CERF cuts across that of agency programming by theme or country in that it requires agencies to apply for funding through a consultative process and at a project, rather than a programme level. Arguably, the requirement of reporting at project level improves accountability and visibility of results for country level donors and HCs, although this is a higher degree of detail than agencies' embedded systems tend to generate.

In any review of the CERF, therefore, it is important to acknowledge that it operates in a place of fundamental tension between established and reformed ways of doing business, i.e. 'between the system's goals for consolidating and building on the gains made in coordination through humanitarian reform, and agencies' goals of preserving flexibility and autonomy in their programming and fundraising and minimising redundancies and inefficiencies.'³ Independent country reviews under the CERF Reviews of the Performance Accountability Framework (PAF) make it clear that at the country level, a broad spectrum of variations on the reform themes exist, and whilst perceived to have improved overall, participation and engagement in clusters remain inconsistent^{4 5}. Generally speaking, where 'reformed' systems are in place, i.e. functioning clusters and inter-cluster mechanisms, the CERF is seen to work through them and to reinforce them.⁶ Where the CERF is used in a fashion directly complementary to country level pooled funds, especially CHF's, positive results are noted.

³ Stoddard, A. (2011) Prospects for Integrating a Programme-Based Approach in CAPs and Common Humanitarian Funds: A Scoping Study. Humanitarian Outcomes

⁴ Taylor, G. (2011) Independent Review of the Value Added of the Central Emergency Response Fund (CERF) in Bolivia. Humanitarian Outcomes

⁵ Taylor, G. (2011) Independent Review of the Value Added of the Central Emergency Response Fund (CERF) in Columbia. Humanitarian Outcomes

⁶ CERF Performance and Accountability Framework – Status of Indicators; CERF Secretariat, May 2012

What defines ‘underfunded’? Challenges in the presentation of need

‘Under-fundedness’ might appear to be a clear cut term, but it has a number of challenges. In simplest terms, a country or a sector is underfunded when available funds fall short of humanitarian need. In order to be perfectly confident that funding deficits are being measured accurately in absolute terms, or compared from country to country (and from sector to sector within any given country), there would need to be perfect confidence in:

- the methodology used to assess need, and the consistency of its application.
- the quality and consistency of reporting of funding data by all constituents in the humanitarian system.

Obviously, given the acknowledged weaknesses and inconsistencies in both needs assessments and reporting, neither can be said to be complete or consistent. Funding levels are taken from the first instance from the best available FTS data (the previous year’s CAP for round one and at Mid-Year Review cut off for round two).

Challenges with the presentation of consolidated humanitarian requirements: In countries where it is utilised, the CAP,⁷ or specifically the aggregation of agency or cluster requests that it contains, is used as the best available proxy for humanitarian need. As above, in using the CAP, the UFE process presumes that the CAP is both accurate and complete, i.e. based on sound assessment and prioritisation; inclusive of the range of humanitarian actors in each respective country, and covering all geographical areas where humanitarian response is required.

Although opinions, both positive and negative abound on the extent to which CAPs have strengthened in general terms in the ‘post-reform’ era, there is a lack of specific, current research on the topic. An external review undertaken in 2002⁸ remains the last comprehensive review of the CAP process. There are numerous examples, both recent and current, of strong and strategic CAPs. In some cases these are linked to reform efforts; including strong clusters and inclusive humanitarian teams under strong HCs. In equal measure, however, there is evidence, some anecdotal but also from country specific evaluations and synthesis studies, that challenges identified in the 2002 study persist. These include issues with effective, needs assessment in the first instance, leadership, variable cluster capacity and prioritisation, in part due to UN agencies ‘struggle to separate wider humanitarian imperatives from narrower institutional ones’⁹. Issues specifically linked to the CERF include:

Variable levels of engagement/coverage from partners: In keeping with CERF principles, there is a presumption that CAPs are constructed through an inclusive process by UN agencies and partners, using the cluster system or the local equivalent. The CAP process could, however, potentially leave needs unaddressed if there is no UN agency present or cluster partner with the capacity and intent to program for them. In cases where priority needs are addressed outside the CAP, funding deficits are generally beyond the reach of the CERF. The reports from CERF country reviews under the PAF reinforce the notion that in countries where CERF funding is not the subject of a fully transparent and inclusive process, the existing presence of a UN agency programme is a key determining factor for project selection¹⁰. Where this is the case, allocation is arguably supply-driven as opposed to needs-driven. The UFE needs to ensure that this is not the case at the global level.

⁷ Or its local alternative. A number of countries, notably DRC and Zimbabwe, run annual appeals which are variations on the original CAP theme but play the same basic purpose.

⁸ Porter, T., An external review of the CAP (2002)

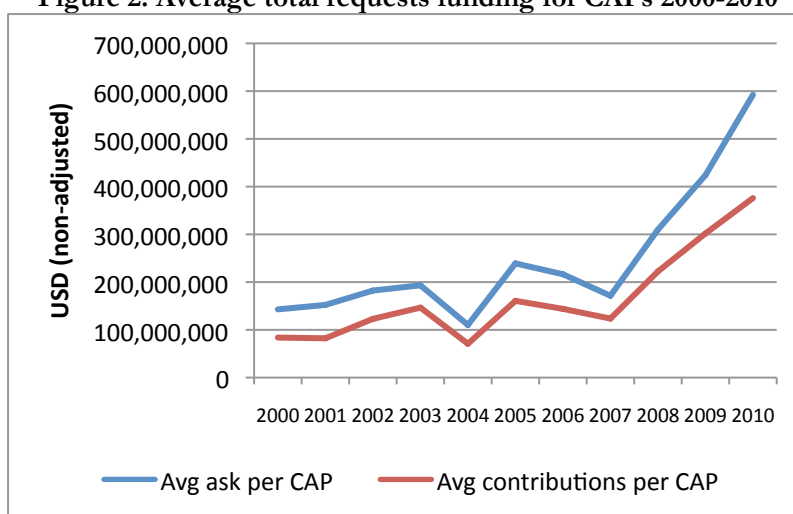
⁹ Porter, T., An external review of the CAP (2002)

¹⁰ One notable exception was the use of the UFE in Colombia to expand operations into an area where needs had been identified but the international system had no current presence.

