Direct NGO Access to CERF – Discussion Paper

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United Nations CERF Central Emergency Response Fund

Introduction

Established in 2006 in the United Nations General Assembly as a "fund for all, by all", the Central Emergency Response Fund (CERF) is the UN's global emergency response fund. CERF was created to reduce loss of life by promoting early action and response to humanitarian crises, enhancing response to time-critical needs and strengthening core elements of humanitarian response in underfunded crises. Since its establishment, the Central Emergency Response Fund has operated under the same eligibility conditions as its predecessor, the Central Emergency Revolving Fund, a loan facility open to UN agencies set up in 1992. Questions about the lack of direct access of organizations other than UN agencies have surfaced regular since CERF began operating more than a decade ago. These have received renewed attention recently with the endorsement of a revised $1 billion funding target for CERF as well as the Grand Bargain call to explore the possibility of opening CERF for direct funding to civil society organisations.

This paper serves as an initial input into this exploration process. It seeks to analyse the potential implications of opening up CERF and serve as a basis for discussions with stakeholders.

CERF's Role in the Humanitarian Financing Landscape

CERF was created by UN Member States as a tool for enhancing UN emergency response capacity and for promoting timely and coordinated humanitarian action. CERF was not established to meet all financing needs of all humanitarian partners. Instead, CERF is meant to occupy a specific niche in the humanitarian financing landscape while complementing other funding streams and mechanisms. CERF is, therefore, part of a suite of funding options available for donors and humanitarian organisations in responding to humanitarian emergencies. Consequently, CERF represents a small part of total global aid flows and even a $1 billion CERF would constitute a limited portion of overall humanitarian funding[1].

CERF's operational model

While anchored in the UN system, CERF is a mechanism that benefits the entire humanitarian community. A CERF-funded response is a collective effort by in-country humanitarian partners under the leadership of the UN Resident or Humanitarian Coordinator (RC/HC). CERF requests are prioritized and planned by the Humanitarian Country Teams (HCTs) and cluster/sector structures, which include NGOs as active participants.

By channelling funds through UN agencies CERF can quickly disburse significant amounts of funding through consolidated strategic allocations consisting of few large grants (averaging $1 million) to any humanitarian emergency world-wide. It also allows for rapid disbursement of funding with limited additional administrative and oversight requirements. It is able to do so because recipient UN agencies are bound by UN administrative rules and regulations approved and overseen by their respective boards.

At the country-level, CERF reinforces recipient UN agencies' presence and existing partnership networks for the implementation of CERF-funded projects. In 2015 alone, more than 500 local/national partners and over 140 international NGOs worked closely with 11 UN agencies to reach people in 45 countries with CERF-funded humanitarian action. In this respect, more than $120 million in CERF funds (26 per cent) was sub-granted by UN agencies to their implementing partners[2]. This is in addition to the food and relief supplies procured with CERF funds by UN agencies and transferred to implementing partners for distribution to people in need.

[1] In 2016 CERF received $426 million and CBPFs $691 million equivalent to respectively 2 per cent and 3 per cent of total recorded global humanitarian funding for the year ($23.3 billion according to FTS).

[2] Through a total of 1018 sub-grants.

CERF complementing other funding

CERF grants are not provided in isolation, but as part of a larger humanitarian financing ecosystem. Under the leadership of the RC/HC, CERF funds are utilised at the country level by humanitarian partners to complement other available funding, including individual organisations' bilateral donor funding and other pooled funding such as grants from OCHA-managed country-based pooled funds (CBPF)[3] or START Fund grants[4] where relevant.

While CERF can only fund UN agencies other funding mechanisms are available to fund NGOs directly at country level. For example, CBPFs are strategically-well positioned to directly fund NGOs. By being based in a country, CBPFs are able to identify and assess their partners in advance of allocations. In addition, CBPF management teams can support allocation processes and handle the required monitoring, evaluation and auditing of grants. Something that CERF, without a country presence in its present form, cannot currently do.

The START Fund is another funding mechanism well placed to provide rapid funding directly to NGOs at country level. Like CERF, the START fund relies on the country presence of a set of preapproved partners that can receive funding quickly and implement grants through their existing partnerships. Where CERF works through UN agencies the START Fund can disburse grants to a fixed group of NGO network partners.

Each mechanism is designed to meet a specific humanitarian funding need, and if used jointly and strategically they can collectively form a powerful funding tool-box for the humanitarian community.

Potential implications of direct NGO access to CERF

This section explores the potential political, operational and strategic risks of opening up CERF for direct NGO funding should this be possible. Opening CERF to a broader range of partners could, in theory, allow NGOs to access CERF funds directly without having to partner with a UN agency. From the perspective of the individual NGO this may be preferable, as it would provide them with a more transparent and efficient way of obtaining additional humanitarian funds. However, as discussed below there are significant risks and potential negative implications, for both CERF and NGOs, of such a fundamental change in CERF's mandate and operation.

