



# CERF and Country-Based Humanitarian Pooled Funds

## I. Introduction

Country-based humanitarian funds (i.e. Emergency Response Funds<sup>1</sup> (ERFs) and Common Humanitarian Funds (CHFs)<sup>2</sup>) have in recent years increased in popularity amongst donors and humanitarian organisations, as a way to ensure availability of flexible and timely emergency funding at the country level. By mid-2010 there were 16 ERFs and 4 CHFs in operation globally, with 8 of these funds established since the beginning of 2009.

The proliferation of humanitarian pooled funds at country level has necessitated increased attention towards ensuring harmonisation and complementarity of these funds, both within the individual fund types, but also between these funds and other funding mechanisms (e.g. CERF and bilateral funding) and appeal frameworks, such as the Consolidated Appeals Process (CAP) and Flash Appeal (FA) process.

## II. CERF, CHF and ERF Funding Update

Emergency Response Funds (ERFs) have been in place in one form or another since 1997<sup>3</sup> whereas Common Humanitarian Funds (CHFs) were first established in 2006, the same year the new CERF was launched. By mid-2010 a total of 16 ERFs and 4 CHFs were operational. Of these 20 funds, 8 have been established since the beginning of 2009 and 3 in 2010 alone. The table below provides an overview of the history of ERF and CHF establishment.

Year	New Funds	ERFs Established	CHFs Established
2001 – 2005	3	Indonesia, DRC*, Somalia**	-
2006	4	Ethiopia, Sudan (South Sudan)***	Sudan, DRC
2007	5	Haiti, Iraq, oPt, Zimbabwe, Myanmar	-
2008	1	-	CAR
2009	5	Colombia, Uganda, Kenya, Nepal, Afghanistan	-
2010	3	Pakistan, Yemen	Somalia

\* Closely aligned with the DRC CHF

\*\* From mid 2010 integrated as a window of the Somalia CHF

\*\*\* ERF funding is channelled through the Sudan CHF but a separate ERF decision-making structure is maintained.

<sup>1</sup> Also in some instances named Humanitarian Response Funds (HRFs)

<sup>2</sup> ERFs are typically smaller responsive funds that are intended to respond to small shocks at the country level. ERFs predominantly provide funding to NGOs but can normally also provide funding to UN agencies if and when needed.

CHFs are larger pooled funds intended to provide timely funding to core elements of the CAP (or similar planning/appeal framework). CHF funding is allocated strategically through a standard allocation process that involves priority setting against CAP objectives, and that relies of clusters/sectors to identify priority projects for funding. CHF standard allocations are normally undertaken twice a year, with the largest portion of funds allocated early in the year in order to front load critical components of the CAP. CHFs have a build-in emergency response window and maintain a funding reserve in order to be able to respond to unplanned for sudden onset needs throughout the year (similar function as an ERF). CHFs can fund both UN and NGOs.

<sup>3</sup> ERFs in Angola, Cote D'Ivoire and Liberia are no longer active.



By July 2010 the CERF and the country-based humanitarian pooled funds had collectively received more than **\$3.5 billion** in contributions since inception, the majority of which has been contributed since 2006. The table below presents cumulative funding for each of the three fund types, as well as a breakdown of the amount of funding received in 2009<sup>4</sup>.

Fund Type	2009 Funding	Cumulative funding by July 2010
CERF	\$402 million	\$1.89 billion
ERFs	\$90 million	\$418 million
CHFs	\$249 million	\$1.27 billion
<b>GRAND TOTAL</b>	<b>\$741 million</b>	<b>\$3.57 billion</b>

The total humanitarian funding worldwide amounted to **\$11.2 billion** in 2009 according to FTS<sup>5</sup> (of which \$6.9 billion were provided against CAPs or Flash Appeals). Of this amount CERF and country-based pooled funds collectively represented approximately **\$741 million**, equivalent to **6.6%** of total recorded funding (CERF: 3.6%, CHFs: 2.2%, ERFs: 0.8%). The humanitarian pooled funds thus constituted a significant source of humanitarian funding in 2009, but still only represented a relatively modest portion of the overall humanitarian aid flows globally. Naturally, the relative significance of the pooled funding will emerge differently if analyzed in a local context, or within the perspective of a specific emergency.