The moral hazard in fundraising: an incentive to over-ask and under-report: The annual cycle of funding and appeals is widely held to incentivise over-asking and/or under-reporting. As noted above, there is no way to prove the extent to which this phenomenon exists, to judge whether the UFE exacerbates the issue or whether it is an explicit part of resource mobilisation strategy. There remains widespread belief that CAPs are inflated either directly (i.e. through high estimates of beneficiary numbers) or less directly through the inclusion of non-humanitarian programming. This is a complicated and sensitive issue and one which agency staff will discuss only on a non-attributable basis. Challenges are often attributed to pressure from resource mobilisation sections in agencies' respective headquarters. For example one UN agency field staffer interviewed in 2011 remarked *'The problem we have is that HQ is asking us to submit a larger budget than we can justify. This makes us look less credible, as it is clearly bloated and unrealistic. And since donors would not fund that amount, we end up looking underfunded.'*

Humanitarian contributions have always fallen short of appeals, but they used to trend closely together. The two have diverged since around 2009, after which FTS figures show that the average amounts requested in CAPs increased by over 20 percent¹¹.

Figure 2: Average total requests funding for CAPs 2000-2010



Source: FTS (reproduced from Stoddard, 2011)

CAP documents are produced in the year prior to the launch of the appeal and based on projections of need. While projects can be continually revised and updated using the Online Project System, there is one scheduled window for updating the strategy and figures in the main CAP document, a review process that takes place around June, mid-way through the appeal year. Changes can be sudden and related to the operational context, e.g. a new emergency or mass displacement, or to funding decisions e.g. earmarked funding for specific geographical regions might leave a very urgent requirement for logistical support to enable the response. Similarly, whilst reporting to FTS would ideally be in real time, it is a challenging process for operational agencies that seems to be worsening rather than improving over time.

¹¹ Stoddard, A. (2011) Prospects for Integrating a Programme-Based Approach in CAPs and Common Humanitarian Funds: A Scoping Study. Humanitarian Outcomes

3 Current process for the UFE window

Each Under-Funded round has proceeded slightly differently, as processes are constantly updated. Some recent modifications derive from an internal OCHA review of the UFE window in 2009. This review looked at both the fundamental characteristics of the window, as well as technical details. The review breaks down the UFE window grant process into five ‘phases’: planning, country selection, apportionment, review, closure.

The report makes a number of recommendations on details of the process, but overall supports its core structure and characteristics. The four main recommendations from the 2009 review are as follows:

- *‘Frontloading’*: Depending on its ability to predict the likely contribution level to the CERF in a given year, the CERF Secretariat will frontload as much as possible and disburse at least 75% of annual underfunded grants during the first round.
- *Sector-sensitive analysis*: In order to ensure an un-biased funding analysis, the CERF Secretariat will assess a country’s underfundedness by analysing its overall funding level and by comparing funding levels across the various sectors.
- *Criteria/procedure for selecting countries without a CAP*: Each agency is invited to recommend a limited number of countries (e.g. not more than four). A lead agency will be asked to consolidate the list of countries recommended. At the end, no more than 10 non-CAP countries, ranked by the agencies, should be proposed. Full funding information for each proposed country must be provided by the agencies with the final recommendations.
- *Involvement of RC/HCs and Humanitarian Country Teams (HCT)*: As the country selection process is concluding and the indicative amounts are being set by the Emergency Relief Coordinator (ERC), the RC/HC will be asked to confirm that the country has life-saving needs; would benefit from an UFE grant; and that agencies on the ground are able to absorb the amount proposed. RC/HCs will also be informed of the rationale for including their specific country. This rationale should guide the HCT when prioritising projects.”

In keeping with the terms of reference, this study focuses on the phases related to country selection and apportionment. The technical processes of country selection, different for CAP and non-CAP countries, are summarised in detail below¹². The UFE country selection process is outlined in full in OCHA’s ‘Guidance Note’, an example of which is at Annex iii. From the launch of the window to the ERC’s announcement takes approximately two months; beginning and ending with a number of steps common to both CAP and non-CAP countries.

Planning phase and timing of UFE rounds

Thus far, the UFE window has run two rounds each year, timed to coincide with the annual CAP launch and the mid-year review in each country. This arrangement is premised on the fact that funding shortages are felt most acutely at the beginning of the financial / programmatic year; and that the mid-year review of the CAP provides the best opportunity to compensate for changed funding predictions or operational circumstances. It is impossible, however, to make an accurate forecast of the extent of predicted underfunding in the subsequent year due to a number of factors:

- ‘Carry-overs’ of funding from one financial year to the next;
- The ambiguous classification of large numbers of contributions;
- Instances of late and deficient reporting by agencies and/or donors.

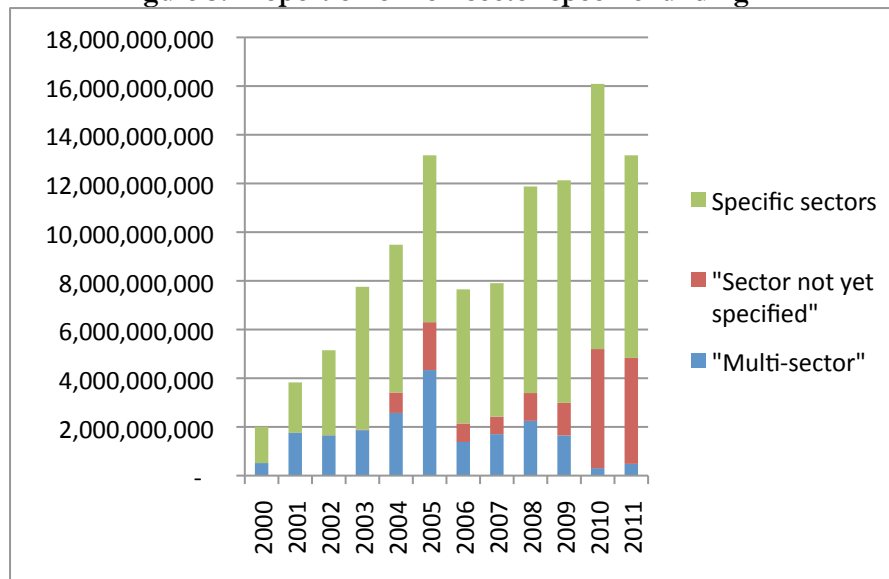
¹² The summaries are based on the first UFE for 2012, and where changes were apparent in the 2012 rounds (the second of which was underway at the time of this research) these are noted.