A significant change to CERF's identity and strategic purpose carries a political risk that could erode CERF's current strong support from UN Member States. CERF was created by Member States as a tool for enhancing UN emergency response capacity and for promoting more timely and coordinated UN-led humanitarian action globally. On the basis of this mandate, and by carrying out its humanitarian objectives as set out by the General Assembly, CERF has received exceptionally broad and consistent support, with more than 125 Member States contributing to the Fund since its inception in 2006. CERF's unique mandate and operational model is one of the reasons Member States have shown such strong and consistent support for CERF. Opening up CERF to a wider range of organisations beyond the UN system would ultimately change the mandate and guiding principles of CERF and would radically alter the operational model and strategic purpose of the Fund. Such a fundamental change could affect the strong political and financial support for CERF amongst Member States and the change may not be supported by the General Assembly[5].

In addition to the political risks related to a change in CERF's mandate, opening access to CERF beyond UN organisations will also have operational, administrative and strategic implications for the functioning of the Fund as outlined below:

[3] CBPFs exist in 18 countries and can disburse funds directly to both UN agencies and NGOs. In 2016 CBPFs allocated a total of $665 million of which $429 million (65 per cent) were grants directly to NGOs.

[4] The START Fund is an NGO managed global fund that can disburse funds directly to NGO member organizations in a given emergency. Similar to CERF the START Fund benefits from the existing country level networks of a limited number of predefined participating organizations to implement projects.

[5] Some of CERF's core supporters have indicated that they are not in favor of changing CERF's mandate.

- **Partner engagement and disbursement speed:** By limiting direct recipients of grants to UN agencies with a global presence, CERF can disburse funding quickly and efficiently with streamlined processes through pre-existing partnerships agreements, enabling it to meet its rapid response mandate no matter where a crisis hits in the world. Through UN agencies, CERF funding reaches more than 600 implementing partners each year thanks to country-level partnerships across 40 to 50 different countries. It will be challenging for CERF, as a global fund, to establish direct partnerships with this range of partners across so many countries and to manage these partnerships in a timely or practical way. In addition, as a global Fund CERF, does not know in advance where allocations will be needed and, by extension, where partnerships will have to be established and maintained (CERF has provided funding in more than 95 countries to date). Even if possible, any attempt by CERF to directly contract NGO partners at country-level would require a significant expansion of the CERF secretariat and result in prolonged and costly outreach efforts. This would radically change CERF's engagement with field level partners and potentially affect CERF's ability to fulfil its core rapid response mandate.
- **Oversight processes:** Given that UN administrative rules, regulations and oversight systems have been approved at the global level by UN agencies' respective boards, donors to CERF do not require additional direct project-level oversight processes to be put in place for CERF grants to UN agencies. CERF grants provided directly to NGOs would likely require substantive and dedicated country-level engagement and oversight systems to be established to meet donors' accountability and risk management requirements. This is evidenced by the country-level oversight processes required for CBPFs. Examples of this include partner capacity assessments, monitoring, evaluation and audits among other things. By only funding UN agencies CERF is able to rely on recipient agencies' proven systems working through the existing country level partnership structures of the agencies. A shift to country-level project oversight processes directly exercised by CERF is not realistic within the current global setup of CERF.
- **Quality of partnership arrangements:** Even if CERF - despite the challenges outlined above - could devise an operational model that would allow direct granting to NGOs across the many CERF recipient countries, this may not be a preferable model for partners. With a country-level operational presence, UN agencies are better placed to establish effective and mutually beneficial partnerships with implementing partners than CERF would be as a global fund. Agencies have local knowledge, context specific experience, technical programme expertise and often existing working relationships with NGO partners that allow them to form relevant partnerships for implementation of CERF grants. As a global fund with no country-level presence CERF would not have a strong foundation for engaging effectively with the right partners, nor to ensure that different CERF-funded projects align coherently with the identified allocation strategy. Therefore, while agencies have to continue their work towards eliminating inefficiencies in their partnership processes, the current partnership model of allocating funding through UN agencies appears superior to direct engagement between CERF and country-level NGO partners.
- **Increased process-related transaction costs:** In addition to requiring a significant investment in administrative and oversight systems as discussed above, expanding CERF access to a broad range of non-UN organisations would also impact country-level prioritisation processes. Currently CERF prioritisation discussions at country-level are led by RC/HCs and HCTs[6] with input from cluster leads and eligible UN agencies. This approach does carry a risk of a less inclusive prioritization processes in instances where clusters or agencies do not engage partners sufficiently. However, it also ensures a structure conducive for taking quick prioritization decisions when required and for which the degree of partner engagement and inclusiveness can be adjusted based on the specific context and the urgency of allocations. If the group of CERF-eligible organisations is expanded from a few UN agencies to tens or hundreds of organisations the CERF allocation process at country-level would

