

CERF FOR THE FUTURE: ANTICIPATORY HUMANITARIAN ACTION UPDATE FOR THE CERF ADVISORY GROUP – OCTOBER 2018



Introduction

This paper builds on the CERF Advisory Group papers “A Revised Operating Model for a Larger CERF” from May 2018 and “A CERF for the Future – Discussion Paper” from March 2015. It lays out progress since the last meeting of the Advisory Group in May 2018 where the group asked OCHA to explore options for an anticipatory approach by CERF in support of earlier action. The paper also captures emerging thinking on key issues and outlines next steps.

Background

There is growing evidence and recognition that early action¹ interventions undertaken before the full impact of a disaster can help save lives, mitigate suffering and lower the cost multi-fold of responding to the humanitarian consequences of shocks.²

This realization was echoed earlier this year in the Dublin speech of Under-Secretary-General (USG) and Emergency Relief Coordinator (ERC) Mark Lowcock, who advocated for a move towards an anticipatory humanitarian system: “What we need to do is to move from today’s approach, where we watch disaster and tragedy build, gradually decide to respond and then mobilize money and organizations to help; to an anticipatory approach where we plan in advance for the next crises, putting the response plans and the money for them in place before they arrive, and releasing the money and mobilizing the response agencies as soon as they are needed.”

With forecasting and communication of early warnings improving over the years, work on financing solutions to ensure translation of early warning into early action has also advanced. In 2016, the Start Fund, a financing instrument for NGOs, established an “Anticipation Window”. Earlier this year, the Disaster Relief Emergency Fund (DREF) of the International Federation of Red Cross and Red Crescent Societies (IFRC) launched a mechanism to finance early action based on scientific forecasts (the “Forecast-based Early Action by the DREF”). At agency level, WFP and FAO have set up dedicated early action financing mechanisms within their own emergency funds. Setting up insurance schemes has been another avenue to gain funding for early action. These include the establishment of the African Risk Capacity in 2012 to cover droughts and the launch of the Pandemic Emergency Financing Facility (PEF) by the World Bank in 2016.

¹ While the term “early action” is currently interpreted flexibly by different stakeholders, there is a consensus on the need for a common language and definition. The CERF secretariat will use the concept as defined by FAO, ODI, and the Inter-Agency SOPs for Early Action to El Niño/La Niña Episodes. These have in common that early action is an activity taking place between an early warning trigger or a high-probability forecast and the actual occurrence of the corresponding disaster in order to mitigate or prevent the humanitarian impact of the anticipated disaster. See, FAO: “Early Warning Early Action” (<http://www.fao.org/emergencies/fao-in-action/ewea/en/>), Inter-Agency SOPs for Early Action to El Niño/La Niña Episodes (https://interagencystandingcommittee.org/system/files/23032018_ja-enso-sops_final_endorsed.pdf), ODI “Forecasting hazards, averting disasters” (<https://www.odi.org/sites/odi.org.uk/files/resource-documents/12104.pdf>), DREF (https://www.forecast-based-financing.org/wp-content/uploads/2018/05/DRK_Broschu%CC%88re_Web.pdf)

² See, for example, Cabot Venton, C., Fitzgibbon, C., Shiterek, T., Coulter, L. and Dooley, O. (2013) The economics of early response and resilience: lessons from Kenya and Ethiopia. London: DFID; Cabot Venton, C. (2018) The economics of resilience to drought. Washington DC: USAID; Clarke, D. and Vargas Hill, R. (2013) Cost–benefit analysis of the African Risk Capacity Facility, IFPRI Discussion Paper 01292. Washington DC: IFPRI; Hallegatte, S. (2012) ‘A cost effective solution to reduce disaster losses in developing countries and evacuation’, World Bank Policy Research Working Paper. Washington DC: World Bank; UNICEF/WFP (2015) UNICEF/WFP Return on Investment for Emergency Preparedness study: final report, Boston Consulting Group; World Food Programme (2011) ‘Efficiency at WFP’, Executive Board Second Regular Session.

However, all of these financing mechanisms are very small in scale³ (with the exception of the PEF) or sector-specific, project-based and with restricted accessibility, thereby limiting the effectiveness and impact of early action.