Carry-overs: The annual cycle of funding reporting causes significant issues for FTS and for the CERF UFE. Budget carry-overs, the transfer of unspent funding from one financial year to the next - are a particular challenge. Carry-overs, which averaged three percent of total annual ‘contributions’ from 2000-2005 rose to seven percent in 2006-2011 (FTS), indicating a worsening problem with budgeting (i.e. asking for realistic amounts); implementation of planned programs; donors disbursing funds late in the year, or a combination of these factors. Donors often make major funding decisions at the end of their financial years in order to utilise budget surpluses. For internal reporting purposes, they require the funding to be reported in the financial year that the grant was signed, rather than the year in which the majority of money will be spent. This can skew or belie underfunded projections, which, for the first round are made in November of the previous year. In 2010, for instance, nine of the 13 countries that received CERF underfunded grants in the first (November) round, also showed agency carryovers from the previous year. And in these countries it is often the same agencies that both carry over funds and receive underfunded grants for the same year.

Ambiguous classification of contributions: Users of FTS will note that the totals and classifications for past quarters and years are frequently adjusted retroactively, so that the figures will vary with the date of the download. This results not only from late reports and FTS capturing additional data after the fact, but also from initial reports not being classified by sector or CAP project. Because of its unique global and regional programme and budgeting framework, UNHCR presents the biggest challenge in this regard. UNHCR’s budgets are built at the start of the year and begin with a set of ‘operating levels’. A high proportion of UNHCR funding comes in as un-earmarked contributions and is only allocated against countries and programmes at the end of the financial year (earmarked contributions are reported earlier). This partly accounts for the fact that FTS funding figures are less specific in real time, and change significantly quarter by quarter and year by year. From 2000-2011, between 26 and 48 percent of contributions have been counted either towards ‘multi-sector’ or ‘sector not yet specified’ in FTS. Allocations going to regional crises often fall into this category, and are not only unclassified in terms of sector, but in terms of particular country as well.¹³ UNHCR accounts for the largest single appealing agency under both these entries (25% and 18% respectively). The more recent the year, the greater percentage of contributions will have no sector specified (for instance, at the time of this writing, ‘sector not yet specified’ was running upwards of 30 percent of 2012 contributions recorded to date. UNHCR’s refugee programmes are multi-sectoral in activities, so will often end up classified as ‘multi-sector’ – a designation that was designed in large part to accommodate its mode of programming.

¹³ In recent years (2006-11), regionally-based allocations have averaged 3% of total allocations. This is a smaller percentage than during the prior six years, when contributions for Iraqi refugees and the tsunami response pushed the regional funding percentage to 18% on average.

Figure 3: Proportion of non-sector-specific funding



Source: FTS

This can create significant challenges for the UFE allocation process. It is possible for an active and ongoing UNHCR operation to show a zero level of funding (if no earmarked contributions are in place). Since UNHCR is unable to predict or project how much funding will be available by year-end, when funding allocation is done retrospectively, the UFE equation does not work in real time.

Reporting practices: Broadly speaking, the larger participating agencies, with a higher proportion of core humanitarian business were described as reporting more consistently to FTS. Organisational structure is clearly significant to an agency’s reporting. For example, agencies with decentralised management structures, with budgets ‘owned’ at country or even regional levels, can have a harder job in consolidating funding information at the global level. Where the logical structure of FTS cuts across agencies internal systems, it can be a labour-intensive process to re-cast reporting, for example UNICEF’s funding against ‘themes’ has to be broken down. Some of the smaller agencies (at least in humanitarian terms), such as UNDP, were reported as having significant challenges in identifying humanitarian funding and programming through internal systems, in order to report to FTS.

Some reporting deficits on the part of agencies ought to be offset by donor reporting; for example if UNDSS were to fail to report on what it received from USAID in a given country for safety and security, USAID would report on its grant to UNDSS. There are also challenges, however, with the non-standard nature of donor reporting. One OCHA staff member likened the reading of donor funding data to ‘archeology’, in that each donor has its internal ‘universe’, including specific logic and language around funding, again challenging to decipher and reconcile with the FTS system. Agencies also noted occasional significant discrepancies between their own records and donor reporting, including donors’ reporting of pledges to FTS, which remained on the system even if unfulfilled. Again, this is labour-intensive to cross check. There is no standard human resource allocation for reporting to FTS across the participating agencies, adding to the reported inconsistency in frequency and speed of reporting. Outside of the participating agencies, and as noted above NGOs, with little ownership of CAPs in relative terms, report relatively poorly.

In essence, the first round of allocations is based on a reasoned estimate of the potential for underfunding of agencies that will be present and operational in the country in the coming year. Such estimates are predicated on the belief that major donors behave in a predictable fashion in chronic emergencies and that one yardstick for their funding level is precedent. To a certain extent, it has to be acknowledged that this current system, of which CERF is one component, perpetuates a status-quo, where humanitarian response depends on presence, and presence depends on early indications of availability of funding. Since the CERF functions as a tool of

the UN led system, and cannot fund independent actors directly, the extent to which the CERF would be an efficient mechanism to pass funding for innovative, independent action is highly questionable.

The 2009 UFE window review supported the continuation of the two-round system and, as above, recommended a weighting of at least 75 percent for the first round. The CERF Secretariat noted that in 2011, frontloading had reached approximately 70 percent. In interviews for this study, a range of options were discussed, including a shift to one round per year and a range of different proportions for weighting between the rounds. These were discussed in relation to their respective costs (predominantly human resources) in addition to how they might best support operations. Ultimately, there was universal support for the continuation of the current model, including the current degree of frontloading. A range of justifications were offered:

- Intuitively and practically, rounds that match the CAPs release and mid-year review make sense. There was no support for alternative timing.
- Notwithstanding the extent of challenges with funding projections for the first round, the benefit of a significant amount of funding during the first quarter of the year is considered to outweigh the challenges by some margin. Donor behaviour is considered to be predictable / consistent enough to work make the current model viable.
- The second round is considered invaluable for obvious reasons: needs and funding levels do vary throughout the year. Although a relatively small amount, the second round allows for correction. The majority of respondents felt that the second funding round built on the first to the extent that only a marginal saving in cost and effort would be made by switching to a single round.

UFE Rounds are launched by sharing the guidance note in draft with the Coordination and Response Division (CRD), the CAP Section and the ERC as well as members of the Under Funded Working Group (UFWG), which includes focal points from participating agencies. The guidance note lays out:

- Planning figures for the Round based on pledges and contributions made to the CERF.
- Guidance for the country selection process for CAP and non-CAP countries (including a list of countries with a CAP and clarifying any special cases)
- A description of the apportionment process (through which the ERC allocates a funding envelope to selected countries)
- A description of the field consultation process A detailed timeline for the process – with a deadline for each step

There is a brief period for comments on the draft note before it is accepted as final, and one participating agency is confirmed by the Underfunded Working Group as the lead for the non-CAP consultation process (this role is taken by participating agencies in rotation). Finalisation of the guidance note coincides roughly with a deadline for updated reporting to FTS, and initiates the country selection process. Once finalised, the Guidance Note is posted on the CERF website and shared electronically with CRD for onward circulation to regional and country offices. Members of the UFWG are also encouraged to share the document with relevant offices in their agency.