[6] HCTs typically have NGO representation.

inevitably be more complex, drive up transaction costs and draw out decision and submission times for CERF proposals. This is demonstrated by the more inclusive CBPF processes, which, again, can mitigate some risks due to their country presence. While CERF Underfunded Emergency processes potentially could accommodate such expanded consultation processes, albeit with increased transaction costs, it could ultimately prevent CERF from fulfilling its rapid response mandate as envisioned by Member States.

- **Fragmentation and reduced strategic impact:** CERF typically disburses a smaller number of large grants (average CERF grant size is approximately $1 million) targeting priority humanitarian needs as identified by RC/HCs and HCTs. Under each CERF grant the recipient UN agency coordinates and implements with its partners humanitarian activities in support of the collective priorities set out in the overall CERF submission. This ensures that CERF funds are focussed on a specific part of the response for maximum impact and that the overall CERF allocation is implemented in a coherent and coordinated manner through UN agency programmes overseen by the RC/HC and HCT. A CERF emergency allocation consisting of grants directly to NGO partners would likely result in a fragmentation of the overall CERF allocation into many small grants. In effect, a fragmentation of grants would transfer the "coordination function" for CERF allocations currently performed by UN recipient agencies to either the CERF secretariat at the global level, which is impractical, or to clusters at the country level. The likely result would be more fragmented CERF allocations with less overall coherence and coordination, potentially leading to reduced effectiveness, efficiency and impact of CERF allocations.

The political and operational challenges discussed above are critical in relation to CERF's ability to fulfil its mandate and contribute to overall humanitarian objectives. They should, therefore, always form part of the discussion when considering direct NGO access to CERF. As many of the challenges are inherently linked to CERF's design and function it may not be possible to overcome them without radically changing the DNA of CERF.

Different "models" for NGO access could be considered in order to mitigate some of the above challenges:

- **Full access, in principle, to all organisations** that meet established capacity assessments criteria would provide the broadest possible access to CERF. While it would be a best-case scenario from a principled perspective on access, it would be the most challenging scenario with respect to the political, operational and strategic barriers outlined above.
- **Limited access only to a selection of few well-established international NGOs** pre-approved for CERF funding could potentially reduce some of the negative impacts above. However, it would still alter the fundamental purpose and identity of CERF and could affect Member State support for CERF. In addition, it would not address the underlying objective of increased localisation of funding as the large global NGOs are comparable to UN agencies in organizational size and financial strength.
- Finally, a dedicated **CERF window for NGO access** could be imagined to isolate the NGO process at both the contribution and allocation side so as compartmentalise the different "functions" of CERF. This may allow donors to selectively buy into certain CERF functions while not supporting others which may appeal to some donors, but could lead to unhelpful earmarking of donor contributions to CERF. It could be argued that a separate NGO window could help isolate some of the challenges related to direct NGO access from affecting regular UN allocations, but it would not fundamentally eliminate these. Such a window would be akin to establishing a separate global NGO fund and raises the question what CERF's comparative advantage over other funding channels (bilateral, CBPFs, START Fund) would be so as to justify this approach.

Other models could be explored but it is evident that none of the options for direct NGO access to CERF would fully address the political and operational barriers and risks associated with NGO access. In addition, none of them would likely present a sufficiently strong value added proposition to Member

States to compel them to introduce radical changes to CERF, changes that ultimately could risk undermining CERF's current successful functioning.

If not direct NGO access, then what?

The discussion above indicates that, given CERF's mandate and operational model, direct NGO access is difficult to argue from an effectiveness or efficiency point of view. If this is the case it would largely remain an argument based on principle only. Since there are other pooled funds whose mandates and operational models are designed to fund NGO partners directly, this would not in itself be a strong argument for change. If a larger CERF cannot provide direct access to NGOs, it is important to consider what other opportunities there are for improving NGOs' role in CERF-funded humanitarian action.

For example:

More effective and efficient partnerships arrangements under CERF grants: In recent years, UN agencies have worked towards ensuring more efficient and effective partnership processes that would eliminate administrative bottlenecks and ensure more timely disbursement of sub-grants to partners under CERF grants. This work has, in part, been informed by sub-grant analyses undertaken by the CERF secretariat and by related discussions on the quality of CERF partnerships between the CERF Advisory Group and IASC partners. The effectiveness of partnerships under CERF grants remains a standing agenda item for CERF Advisory Group meetings and agencies regularly brief the group on progress made. To support discussions the CERF secretariat publishes an annual comprehensive analysis of CERF sub-grants based on information reported from the field. This data indicates continued improvements in term of the general speed of disbursements[7]. In addition, the CERF secretariat seeks broader evidence on timeliness of partnership arrangements[8] in various operational contexts to ensure an informed discussion amongst partners. The Grand Bargain work-stream on reduced reporting may also lead to more efficient partnership processes under CERF grants. The CERF secretariat and the CERF Advisory Group will continue to support work towards ensuring more effective and efficient partnerships under CERF grants.