The only dedicated anticipatory financing mechanisms with wide geographic reach and coverage of various disaster types are the DREF and the Start Fund. With these being limited to Red Cross/Red Crescent societies and NGOs respectively, the third pillar of the international humanitarian assistance architecture – the UN system – remains missing. CERF with its global reach, funding volume, and established processes, partnerships and capabilities is well positioned to fill this gap and promote coherence within the humanitarian system.

CERF has proven to be one of the fastest funding sources available to the UN system for responding to new or deteriorating crises.⁴ However, while CERF has funded aspects of early action, this has been limited and ad hoc and CERF mostly responds only once humanitarian needs have unfolded.

As an example, in 2013 CERF provided nearly \$5 million to Myanmar prior to the monsoon season where some 13 rural camps for displaced persons were going to experience flooding. CERF funds helped to construct elevated shelters and provide safe drinking water and sanitary facilities. An independent review later found that while the rains were not as severe as feared, interventions prioritized for CERF funds were consistent with CERF's early action objectives and Life-Saving Criteria and an appropriate use of CERF resources.

In 2017, CERF was one of the first responders in 2017 to warning signs of famine in North-east Nigeria, South Sudan, and Somalia. By end-August 2017, CERF had released nearly \$106 million to support the most critical response and life-saving activities prioritized by the humanitarian partners on the ground, making it one of the largest funding sources for the four affected countries in the early stages of the response. CERF also provided a \$22 million loan to FAO to bridge a cash flow shortfall, which threatened FAO's ability to continue its drought response in Somalia. With this timely and highly cost-effective support,⁵ FAO was able to scale-up life-saving activities and launch an unprecedented campaign to avert famine.

Pushing the needle closer towards anticipatory action, CERF this year worked closely with field colleagues to analyse drought and food security forecasts in the Sahel and advised Resident and Humanitarian Coordinators (RC/HCs) in the highest risk countries on how to access CERF funding. A total of \$30 million was allocated to Mauritania, Mali, Burkina Faso and Chad between March and June 2018. This enabled partners to bolster communities' resilience through animal health and cash transfers to safeguard livelihoods.

There is increasing recognition⁶ that given CERF's proven track record, its scale and effective systems and its global reach, the fund has the potential to play a key role in promoting early action to imminent shocks based on forecast-based

³ In 2017, the Start Fund's Anticipation Window allocated a little over US\$1 million (£ 872,375), about 10% of the total Start fund funding level. The DREF's funding to early has not been fixed yet, but contributions of € 13 million from the German government are expected between 2018 and 2010, with subsequent contributions of at least € 1 million.

⁴ By channeling funds through UN agencies CERF can quickly disburse significant amounts of funding to any humanitarian emergency world-wide. The most recent analysis of CERF's disbursement speed found that – on average - it takes 3.5 working days from the ERC's approval of a project until disbursement of funding to the UN agency. Eighty-four per cent of Humanitarian Coordinators confirm that CERF has led to fast delivery of assistance. The remaining 16 per cent say CERF partly helped speed up the response.

⁵ For example, the cost of treating one sheep or goat for parasites, illness and injury is 100-times cheaper than replacing a dead animal (\$0.40 versus \$40).

⁶ In 2011, the independent review of CERF's added value to the 2011 Horn of Africa Drought Response first found that "early response offers an opportunity for CERF to support innovative programming". In 2015, Barnaby Willits-King in the report "Study on the Added Value of a Reformed Central Emergency Response Fund (CERF)" found stakeholder consensus on minor adjustments to CERF if the fund size was expanded, namely in greater openness to early action to improve response and greater flexibility over allocation of funds between the Underfunded Emergencies and Rapid Response windows. The study also concluded that increased CERF funds could make it possible to support more projects in the narrowly defined area of early action without detracting from the existing portfolio and approach. In mid-2017, the CERF secretariat commissioned an independent review of the added value of CERF's response to the humanitarian needs resulting from the 2016 El Niño phenomenon. The review, published in February 2018, found that CERF grants were some of the first international funding available. But it also found that CERF would have had a greater impact had it kick-started action before humanitarian needs unfolded. The key recommendation emerging from the review was that CERF should finance early action systematically, when the early warning certainty level is relatively high. In late 2017, the Centre for

and risk-informed early warning indicators. These findings together with the World Humanitarian Summit commitments to more innovation, including investing based on risks to reduce humanitarian needs, CERF's new General Assembly-endorsed funding target of \$1 billion, and the ERC's vision have built up the momentum to explore an anticipatory approach for CERF, within the remit of its humanitarian and life-saving mandate.