The country selection phase

CAP Countries

Process summary:

1. Construction of the funding data set and analysis
2. Layering of vulnerability data – OCHA’s Global Focus Model; ECHO’s Global Needs Assessment; The IASC Early Warning Index; Consultation with CAP section.
3. Consultation with OCHA desks in OCHA’s Coordination and Response Division (CRD) and CAP Section.

Step 1 – Construction of data set and analysis - The CERF / CAP liaison officer in Geneva is an important role, linking the CERF Sec in NY and CAP section in Geneva, including FTS. This position generates the dataset and analysis that underpins the process: the initial data collation, presentation and analysis for CAP countries. In simple terms, this involves compiling the funding levels for each country according to FTS and ranking them. Following the first ranking, a second and third are undertaken with ‘cleaned’ data: by the CERF Sec in NY:

- Firstly, with the ‘dominant factor’ removed. In most cases, food is the largest sector and can be funded to a significantly higher level than others (in rare cases, due to the specific nature of the crisis, another sector dominates.) Analysis of funding levels without the dominant sector, therefore, can provide a different and significant picture. For example, in one of the 2012 under-funded rounds, Kenya’s CAP showed as 51% funded according to analysis of the raw, aggregate data. Such is the dominance of food however, that the removal of funding for food leaves the CAP showing as only 25% funded; well below average.
- Secondly, with NGO funding removed. The participation of NGOs in CAPs remains variable from country to country. The reporting of bilateral contributions to NGOs in FTS is very low in relative terms. In addition, NGO funding levels are unavailable for non-CAP countries. The removal of NGO funding levels allows for a comparison of sorts with levels for CAP countries. As such, a calculation of funding deficits without NGO funding data is also perceived to offer a useful complement to the process.

‘Sector sensitive analysis’ also forms part of step 1. There is broad consensus that the CERF should be able to ‘target’ poorly funded sectors in otherwise well-funded emergencies. Analysis of under-funded sectors in specific CAPs is undertaken at this stage, to the extent that the available data allows (as discussed above under ‘Planning phase and Timing of UFE Rounds.’) As noted above, priorities with countries are subject to rapid change. Early UFE allocations to specific themes¹⁴ have been criticised by country offices and HCs, who have argued that the practice of thematic earmarking or targeting from the ERC is over-prescriptive. From the perspective of the CERF Secretariat, however, such targeting is a reflection of the flexibility of the selection process. Thematic earmarking happens predominantly when a specific part of a response is deemed eligible for CERF UFE funding, while the overall response is judged ineligible. Such targeting is also designed to avoid the over-dilution of CERF funding and, by extension, its potential for impact.

Step one, therefore, is explicitly quantitative and provides as objective a view as is possible. It provides, within the limitations of the available data, a platform onto which the CERF Secretariat layers the rest of the analysis.

¹⁴ In recent rounds, the CERF has not undertaken allocations to specific sectors, but does target themes or specific beneficiary groups (such as refugees from Bhutan in Nepal or IDP camps in Haiti, food security and related health in DRC).

Step 2 - Once the ranking sets are completed, three independent appraisals of country level vulnerability are overlaid:

- The OCHA Global Focus Model- The GFM ranks countries according to an assessment of their exposure to hazards which could trigger a humanitarian emergency requiring international response. This is done through an analysis of hazards, vulnerability, standing humanitarian capacity and the potential demand for OCHA’s coordination services.
- The ECHO Global Needs Assessment - The GNA defines ECHO’s priorities for intervention according to a standard assessment of vulnerability. This is a two stage process looking at countries where needs are likely to be greater in the event of a disaster – via a ‘vulnerability index’, and application of the DG ECHO intervention criteria, via a ‘crises index’.
- The IASC Early Warning Index

Step 3 – Analysis and ranking shared for comment with CRD and CAP. The rankings are shared with both the CAP section in Geneva and CRD’s regional desks in New York. The CAP section is well positioned to add a first layer of subjective analysis to the ranking. Having been involved in the production of CAPs year on year, the CAP section adds an informal position (or weighting) on the quality of CAPs. In particular, the section is aware of appeals which have a consistently high level of strategy, analysis and prioritisation of interventions. This layer of input is important to ensure that the perverse incentive noted above is minimised, i.e. that CAPs which are recognised as quality collaborations are not penalised for striving to present a realistic and reasonable request to donors.

In a similar fashion, the CRD desks are able to add a layer of opinion on the countries in their respective regions (they play a similar role in the process for CAP and non-CAP countries). In the course of interviews for this study, the desks described their value as being able to add:

- an important layer of analysis on specific areas where the CERF should focus its attention, either whole countries, specific regions and/or funding irregularities
- a view on the strengths and weaknesses of the UNCTs and coordination in any given country (positive or negative)

The desks generally accepted that they had to avoid the temptation of lobbying for their ‘own’ countries and that they could be perceived as doing so. They also acknowledged that some offices would contact them in advance, on the basis that they might act as ‘*a conduit to the CERF*’. Overall, however, they maintained that they felt able to add a view that was both objective and informed, and advocate appropriately on the basis of need.

Non-CAP countries

By definition, countries with no CAP or equivalent are less likely to have a full set of ‘reformed’ coordination structures in place. Only a limited number of country studies for the PAF have been undertaken in non-CAP countries. These studies provide partial evidence that the CERF is less likely to be used in a transparent and inclusive fashion at country level where such structures are not in place¹⁵.

Process Summary:

1. A vote on priority under-funded countries by participating agencies UN agencies and IOM.
2. Participating agencies provide ‘recommendation sheets for each of the non-CAP recommended countries outlining financial requirements and funding received as well as a description of the humanitarian needs and agencies’ response or operations.
3. CERF Sec reviews the list and consults with OCHA CRD desks.
4. A second round of consultation takes place with agency focal points, covering queries and issues.

¹⁵ The CERF Secretariat is aware of some notable exceptions.

Step 1: The voting process and related issues: Participating agencies each have the same, limited number of votes, equal to the number of non-CAP countries that will be analysed. This number varies depending on the availability of funds in any given allocation. The votes are split into two categories, half for tier-one (or top priority) countries, and half for tier-two countries. In recent non-CAP consultations (since 2011) a summary of the vulnerability analysis (Global Focus, GHA and IASC index) was provided to participating agencies in advance of the voting process.