Stronger NGO engagement at the strategic level: Promote strong NGO involvement in strategic decisions on the prioritization of CERF funds through HCT and cluster engagement as well as through partnerships with recipient UN agencies. Transparent CERF processes linked to broader strategic discussions at country level can help ensure that the wider humanitarian community, including international and national NGOs, are engaged in CERF-related discussions and decisions. In countries with CBPFs this can be achieved by using the two pooled funds jointly and strategically according to their comparative advantages in pursue of a common humanitarian objective. Complementary use of CERF and CBPF funding has been a long standing priority and it has been demonstrated on numerous occasions, most recently in the famine prevention response in Somalia where a "joint" allocation of available CERF and CBPF funding envelopes was used to target response priorities strategically. Combined, CERF and the CBPF (the Sudan Humanitarian Fund - SHF) allocated more than $60 million ($33 million from CERF and 27.5$ million from SHF) to scale up early action and kick-start or sustain response across the country. SHF funding was focused on direct implementation through local partners, while CERF funds were predominantly used for the procurement of critical supplies and enabling services that benefit the humanitarian community as a whole. There are numerous such examples of complementary use of CERF and CBPFs and with CBPFs expanding in numbers and size there are significant opportunities for further strengthening joint strategic use of the pooled funds to their respective strengths.

Cluster-based umbrella CERF submissions: CERF has recently seen submissions of "cluster-based" CERF proposals where a UN agency serves as applicant for an umbrella cluster CERF application consisting of

[7] http://www.unocha.org/cerf/partner-resources/research-and-analysis

[8] Recognising that speed and timeliness are not necessarily the same. A sub-grant can be timely without being fast if its timing is aligned with the deliverables and milestones required for timely project implantation. Timeliness is much more difficult to assess than speed as it relates to project and context specific parameters.

select NGO projects. In some natural disasters a partnership has formed between IFRC and IOM to increase NGO access to CERF funding for emergency shelter activities. For example, following the April 2016 earthquake in Ecuador and more recently in response to massive flooding in Peru, the IFRC Shelter Cluster Coordinator and IOM country office had reached an informal agreement by which the cluster coordinator identified technically sound and implementable NGO projects and IOM included these in a proposal to the CERF, both times within IOM's CCCM project. The cluster coordinator provided technical support, coordination and monitoring of the NGO shelter projects while IOM disbursed funds to NGOs, carried out comprehensive oversight of CERF funds and projects, and reported to the CERF. While the CERF umbrella grant goes to the UN agency in question, in this instance IOM, the project proposals are decided, developed and implemented directly by the cluster members thereby creating a more "direct" and independent access to CERF funds for NGOs. CERF will work with partners to explore this approach in more detail, including identifying lessons-learned from the instances where it has been applied in practice to see if this approach could be applied in other relevant contexts as a complement to regular UN agency grants.

Conclusion

The analysis provided in this paper has laid out some of the operational and political challenges of providing access to CERF beyond the UN system. While these challenges can be explored further and mitigation approaches considered, they do indicate that the call for direct NGO access to CERF is currently based more on principle, rather than on operational effectiveness and efficiency. It is not clear that there are immediate comparative advantages for CERF in providing direct funding to NGOs for either CERF or NGOs given that this role can be performed more effectively by other funding mechanisms that are designed to fulfil this function. For example, CBPFs have a dedicated NGO funding mandate and are increasing in numbers and scale. In 2016, these funds collectively (across 18 countries) surpassed CERF in funding. Similarly, the START fund at the global level continues to increase the group of eligible NGO recipient organisations.

A more viable strategy for improving NGO access to CERF may be to acknowledge CERF's specific and unique role in the humanitarian financing landscape alongside other funding mechanisms. This would imply that instead of seeking to change CERF's mandate, focus should be to ensure that appropriate structures and processes are in place to facilitate more direct and strategic influence on CERF allocations and implementation by NGO partners, and to continue to improve UN agencies partnership processes to ensure more efficient access to CERF funds. The CERF secretariat will continue to work closely with NGO consortia, CERF recipient agencies, the CERF Advisory Group and key donors to advance this agenda, and in particular welcomes more systematic engagement with the NGO community going forward.

CERF secretariat, 11 May 2017