At its May 2018 meeting, the CERF Advisory Group asked the CERF secretariat to further explore what an anticipatory approach for CERF would entail, how it would fit into the wider humanitarian financing architecture and what added value CERF could bring to funding of early action.

Progress since May 2018

The period since the last Advisory Group meeting has largely been a research and exploration phase intended to inform the design of options for a CERF anticipatory approach.

Over the past months, the CERF secretariat has held **consultations with OCHA colleagues and with experts** in forecast-based financing and early action in London, Geneva, Rome and Nairobi (including the IFRC Disaster Relief Emergency Fund, Start fund, the Overseas Development Institute, the Centre for Global Disaster Protection, FAO and WFP). In addition, the CERF secretariat participated in the annual Forecast-based Financing Dialogue Platform hosted by the German Federal Foreign Office and the German Red Cross in Berlin in September. The meeting served to assess trends and developments in the field of forecast-based financing, and consult and network with key practitioners, researchers and donors.

In terms of **research**, CERF is working with the Overseas Development Institute (ODI) on DfID-funded research about taking FbF to scale. A CERF-specific study focuses on what an anticipatory approach for CERF would look like in practice, i.e. what are the early actions CERF could fund and what implications would this have on the design of an anticipatory approach. In addition, the CERF secretariat has launched an independent review of CERF's added value to the humanitarian response to hurricanes Irma and Maria in Cuba and the Eastern Caribbean in 2017. Apart from assessing CERF's contribution to the response, the review is looking at the potential additional value that a CERF anticipatory approach could have had in ensuring an earlier response to the hurricanes and for sudden-onset emergencies more generally. A report is expected to be published in early February 2019. A second independent review has been commissioned of CERF's added value to the humanitarian response in the Democratic Republic of the Congo (DRC). This review will look at several recent CERF allocations to the DRC, including CERF's support to the L3 scale-up in line with the operational benchmarks and plans and the two recent Ebola outbreaks. Given that some disease outbreaks have similar characteristics to the type of emergencies qualifying for early actions (e.g. slow onset, availability of early warning indicators, humanitarian and financial advantages of responding early), the results of this review will likely help inform the development of options for a CERF anticipatory approach.

Several **donors** have expressed their backing for a CERF anticipatory approach, including during the General Assembly week at a CERF high level side event with participation of the Secretary-General and several ministers and a breakfast meeting on disaster risk finance co-hosted by Germany and the United Kingdom.⁷ The UK Department for International Development (DfID) and the German Federal Foreign Office have offered to provide technical support to the development of an anticipatory approach. The outcome of ongoing consultations and the results of the above-mentioned ODI study

Global Disaster Protection published a paper entitled "What role for disaster risk financing and insurance in the UN Central Emergency Response Fund". The authors argued that a risk financing approach for CERF could deliver a number of benefits: faster response, more reliable and targeted response, cheaper response, and strengthened UN leadership. A report published by the Overseas Development Institute in March 2018, explained the necessity of scaling up forecast-based early action so that it can have significant impact. At the same time, the report cautioned against creating parallel funding systems and proposed to expand existing funds and financing mechanisms to support forecast-based early action.

⁷ Background documents and summaries of these meetings are available upon request.

will help to further concretize what additional research and technical work may be required to develop an anticipatory approach for CERF and to design relevant pilot projects.

The CERF secretariat has also engaged with the **World Bank** on its Famine Action Mechanism (FAM) initiative and participated in consultations at headquarters and in the field. In contrast to the FAM, a CERF anticipatory approach would address emergencies globally and would not be limited to famine situations. At the same time, the FAM could incentivize a more anticipatory use of the pooled funds while leveraging and reinforcing existing coordination structures, partnerships, and implementation arrangements. OCHA and the CERF secretariat will continue to collaborate and engage in the development of the FAM.

Emerging thinking on key questions

A number of key themes and issues for clarification and decision with respect to CERF's potential role in anticipatory action are taking shape. These issues were in large part identified by the CERF Advisory Group at its May 2018 meeting, and while the underlying design consideration and policy questions are still being worked through, some degree of consensus is emerging around these key areas.

Is an anticipatory approach consistent with CERF's mandate?