Whilst each agency has its own internal process for country selection all are based on internal funding analyses. WFP has the most sophisticated resource tracking system (the Strategic Resource Allocation Process¹⁶). This system is now used to inform recommendations to the non-CAP country selection, removing informal, internal lobbying and streamlining the process from a WFP perspective. Based on projections for pipelines, the system is forward looking and prioritises countries for funding based on a number of criteria. These criteria include:

- Projected pipelines of food, cash and vouchers (against projections of funding)
- Seasonality (i.e. a higher weighting is given to countries if there is a 4 month lead time before recognised 'lean' seasons)
- Regional prioritisation (a weighting applied by respective WFP regional bureaux)
- Absorption capacity

Although the system does not distinguish specifically between WFP programme types within each country (e.g. it does not weight Emergency Operations (EMOPs) over Protracted Relief and Recovery Operations (PRROs) or Country Programmes (CPs¹⁷)), an informal 'quality' ranking is included in the process. Regional Directors are used as a filter, weighting countries based on their knowledge of the relative quality of appeals and needs assessments. This mirrors the use of the CAP section in the CERF allocation process, acknowledging that acting at a regional level, the Directors are likely to be 'honest brokers'. Obviously, in the case of the non-CAP country process, WFP puts forwards countries from its internal priority list, having filtered out countries which either have CAPs or are due to close.

The other participating agencies have less formal procedures. IOM, UNFPA and WHO all described processes in which regional offices (regional humanitarian focal points in the case of UNFPA and IOM) identify non-CAP countries that meet the CERF criteria in the first instance. These offices, or individuals within them, then act as focal points for country funding analysis. Each agency described occasional interaction with country offices for the purpose of collecting funding and other data. Each acknowledged that, to a certain extent, expectations were inevitably raised during this process. UNFPA described a fairly rigorous set of internal criteria for selection, including funding levels and projections, capacity to deliver, and CERF delivery capacity. UNICEF described a process beginning with an analysis of centrally held data. With CAP countries removed, a shortlist of under-funded countries is built up, again with additional criteria: projections of need and funding, as well as political analysis. The list is then tested, using regional offices as a sounding board. UNHCR uses a process which begins with a central financial analysis and is subsequently refined using inputs from resource managers in their Regional Bureaus.

Once all the individual agency votes are combined into a country ranking table, a discussion (or multiple discussions) takes place amongst the participating agencies. As a result of these discussions, agencies may change their country preferences and votes before the ranking table is shared with the CERF. Once the table is finalised, recommendations from participating agencies are supported by narrative and financial information which, in addition to the discussions during the UFWG meetings, help clarify the underlying rationale for selection.

¹⁶ WFP has strengthened its system in part as a result of lobbying from donors who wanted to understand the process by which the agency allocates global, un-earmarked funds.

¹⁷ Most commonly development related programmes

For the CERF Secretariat, however, an element of doubt remains over the strict relevance of the criteria at play in country selection and the details of the discussions which ultimately lead to the final set of recommendations. Whilst consistently expressing confidence in their internal processes, the focal points also acknowledged the various incentives at play. For example, agencies are aware that a country level allocation process will follow the global one. It is not in any agency's interest, nor ultimately in the interest of aid recipients, to have funding directed to countries where operational teams are weak or representation is disengaged from clusters or the HCT. Clearly an incentive exists to direct funding to countries where they have the strongest chance of 'capturing' funding. In addition, funding does not represent an automatic incentive. For reasons of prioritisation or capacity, smaller agencies do not have discreet humanitarian programmes or teams in every country with humanitarian requirements. Although the UFE is not designated for project start up, agency representatives cited the relatively small size of CERF grants as a reason for some of their development focused offices declining the opportunity to apply, on the basis that this level of funding may not be enough to incentivise new activities.

Agencies were open about the extent to which the ranking list was discussed prior to presentation. Overall such discussion or 'trading' was seen as a positive process of defending choices, convincing other agencies about the relative importance of certain situations, thereby contributing to prioritization. Another strand of motivation is to maximise the potential, through the voting process, for their own priority countries to be chosen. Each acknowledged that whilst votes could be maximized through coordination to a certain extent, this process was unlikely to badly skew the process. For example, 'trading' amongst agencies of votes alone, would not be enough to gather adequate support which was a priority for one agency alone. This does, however, point to an acknowledged weakness in the voting process: how to ensure that funding is directed to genuine needs where there is no critical mass of participating agency presence to prevail in voting. As one interviewee commented, *'the problem isn't that countries that get funding don't need it, it's the ones who need it that can't get it.'*

As noted above, the voting process was centered on agencies as a means to increasing the transparency in the eyes of the agencies themselves. Whilst on balance the process seems like a positive one, one drawback appears to be that it cuts across the logic of reform, weighted towards agency views over those formed through an inclusive or collaborative process. The internal evaluation noted these issues, but ultimately recommended that the process continue to be restricted to those with a global view. Throughout the interviews for this study, respondents generally saw the voting process as positive, and one which has built ownership of the CERF.¹⁸ The role of RC/HCs and other actors in the country selection process is discussed below.

Although relatively few have been undertaken, PAF country studies from non-CAP countries have noted a less positive attribute of the voting process. Where UN agencies¹⁹ have voted and lobbied for a country to be included in the UFE round, they can have a stronger sense of ownership of the money (in simple terms: 'we lobbied for it, therefore we are entitled to a share'). In these contexts, the perception of the Fund as a UN instrument was reinforced.

Step two: As with the process for CAP countries, the results of voting and the agencies recommendation sheets, overlaid with vulnerability analysis are shared for comment with CRD's regional desks in New York. As with the process for CAP countries, this is a significant layer of input and not a cursory exercise. Again the intent is to ensure that perverse incentives are minimised. CRD's input is as described for the CAP country selection process (see 'step 3' above.)

¹⁸ As has the practice of using secondees from recipient agencies in the CERF Secretariat

¹⁹ Taylor, G. (2011) Independent Review of the Value Added of the Central Emergency Response Fund (CERF) in Columbia. Humanitarian Outcomes.