Please refer to Annex I and II for more details on CHF and ERF funding by July 2010

### III. Standardization and Harmonisation

Through various fora and workstreams OCHA continuously engages with Inter Agency Standing Committee (IASC) partners and donors to establish best practices relating to the operation of the different fund types. This work translates into ongoing improvement of guidance and policies for the funds, and helps identify key areas for strengthened standardization and harmonisation.

Based on lessons learned from the operation of an increasing number of country based pooled funds, and informed by findings and recommendations from studies and evaluations (including the second CHF evaluation, the CERF two year evaluation and the pooled fund transaction cost study), IASC partners at global level have in 2010 continued their work to address key issues related to the operation and effectiveness of humanitarian pooled funds. This has included the following:

- A task team under the IASC Humanitarian Financing Group<sup>6</sup> has worked towards identifying initiatives that will help harmonise the application and reporting requirements for the various fund types. The objective of this initiative is to streamline participation across funds and to reduce the human resources and technical capacity necessary for organisations to access the funds. The task team will present initial findings to the IASC Working Group at its meeting, 10-12 November 2010.
- The Pooled Funds Working Group (formerly CHF Working Group) meets three times a year to discuss country based pooled funds, with an explicit focus on issues and areas of specific

<sup>4</sup> 2009 funding figures are used for analysis in this section since complete 2010 data is not yet available.

<sup>5</sup> Financial Tracking Service: <http://fts.unocha.org/>

<sup>6</sup> Task tem on 'Making Humanitarian Funds More Efficient'



interest for donors. Reporting, monitoring and accountability issues have been high on the agenda in 2010.

- A United Nations Development Group and Executive Committee on Humanitarian Affairs (UNDG/ECHA) Task Team on Financing for Transition has specifically addressed issues around the use of pooled funds in post-conflict transition countries, and as part of this work has commissioned a dedicated study to look into the role of pooled funds in post-conflict situations<sup>7</sup>, in addition to a larger system-wide work by the Organisation of Economic Cooperation Development-Development Assistance Committee (OECD-DAC), a Guidance on Transitional Financing that aims to improve effectiveness of transitional financing.
- Preparations for the five year CERF evaluation and the third evaluation of CHFs (both to take place in 2011) have been undertaken in 2010.
- The NGO and Humanitarian Reform Project has included humanitarian financing and pooled funds as one of the topics for research, and a number of papers and reports addressing issues related to humanitarian pooled funds from a NGO perspective, have been issued as part of the project.

These and other workstreams all help inform improvements and updates of the guidance and policy framework for the different fund types.

The IASC Humanitarian Financing Group serves as the forum in which all the different workstreams related to humanitarian financing and pooled funds converge and align.

### **Guidance and Training**

Standard guidelines have been developed by OCHA for ERFs and CHFs outlining overall structures and operational guidance for the funds. The guidelines detail fund elements such as management structures, staffing, application and allocation processes and reporting and monitoring procedures. The guidelines seek to ensure that a minimum set of key structures and procedures are in place for all funds, while still allowing individual funds to establish a framework that addresses the individual needs of the specific country context.

Through training, workshops and missions OCHA continuously works with individual fund management teams to ensure implementation of the mandatory elements of the guidelines, as well as to identify best practices with an aim to further improve the guidelines and to share best practice across funds.

Like CERF guidance, CHF and ERF guidelines are updated on a regular basis according to an agreed cycle (typically one yearly official update).

To help improve understanding of the different fund types and how they interact, the CERF Secretariat has included reference to ERFs and CHFs in its standard CERF training package. Typically six to seven inter agency CERF trainings are undertaken each year worldwide. Likewise, OCHA trainings and workshops for ERF/CHF fund managers include CERF related elements, and will have attendance of staff from the CERF Secretariat, the CAP section and other relevant sections within OCHA.