Two of CERF's General Assembly mandated objectives (resolution 60/124) are to "Promote early action and response to reduce loss of life" and "Enhance response to time-critical requirements based on demonstrable needs". In particular, the second of CERF's three objectives speaks directly to CERF's role in promoting time-critical early action to reduce the impact of imminent shocks. The Secretary-General's report A/60/432 from 20 October 2005 explains this in detail:

"For a number of important humanitarian actions, timing is critical, and they must be undertaken within specific seasons or time frames in order to protect and save lives effectively. The Fund will be used to ensure that such time-critical actions can be initiated within the period determined to be necessary to save lives and limit costs."

As such funding of early action interventions in advance of likely imminent humanitarian shocks can be considered in line with CERF's original intention and mandate⁸. Therefore, CERF could adopt an anticipatory approach within the existing framework and mandate at the discretion of the Secretary-General and ERC without seeking formal General Assembly endorsement as long as it is true to its life-saving mandate and humanitarian objectives as set out by the General Assembly. CERF will continue to work within the inter-governmental system to confirm that this understanding is correct, and to seek ways to streamline the process as much as possible.

In addition, previous ad-hoc anticipatory no-regret allocations undertaken by CERF have been found appropriate and to be in line with CERF's mandate and objectives by independent reviews.⁹

⁸ A view echoed in the report "Study on the Added Value of a Reformed Central Emergency Response Fund (CERF)" by Barnaby Willitts-King (March 2015) and by the CERF El Niño review by Tasneem Mowjee, Jock Baker and Lydia Poole "Independent Review of the Value Added of the Central Emergency Response Fund (CERF) in the Countries Affected by El Niño" (February 2018).

⁹ Independent reviews of CERF can be accessed on the CERF website (<https://cerf.un.org/partner-resources/performance-and-accountability>)

What is the added value of systematic CERF-funded early action?

Consultations with experts and key stakeholders¹⁰ as well as independent studies¹¹ point to CERF's unique characteristics as a financing instrument and to a critical gap in the humanitarian financing architecture.

CERF is an established and respected instrument with a global remit, which already provides an important global balancing and catalytic function, addressing critical geographical and temporal funding gaps, which bilateral funding responses often struggle to address. CERF is also one of the fastest funding sources for responding to humanitarian needs¹² and it promotes coordination and joint response by requiring from partners a joint, well-prioritized, and coherent response strategy. Notably, CERF has financed responses in over a hundred countries and territories to date, including many which do not have existing international humanitarian response presence and systems.

Existing anticipatory financing tools to support early action are still very small in scale and limited in their coverage.¹³ Within the humanitarian sector there are two key humanitarian risk-based financing mechanisms for early action; the IFRC's DREF Forecast-based Financing mechanism (the "Forecast-based Early Action by the DREF")¹⁴ and the NGO Start Fund "Anticipation Window."¹⁵ While the DREF mechanism is accessible only to Red Cross/Red Crescent societies worldwide, the Start Fund's Anticipation Window is accessible to Start network member NGOs across the globe. Both are very limited in scale in comparison with CERF. Some agencies, including WFP and FAO, have also developed internal funding instruments to provide funds to country programmes at critical moments to enable early action. Again, they are limited to the respective agencies and very small in terms of funding amounts.

As opposed to other anticipatory funding mechanisms such as Start, the DREF or agencies' internal mechanisms that are largely project driven, CERF per design requires a multi-agency coordinated, consolidated response under the leadership of the RC/HC. CERF has scale (global reach and high funding volume) and convening power. This is why CERF could be a potential game changer.

How would a CERF anticipatory action function be situated in a broader system of humanitarian and development financing?

As is the case with CERF's existing funding modalities, new CERF funding approaches will be designed to work in complementarity with other financing instruments based on CERF's unique niche and comparative advantage. An anticipatory CERF funding approach would remain firmly humanitarian and true to CERF's life-saving mandate but with an increased focus on reducing or preventing the humanitarian consequences of imminent high probability shocks and on launching early response to humanitarian consequences.

¹⁰ Bilateral consultations within OCHA (at New York and Geneva headquarters and in the field) and with FAO, WFP, the Start fund, the IFRC DREF, DfID, and German Federal Foreign Office, as well as multi-stakeholder consultations, e.g. at the Forecast-based Financing Dialogue Platform in Berlin in September 2018

¹¹ See footnote 5 for details.