The role of other actors in country selection, CAP and non-CAP countries

RCs/HCs: As noted, the 2009 UFE review acknowledged the lack of engagement of the RC/HCs in the process and recommended that they are consulted, albeit at the final stage of the process (below). The humanitarian reform agenda sought to prioritise the role of RC/HCs and country level decision making more broadly. For a number of interviewees, an extension of this logic would see RC/HCs more heavily involved at an earlier stage of the UFE process. The 5-year evaluation of the CERF suggested a version of a competitive process, where each RC/HC would make a case for the inclusion of her or his own country²⁰. Within the CERF Secretariat, there is a strongly held belief that this type of input would favour HCs more strongly immersed in humanitarian issues and the more able fundraisers amongst them; placing communication skills and an assertive stance over an objective measure of need. As noted in the non-CAP country section, each agency faces a version of this dilemma. None of the agencies consults in the first instance at country level, rather uses regional offices, desks or specialist individuals within them.

Overall, respondents for this study showed a clear preference for seeking inputs only at the global and regional level. There are a number of clear justifications for this stance:

- The basic question at hand, ‘which ongoing emergencies are least well-funded?’ is best addressed through as objective an analysis as possible, using the best available data. There is every reason to assume that the position of the CERF Secretariat is correct; i.e. an HC centred process would favour the most vocal HCs.
- The current process effectively layers objective analysis and informed views, in order to arrive at a balanced a view as possible.
- The CERF UFE window is relatively small, in comparison to levels of unaddressed need. Asking each country to produce even a modest, jointly constructing funding proposal would require a significant effort on the part of humanitarian country teams, with no return in the majority of cases.

Taking the view that the majority of subjective inputs to the country selection process should come from the global or regional level, it is possible to envisage a role, or a larger role for a number of other actors or groups.

Donors: A number of major donors are currently consulted, on an informal and non-systematic basis, for their views on global funding imbalances. Such consultations are perceived to be valuable, obviously on the basis of their relatively informed analysis. One fundamental goal of the CERF is, however, to compensate for funding decisions taken by the same major donors on the basis of political interest, rather than solely on the basis of humanitarian need. Ultimately, the study team takes the view that whilst this consultation is useful, a more formal consultation process would be counter-intuitive.

NGOs: There is currently no input from INGOs into the country selection process. Given their dominant role as implementers of humanitarian programming, and the global view of many, it would seem important to seek their input. There are a number of potential issues with a structured role for INGOs, primarily related to their inability to access the Fund directly. Very few INGO representatives contacted for the study accepted interviews. Those who did confirmed the view of the CERF Secretariat that the CERF is not a priority issue for INGOs. Notwithstanding the fact that individual agencies may have an opinion on global funding imbalances, there is currently no collectively constructed view of ‘forgotten’ or under-funded crises from INGO networks. In addition, if INGOs were to identify a large funding gap in a country not prioritised by UN agencies, the question of how to direct funding to them, via UN agencies as potential recipients of the Fund would remain.

²⁰ *Five Year Evaluation of the Central Emergency Response Fund* (OCHA 2011)

Finalising country selection and apportionment

Once a provisional list of countries has been agreed through each process, the recommendations are discussed at a second meeting of the UFWG. OCHA then consults with the ERC, who makes the ultimate decision on both the recipient countries and on ‘apportionment’ (funding levels to each approved country). In keeping with the findings of the internal process review, the ERC then consults with the HC or RC of each selected country. This step was introduced, at least in part, as a counter to the recognition that the views of RC/HCs were under-represented in the process. Once the RC/HCs have confirmed that they believe their respective countries meet the under-funded criteria, including unmet needs and implementation capacity, the ERC confirms country selection with the RC/HCs²¹, keeping the UFWG informed.

At this point, the in-country allocation process begins in each country, with surge support organised by the CERF Secretariat²² if required and requested. As a final step, the CERF Secretariat communicates the rationale behind country selections and rejections to participating agencies. This “Overview of Decisions” is also published on the CERF website. These are relatively recent additions to the process, designed to increase transparency.

Use of the UFE window and communications

Key questions:

- Are the original intent and purpose of the Underfunded Emergencies Window still valid?
- Given that most countries benefit—often times simultaneously—from the Underfunded Emergencies and Rapid Response windows, is there a distinct added value to the Underfunded Emergencies Window or grants from an administrative and operational perspective?

A clear consensus of interviewees felt that the original intent and purpose of the UFE was valid. The funding analysis concludes that the CERF, in conjunction with country level Pooled Funding, has played a role in diminishing disparities and imbalances in funding since its introduction.

At times the UFE and RRW are bound to coincide, specifically where a new and rapid onset emergency occurs in a CAP country (or other chronic emergency setting). In such cases, the most obvious application of the life-saving criteria effectively mean that both windows will be drawn to the same immediate and urgent priorities, given a fair and inclusive process²³. An interesting dialogue took place in the research for the PAF country studies in Kenya and Somalia, countering the logic that the two windows ought to be automatically interchangeable. Here, one group argued that (in CAP countries) the repeated application of the RRW can divert attention from ongoing CAP projects and programmes that deal with life-saving issues over longer term programme cycles. This argument holds that levels of funding deficit are calculated on projects within the CAP which fit the life-saving criteria. As such, there was a strong feeling that the CAP priorities should not be automatically over-ridden by new events or analysis in a reactive manner. This does not imply the application of different criteria for each window, simply an acknowledgement that the life-saving criteria can be applied for chronic, as well as acute need.

²¹ The RC/HC is now requested to submit a ‘prioritisation strategy’ to the CERF Secretariat.

²² This could be someone from the CERF Sec or from an OCHA country or regional office, from a UN agency or IOM. In each case the pre-requisite is significant experience with CERF processes and guidance

²³ The application of the RRW also presumes ‘a priori’ that the response is not-fully funded

Communications

Key question

- The Five-Year Evaluation noted a continuing lack of understanding of the country selection and apportionment process and methodology at the field level. The CERF secretariat has made efforts to increase communications – both public and internal – to better inform stakeholders of the process. Are the current information products and communications sufficient and effective? What improvements can be made?

In response to concerns about transparency and communication of process, the CERF Secretariat has made a number of adjustments to the system, which are noted in the descriptions above of each respective section.

- Publishing the guidance note
- Adding a note explaining which countries have been selected and rejected, with justification
- Having the ERC write to selected RC/HC's to seek their input and to ascertain whether or not they want to accept the money.

The CERF Secretariat is generally very highly regarded in terms of general outreach and training. Some aspects of the perceived challenges in communication are probably down to the general flood of information that field offices deal with on a daily basis, and the relative newness of these mechanisms.

A clear majority of interviewees felt that the newer communication products, especially the guidance note and the note explaining the selection, or non-selection of countries, had improved transparency. Agencies also have the responsibility to disseminate this information from their HQ to their field levels, and to ensure that the processes they engage in centrally are known and understood by the country offices they ultimately affect.