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<sup>7</sup> Title: 'Pooled Funding for Transition at the Country Level'. The report from the study will be issued in October 2010.



#### **IV. Complementarity of Humanitarian Pooled Funds**

The existence of a CHF or ERF in a country does not exclude CERF from providing support to sudden onset emergencies or to underfunded elements of the humanitarian response. In fact, between January and September 2010 CERF has provided \$207 million in grants to 13 countries<sup>8</sup> in which either a CHF or an ERF exists. A total of \$125 million were provided from the Rapid Response (RR) window and \$83 million from the Underfunded Emergencies (UFE) window. Of the \$127 million from the RR window almost \$77 million were allocated to Haiti and Pakistan alone.

Utilizing CERF at the global level in combination with in-country pooled funds (ERFs or CHFs) provides the Resident/Humanitarian Coordinator (RC/HC) and the Humanitarian Country Team with a powerful toolbox of humanitarian financing options for responding quickly to emergencies within a given country. However, in order to fully exploit the possibilities offered it is important that the different funds are used according to their respective strengths, and that these are applied strategically to form a combined response.

To achieve a high degree of complementarity between the pooled funds and to maximize impact of the funding available through these mechanisms, guidance<sup>9</sup> developed for ERF, CHF and CERF recommends that a common framework is used at country level to prioritize funding from the different channels. Where CHFs and ERFs exist these funds have established a standardized framework for prioritization and allocation of funds at the country level, a framework that should be supported by a well-defined management structure and based on strong cluster or sector participation. In order to improve overall coherence and effectiveness it is strongly recommended that the RC/HC utilizes these structures to identify needs and to undertake prioritization of activities if/when applying for CERF funding for the country (from the Rapid Response and/or Underfunded CERF windows). This will help to ensure that CHF/ERF and CERF funds are used to complement each other as best as possible; that both UN and non-UN partners are actively involved in CERF prioritization; and that clusters/sectors are playing a lead role in identifying needs and priorities for all funding streams. Given the difference in structure, size and scope between CHFs and ERFs, the harmonization with CERF processes would have to be approached differently in CHF and ERF countries. In countries where a CAP exists, pooled fund allocations shall be guided by CAP strategies and shall support of the objectives set out in the CAP.

For a number of the large funds, such as the CHFs in DRC and Sudan and the ERF in Ethiopia, CERF allocations are fully or partly building on existing pooled funds structures, and CERF funding is applied strategically in conjunction with funding from the local pooled fund. However, in an attempt to better gauge and understand the extend to which this harmonisation has been implemented at the country level, the CERF Secretariat has conducted a survey amongst fund managers in those 13 countries with country based pooled funds that have also received CERF grants in 2010. The CERF Secretariat expects to have the result of the survey by mid-October,

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<sup>8</sup> \$153 million for ERF countries: Afghanistan (UFE), Columbia (UFE), Ethiopia (UFE), Haiti (RR), Kenya (UFE and RR), Myanmar (UFE and RR), Nepal (UFE), Pakistan (RR), Yemen (UFE and RR) and Zimbabwe (RR). \$55 million for CHF countries: DRC (UFE and RR), Sudan (RR), CAR (UFE and RR).

<sup>9</sup> CHF Standard Guidelines, ERF Guidelines, CERF Guide to Field Staff



based on which it will undertake further consultations, establish lessons learned and best practices, and, if relevant, work with partners towards ensuring that the implementation of this recommendation is strengthened.