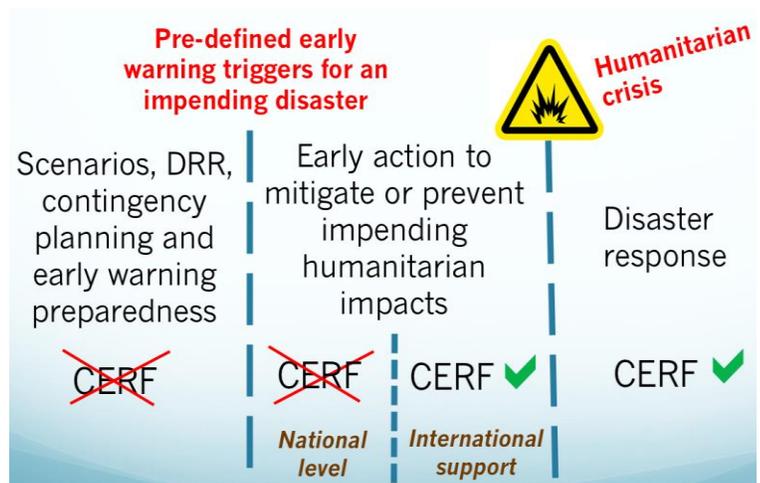
¹² It takes 3.5 working days from the ERC's approval of a project until disbursement of funding to the UN agency. Eighty-four per cent of Humanitarian Coordinators confirm that CERF has led to fast delivery of assistance. The remaining 16 per cent say CERF partly helped speed up the response.

¹³ "Forecasting and communication of early warnings have improved significantly in recent years, but action based on those warnings has not kept pace due to a lack of readily available resources and internal inefficiencies in NGOs and UN and government agencies", from ODI report: "Forecasting hazards, averting disasters Implementing forecast-based early action at scale" (March 2018)

¹⁴ Forecast-based Financing (FbF) approach developed in cooperation between the Federal Foreign Office of Germany, the World Food Programme and the Red Cross and Red Crescent Movement

¹⁵ The Start Fund Anticipation Window objective is to enable NGOs to prepare when they see a crisis coming and respond early to mitigate the predicted impacts.

There is consensus that CERF shall not fund general preparedness activities, but an anticipatory funding approach by CERF would benefit from better emergency preparedness plans and systems at country level. In fact, the CERF El Niño review pointed out that by providing a degree of assurance of access to early action funding, CERF could also provide an incentive for actors at country-level to invest in preparedness activities, such as collective risk analysis, anticipation, and contingency planning. In other words, CERF could leverage systemic change towards a more anticipatory humanitarian system. The El Niño review illustrated CERF's potential niche in the early action space in the following way (see graphic), clearly distinguishing CERF from preparedness and closely linking it to early actions before imminent shocks and to early response once a disaster hits.



The exact type of early action funded by CERF and the timing of CERF funding for early action are currently being explored through consultations at technical level with experts and CERF stakeholders and several independent studies. These workstreams will help shape a formalised CERF anticipatory funding function and will inform the development of relevant pilots to test and refine approaches. It should be noted that a formalized anticipatory funding function for CERF may not emerge as one single approach but could be envisioned as a suite of different allocation approaches tailored to facilitate earlier actions to different types of shocks and contexts. These approaches could be developed and piloted in phases and 'packaged' into a coherent anticipatory funding approach that can be communicated to partners.

Should CERF have a separate early action window?

It is unlikely that CERF will need to establish a separate window. Early action is part of CERF's core mandate and a formalized anticipatory funding function for CERF can be envisioned as a suite of different allocation approaches under the Rapid Response window tailored to facilitate earlier action to different types of shocks and emergency contexts. In fact, while distinct new approaches to fund early action will be explored and developed, part of an overall anticipatory approach for CERF may also include funding the same type of activities currently funded under the Rapid Response window, but just funding these earlier, or it may involve clearer communication to partners on triggers and criteria for what CERF already funds under the Rapid Response window to ensure more timely submission from the field.

Should CERF funding for early action be a last resort and only be released when all other options for funding of early interventions to prevent loss of life have been explored?