4 Conclusions and recommendations

The country selection processes for CAP and for non-CAP countries are fundamentally sound and, as such, there is no need to replace or to significantly re-model them. The processes have been considered ‘works in progress’ and have been regularly reviewed and thoughtfully revised. A significant re-boot of functioning systems would also seem likely to undermine the genuine sense of collaboration and ownership of the process which has been built through the various iterations and adjustments to the processes so far. Not least because decisions made by the CERF are required to be immediately defensible, the selection processes provide a solid model for evidence based funding allocation, worthy of adoption or consideration by donors who undertake analysis for funding decisions from the global level. In commissioning this study, however, the CERF secretariat acknowledges that neither process is perfect.

The CERF UFE country selection process is based upon the best available assessments of need and financial reporting. Consolidated needs assessment, project monitoring, accountability and reporting more broadly are central to a slew of reform initiatives. As the basis for the ‘statistical’ or quantitative foundation of the UFE analysis, however, there are a number of acknowledged weaknesses with the available data. In all respects, these challenges have roots and implications well beyond the CERF. CAPs are broadly accepted to have improved unevenly post-reform. Partners remain engaged to varying degrees in different countries. Underlying all of these issues is the moral hazard at the centre of fundraising – the incentive to over ask and under report. In a resource scarce environment, the tension between self- and common interest has to be acknowledged.

A second set of weaknesses lie in the quality and consistency of reporting, and as such, in the core FTS data set. Carry overs, the transfer of unspent funding from one year to the next are increasing. These can arise through problems with project implementation but a real issue also lies in the behavior of donors. The allocation of large grants at the end of financial years and the insistence that funding is reported in the year of allocation, rather than use, skews reporting. The ambiguous classification of funding as ‘Sector Not Yet Specified’ or the mostly UNHCR-driven category of ‘Multisector’ also makes analysis challenging, especially at the sub-national level. There are also problems with the way that agencies and donors report to FTS. The larger UN agencies, with larger core humanitarian programmes report more consistently to FTS, but those with de-centralised budgeting structures continue to struggle to consolidate data for FTS, and there is no standard allocation of human resources devoted to reporting.

FTS is one of the critical components of the UFE selection process for CAP countries. Reporting varies greatly between participating agencies; ranging from frequent reporting at a reasonably complete level, to not reporting at all. In agencies for which FTS cuts across the logic of internal systems, either complete or frequent reporting undoubtedly creates a challenge. A significant improvement in FTS data would, without question, allow for a corresponding improvement in the ability of the CERF to target the most underfunded or neglected countries. It would also allow for an improvement in the identification of under-funded sectors, allowing for better sectoral or thematic targeting at the sub-national level.

The abundant issues with data mean that the first round of allocations each year, timed to coincide with the CAP launch, is based on a preliminary, though reasoned, estimate of the *potential* for underfunding of agencies. Such estimates are predicated on the belief that major donors behave in a predictable fashion in chronic emergencies. Notwithstanding the issues with data, funding rounds that match the CAPs release and mid-year review made sense to interviewees for this study, both intuitively and practically. There was no support for alternative timing.

A central finding of this review is that given the range of issues with the core data set, there is no better method for country selection which is purely statistical. It is also the case that neither UN agencies, nor RC/HCs are on a level playing field in respect of their immersion in humanitarian issues or prowess is

communications and fundraising. As such, it is impossible to envisage a purely competitive process which would provide a better result to the core question.

A second core finding of this review is that the methodologies for the selection of both CAP and non-CAP countries, should continue to consist of multiple 'layers' or rounds of analysis, using the best available data, in conjunction with subjective views from informed sources who are honest brokers in the system, as compensation for gaps in data, or to address concerns over data quality.

A third core finding of this study is that the issues with core data undermine the whole UFE process, in particular the credibility the first round. Within the CERF Secretariat itself, there is understandable sensitivity to the issue of 'conditionality', i.e. making CERF funding contingent on reporting to FTS. In a process which centres on funding deficits for humanitarian programmes, however, it is hard to justify the ongoing participation of agencies that are unable to represent their funding levels in such a long standing framework. OCHA has a genuine lever in the CERF, and can afford to 'lean forward' more in trying to strengthen reporting practices.

CAP country selection: As above, the current CAP country selection process has evolved into one which layers objective analysis of the best available funding data with the subjective but informed views of those best placed in OCHA: the CAP section; regional desks in CRD and ultimately the ERC.

Non-CAP country selection: The non-CAP country selection process is similar to that for CAP countries, but the financial analysis is done through participating agencies' internal systems, followed by a voting process which is partly collaborative and partly competitive. Once a shortlist of countries has been established, the process mirrors that of the CAP countries in that the CRD desks, and ultimately the ERC add qualitative input into the process. The process appears to have built up ownership of the CERF. It is reasonably time consuming and any changes to the process would have to demonstrate a significant improvement, and/or add little in terms of extra 'weight'. There is a sense, however, that the reliance on individual agency views alone detracts from a sectoral (cluster) approach to identifying needs and strengthens the perception of the CERF as a UN-only fund. The specific focus of the global clusters on policy and technical consistency means that they could play no practical role in this process.

Recommendation 1: Retain the current two-round system, with the same timing and front-loaded weighting. For the reasons detailed in the research findings, this review concludes there is no clearly superior alternative model, and the current system should prevail.

Recommendation 2: As a priority, OCHA should strongly advocate for and assist in the development of means to strengthen reporting to FTS by agencies, donors and INGOs. A useful first step might be a thorough review of the utility of FTS in its current configuration (perhaps under the auspices of the IASC Sub-Working Group on Humanitarian Finance).

Options to explore:

- Under the accountability pillar of the Transformative Agenda, the IASC should set a standard of reporting for each agency to FTS, including the adequate allocation of human resources and commitments to timeliness and accuracy.
- Through the GHD, ODSG, and / or Montreux forum OCHA should strongly encourage donors to re-double efforts to improve reporting practices. This would include: standardising reporting practices specifically for humanitarian action; Investigating ways in which UN agencies, at least for external audiences, can report on spending in real time.

Recommendation 3: Increase the transparency of the UFE process through the inclusion of INGOs in the country selection process. Whilst acknowledging the considerable challenges involved, it is important to continue to engage proactively with stakeholders beyond the UN system, in particular international NGOs.