### **Cases: Haiti and Pakistan**

In 2010 two major natural disasters - the Haiti earthquake and the Pakistan floods - have demonstrated how CERF and country based pooled funds can complement each other well in responding to a major emergency. In both emergencies the strengths of each mechanism were utilized to achieve a flexible and diverse funding framework at the disposal of the HC and the Humanitarian Country Team. Although both these emergencies have faced significant challenges in operating and scaling up a local fund under very challenging conditions, they have nevertheless demonstrated the added value of using the CERF and a country based ERF as a combined financing framework in meeting the most urgent humanitarian needs. Some key observations from the two responses:

- In both emergencies CERF was able to provide large allocations to UN agencies very early on in the response to enable quick scaling up of presence and activities. This was followed by additional allocations over the next two to three weeks of the response.
- Due to its global nature and the availability of flexible funding reserves, CERF was able to provide unprecedented large allocations to the response (\$37 million<sup>10</sup> for UN agencies in Haiti and \$40 million for UN agencies in Pakistan).
- Where CERF provided large allocations to UN agencies<sup>11</sup> early in the response the existence of an ERF enabled the HC to provide allocations directly to key NGO projects (international and national NGOs), as well as to address critical funding gaps for UN agencies later on in the emergency.<sup>12</sup>
- Whereas the CERF is strictly bound by its mandate and the CERF Life Saving Criteria, the ERF in each instance could allow more flexibility for the HC in making funding decisions (with respect to both recipient organisations and activities funded).
- For donor countries that traditionally do not channel humanitarian funding through international humanitarian organisations (UN agencies and NGOs), the presence of an ERF presented an easy one-stop-shop for providing humanitarian aid directly to the response<sup>13</sup>. In Haiti a broad range of non-traditional multilateral donor countries contributed to the ERF (Saudi Arabia, Brazil, Malta, Algeria, Armenia, Benin, Cambodia, Indonesia, Mongolia) and the fund attracted more than \$85 million in total funding, of which a significant portion may not have been available for the Haiti Flash Appeal, had it not been for the ERF. By 1 October the

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<sup>10</sup> An additional \$1.94 million was allocated to UN agencies in the Dominican Republic involved in the humanitarian operation to assist Haitian

<sup>11</sup> CERF cannot allocate funds directly to NGOs, but NGOs will typically access CERF funding as implementing partners for UN agencies

<sup>12</sup> Due to the size of the ERF in Haiti, and given the critical gaps in some of the larger programmes, a significant portion of ERF funding went towards UN projects. Over \$40 million of the \$67million disbursed within the first three months went to UN Agencies.

<sup>13</sup> CERF does not allow earmarking of donor contributions for a specific emergency.



Pakistan ERF had received more than \$30 million in contributions, including \$20 million from India.

- Collectively the CERF and the ERFs accounted for **\$122 million** for the Haiti response (nearly 1/4 of the initial Flash Appeal requirements) and as of 1 October 2010 more than \$70 million for the Pakistan flood response. This may perhaps be relatively limited amounts in the context of the eventual overall appeal sizes, but it does represent a significant cash amount that was available very early on in the response to meet the most time critical needs, and it provided the flexibility for the HC to channel the funds to where they were needed most.

These two cases represent exceptional situations where especially the ERFs had to take on an extraordinary role, but they have also been important examples of how CERF and country based pooled funds can and should be used strategically in conjunction to complement each other as best as possible. Interagency studies and internal assessments following the emergencies will likely allow important lessons to be learnt with respect to the usage and complementarity of these funds.

## **V. Looking Ahead**

The CERF and the country-based pooled funds are effective in their own ways and have proven their added value in a variety of different contexts. However, areas for improvements remain and OCHA continues to work with partners towards harmonisation of these humanitarian financing tools, in order to maximize their effectiveness, reduce transaction costs and ensure that they complement each other best possible. Another key focus will be to better position the humanitarian pooled funds in the overall humanitarian programme cycle, with an aim to ensure that funding decisions are made strategically and are informed by joint needs assessments, made in line with priorities identified through common planning exercises and are embedded in a well-defined performance and accountability framework. Better integration of the pooled funds within the humanitarian programme cycle should lead to improved performance of the funds themselves, but will also help reinforce the other elements of the cycle.

1 October 2010