CERF would occupy a specific niche among financing mechanisms for early action, and not cover everything. Events that would have a very high impact but are very unlikely may be best covered by risk insurance. On the other hand, low and medium impact events that occur regularly in a given country may be best planned for and covered by core country-specific response and financing mechanisms, including such instruments as the Country-Based Pooled Funds. By contrast, as a global contingency financing mechanism with stand-by funding available for immediate disbursement, CERF can provide additional financing at low cost for high impact events that occur rarely and are not planned for through regular response and financing plans, but that can be predicted with a high degree of certainty when they are imminent. As is the case with the current CERF Rapid Response function, a formal CERF anticipatory approach can thus be considered as last resort but would still provide a level of predictability that can be taken into consideration when developing emergency preparedness and response plans.

What would be the potential funding triggers for systematic CERF funded early action and should these be pre-defined?

This is still to be worked through and will depend on the anticipatory allocation approaches adopted. It could be envisioned as a combination of approaches depending on different emergency contexts. However, as CERF is a truly global fund that is not linked to specific country operations, anticipatory action allocations (at least in the initial ‘pilot’ incarnation) are likely to remain grounded in a transparent decision-making process informed by data, triggers and context specific operational and situational data (the Start Fund approach). A fully automatic parametric hard-trigger approach as adopted by the DREF is less suited to CERF’s global mandate and modus operandi. Nevertheless, where these exist, CERF allocations could be closely linked to pre-agreed triggers and response plans to allow for increased predictability for field partners and earlier action to imminent shocks. This would favor and encourage emergency preparedness planning in high risk situations and could potentially pave the way for future pilots that would be more closely linked to country specific pre-agreed triggers. In other situations, CERF could be reactive based on emerging data and analysis from the field or globally.

A number of ongoing initiatives and studies (described elsewhere in the note) will contribute to the definition of how CERF funding for early action will be released.

The IASC Reference Group on Emergency Response Preparedness is also looking at integrating early action planning into the updated inter-agency contingency planning guidelines. Contexts where inter-agency humanitarian mechanisms are well established would allow for a more consolidated approach to Early Action planning and an approach that integrates it into existing processes (i.e. contingency planning).

Apart from defining if and which additional activities CERF could fund, it will be important to clarify and communicate CERF’s current role, remit and procedures – given its existing ability to provide funding early. The latest independent review of CERF found that stakeholders in many of the countries that had received CERF funding for El Niño interventions had been unaware of CERF’s criteria for accepting or rejecting funding applications, and as a result delayed application.

What revisions to the CERF life-saving criteria are required if CERF moves towards systematic early action funding?

Under an anticipatory approach, CERF’s allocations must still be consistent with CERF’s life-saving mandate. The CERF secretariat is in the process of undertaking a general review of the CERF Life-Saving Criteria¹⁶ in close consultation with UN agencies and global clusters, which will help inform a revision of the Life-Saving Criteria in 2019. Whether a revision of the Life-Saving Criteria is required to accommodate activities that CERF does not currently fund will depend on the outcome of ongoing research and consultations.

How likely is it that an anticipatory approach would draw more funding to CERF? Would systematic CERF funded early action be an option to open for earmarked early action contributions?

In line with its original design and mandate as established by the General Assembly and in keeping with Grand Bargain commitments, CERF will remain an unearmarked fund. CERF’s core funding and functions (the Rapid Response and Underfunded Emergencies windows) will be safeguarded and an anticipatory approach shall not detract from these. Therefore, an expansion of CERF into systematically funding early action, at scale, is feasible only with additional funds

¹⁶ Last updated in 2010

being committed to CERF by its donors. Given increasing recognition that CERF can add value to the anticipatory financing landscape, additional funding is likely through usual channels to the unearmarked fund.

Next steps

- A forum will be established where the three global funds (CERF, IFRC DREF, Start Fund) and OCHA's Country-Based Pooled Fund Section discuss and work on issues of common relevance, including issues related to forecast-based financing, research, technical issues, and advocacy.
- In addition, the CERF secretariat plans to set up an expert reference group at technical level to provide input and feedback in the process of establishing a CERF Anticipatory Approach
- Depending on the findings of ongoing research (the ODI study in particular), further research packages may be outsourced. Topics could include return on investment, thresholds/triggers, and funding release processes.
- The CERF secretariat aims to finalize a strategy on how to take an anticipatory approach forward by the end of 2018.
- In 2019, first pilot initiatives are expected to take place.
- Following the conclusion of pilots and upon completion of required studies, the CERF secretariat will present an "options paper" to the Advisory Group.