Options to explore: Engage with the major operational INGOs and their main coordinating bodies around the construction of an annual, collective position on priority, forgotten crises. A credible, evidence-based position on country vulnerability and funding could be considered as one additional ‘under-funded’ vulnerability tool to feed into the CERF process. Since funding via the CERF would not be forthcoming, such a tool would have to be seen as having a broader function as an advocacy tool for other donors.

Annex 1: Terms of Reference

INDEPENDENT REVIEW OF THE UNDERFUNDED WINDOW OF THE CENTRAL EMERGENCY RESPONSE FUND (CERF)

Terms of Reference

1. Background to Underfunded Review

The Five-Year Evaluation of the CERF included a section on the outcomes of the Underfunded Window. While overall positive—noting the positive role of underfunded allocations for poorly funded emergencies and in politically sensitive crises—the evaluation illustrated a persistent gap in knowledge of and breakdown of communication regarding the country selection and apportionment process at the field level. Ultimately, the evaluation recommended CERF “develop a process for Underfunded Emergency (UFE) envelopes that promotes more effective and efficient use of CERF funds.”

As part of the management response to the CERF Five-Year Evaluation, the CERF understood this recommendation to refer to “the need to reinforce a transparent and inclusive UFE country selection process that ensures that UFE funding goes to the most deserving countries.” In addition, based on a reading of the evaluation report, the CERF noted the recommendation pointed to the need for a better communication of UFE procedures on country selection and their outcomes. While these are well understood at the headquarters of partner agencies, this is not always the case at field-level. Even though the CERF Secretariat undertook a review of the UFE window in 2009, the CERF committed in 2012 to “conduct research to identify potential alternative or improved methods to select participating countries for biannual UFE rounds, including their costs and benefits, as well as ways to ensure better understanding of UFE procedures and outcomes at field level.”

2. Scope and Purpose

The main purpose of the proposed review of the Underfunded Window (UFE review) will be to review the current methodology used for country selection and apportionment and identify potential alternative or improved methods.

The review should provide the ERC and CERF secretariat with sufficient analysis of the current method and costs and benefits of proposed alternative or improved methods to decide whether modifications to the current guidelines and practice associated with the Underfunded Window are required.

3. Key issues

The critical overriding question on which assurance is sought by the ERC is: **Is the current methodology for country selection and apportionment of the CERF Underfunded Window the most appropriate or are there alternative methods worth pursuing?**

Current methodology:

- What are the benefits and limitations of the current country selection and apportionment methodology?
- Is the methodology and criteria for non-CAP country recommendation—carried out by the headquarters of UN agencies and IOM—appropriate and transparent? Can alternative methods be identified?

- Is the methodology and criteria for CAP country recommendation—carried out by the CERF Secretariat and relevant OCHA sections —appropriate and transparent? Can alternative methods be identified?
- Is the data used (funding information and vulnerability indexes) sufficiently relevant and informative to inform the ERC’s decisions?
- Are the appropriate stakeholders consulted during the process and at a suitable time? Is the appropriate consideration/weight given to different stakeholder’s inputs to the decision?
- What should be the role of Resident and Humanitarian Coordinators (RC/HC) or Humanitarian Country Teams (HCT) in the country selection process, in particular for the countries without Consolidated Appeals (CAP)?

Timing and rounds:

- The timing of the first underfunded round (January-March) assumes that humanitarian funding is most critical in the first quarter of the calendar year. “Late” funding is commonly described as detrimental to program planning and implementation. Is this assumption valid?
- Funding analysis for the first underfunded round is carried out in November of the prior year when agencies’ financial books remain open, comprehensive data is not yet reported to the Financial Tracking Service (FTS) and donors have not yet announced funding decisions for the following year. Taking this into consideration, what is the impact of the timing of the first round on the accuracy or validity of the data used for country selection?

Use of the Window

- Are the original intent and purpose of the Underfunded Window still valid?
- Given that most countries benefit—often times simultaneously—from the Underfunded and Rapid Response windows, is there a distinct added value to the Underfunded Window or grants from an administrative and operational perspective?

4. Review Methodology

Key components of the methodology will include a desk review and interviews with key stakeholders in New York, Rome and Geneva given. The CERF Underfunded Guidelines and procedures will be reviewed including the country selection and apportionment methodology, and internal and external communications regarding the Underfunded Window.

Semi-structured interviews will include: CERF secretariat staff; OCHA staff in the Coordination and Response Division, CAP Section and other relevant sections, as well as regional and country offices; CERF focal points in UN agencies and IOM. Telephone interviews may be arranged with RC/HCs in recipient and non-recipient countries.

Desk review: An analysis of the current country selection and apportionment process, as well as the evolution of this process since the inception of the CERF will be conducted. This will entail reviewing:

- CERF Underfunded Guidelines
- Underfunded guidance notes, meeting notes, communications documents from each underfunded round
- Report from the 2009 Underfunded Review
- Underfunded country selection analysis – tables and data from each round
- Funding data from FTS, CERF database and provided by UN agencies and IOM for the selection and apportionment process

5. Proposed Consultants

It is anticipated that one consultant will be required with the following skills:

- Expertise in UN humanitarian reform & financing and knowledge of the CAP and Flash Appeal process;
- Expertise and extensive experience in humanitarian evaluation;
- Expertise in analyzing financial data in tandem with other types of information;
- Expertise in project management and implementation;
- Knowledge, including field experience with a broad range of humanitarian actors, such as UN agencies, Red Cross/Red Crescent Movement, local government disaster response structures and systems, and NGOs;
- Fluency in written and spoken English.

6. Management and Support

The review will be managed by the CERF Secretariat, who will identify focal points to support the review. Their responsibilities will include:

- Provide necessary administrative, coordination and logistical support to the consultant;
- Facilitate the consultants' access to specific information or expertise necessary to perform the assessment;
- Monitor and assess the quality of the review and its process;
- Ensure sufficient engagement by CERF focal points in agencies on initial findings prior to dissemination;
- When appropriate, recommend approval of final report;
- Disseminate final report; and
- Facilitate management response to the final report and subsequent follow up.

7. Deliverables

The main output will be a concise report in English to the ERC, through the CERF Secretariat, of no more than 20 pages each (excluding appendices) in an electronic version plus an Executive Summary (up to two pages). The reports will be structured in the form of short observations and conclusions around the different questions proposed by the ToR. The report will include, as appropriate, a set of specific, well targeted and action-oriented recommendations whose purpose should be to improve the methodology and use of the Underfunded Window. The annexes will include a brief description of the methods used and the tests performed and a list of persons interviewed.

8. Timeline

TBD

9. Contract length:

30 days