

## Summary

During its first 10 years of operation **CERF has proven to be a highly effective funding mechanism for life-saving humanitarian action and one of the clear successes of the humanitarian reform process.** The humanitarian reality in which CERF operates in 2016, however, is very different from when CERF was established a decade ago. Requirements as reflected in humanitarian appeals have quadrupled since CERF was created, widening the gap between humanitarian funding and needs to record levels. Only 55 per cent of the \$19.5 billion humanitarian appeal for 2015 was covered and the appeal amount at the start of 2016 is already higher at \$20 billion. While the amount of funding channelled on a yearly basis through CERF has increased in absolute terms since the Fund was operationalised ten years ago, the proportion of funding through CERF compared to overall global funding needs as reflected in appeals has decreased significantly (down from 7 per cent in 2007 to 2.3 per cent in 2015). In addition, adjusted for inflation contributions to CERF have actually declined. In this context, **the Secretary General has under his Agenda for Humanity called for CERF's annual funding target to be increased from the current \$450 million to \$1 billion by 2018** to reflect the escalating humanitarian needs. Increasing CERF's annual target, combined with the necessary strategic, functional and operational improvements will help transform the Fund and make it fit for meeting the humanitarian challenges of today and tomorrow.

**A \$1 billion CERF will yield higher results and an even greater impact.** An expansion of CERF will bolster the availability of global contingency financing for responding to humanitarian shocks and to meet the needs of underfunded crises, ensuring that CERF can continue to meet its General Assembly mandated objectives in the future. In addition **an expansion of CERF will offer clear opportunities for strategic, operational and efficiency gains** beyond a simple proportional increase in allocations. An expansion of CERF will allow for improving the Fund's **strategic impact and operational effectiveness**, reorient approaches to **better meet emerging threats and challenges**, reduce transaction costs leading to **increased efficiency and increase transparency and coherence of UN led humanitarian response.**

This paper explores how an expansion of CERF's funding target will improve the Fund's overall value and suggests that with increased funding levels CERF can amongst others:

- Respond to growing needs by **scaling up allocations to provide more robust funding for humanitarian response** to new humanitarian emergencies and ongoing and protracted crises;
- **Increase effectiveness and efficiency** by providing larger grants to individual humanitarian crises and programmes, thereby **increasing CERF's strategic impact and added value, while reducing transaction costs;**
- Enhance the ability of the **Emergency Relief Coordinator to use CERF strategically at the global level** as a leveraging tool and balancing instrument;
- **Leverage improved leadership, coordination and coherence of humanitarian response at country level** through increased un-earmarked flexible funding under the leadership of Humanitarian Coordinators;

- **Evolve allocation approaches to meet emerging humanitarian challenges**, including expanding CERF's role in providing early funding for early response when humanitarian shocks are imminent.

**A \$1 billion CERF will offer clear strategic, operational and efficiency gains** beyond a simple proportional increase in allocations. This will reinforce the added value of CERF as a preeminent global humanitarian response mechanism and increase its effectiveness and impact. **An expanded CERF therefore represents a compelling humanitarian investment proposition for new and existing donors.**

## Background

**Leaving no one behind** is at the heart of the 2030 Agenda to achieve the Sustainable Development Goals and constitutes one of the core responsibilities formulated by the Secretary-General in his report for the World Humanitarian Summit (WHS). Honouring this commitment requires reaching everyone in situations of conflict, disasters, vulnerability and risk and requires the humanitarian community to **ensure that a sufficient and diverse resource base and adequate instruments are in place to achieve higher efficiency and greater transparency of humanitarian action.**

Humanitarian pooled funds<sup>1</sup> play a catalytic role in improving the way humanitarian response is financed, and contribute to ensure the commitment to leaving no one behind is met. **A mechanism like CERF which is highly contextualized and inclusive, empowers humanitarian actors to program locally and deliver assistance in a principled, timely and coordinated manner.** CERF strengthens the leadership of Resident and Humanitarian Coordinators (RC/HCs) and their ability to use funding strategically to save lives when crises strike. It promotes early action and ameliorates the impact of crises on communities and their livelihoods. It also improves operational conditions on the ground, thereby increasing the efficiency and effectiveness of the response. The local and collaborative nature of humanitarian pooled funding under the leadership of RC/HCs also allows for more coherent coordination with other funding streams, including other pooled funding.

The gap between funding and needs has widened in the last 10 years despite the net growth in humanitarian donor contributions, which are at record levels. Only 55 per cent of the \$19.5 billion humanitarian appeal for 2015 was covered, while the appeal amount at the start of 2016 is already higher at \$20 billion. In this context, the proportion of funding channelled on a yearly basis through CERF, however modest (roughly 2.3 per cent of the 2015 global humanitarian appeal), reflects the potential of humanitarian pooled funds to help maximize the value of resources channelled through them.

Against this backdrop and to narrow the current gap between urgent life-saving requirements the vision of the Secretary-General's Agenda for Humanity calls for a minimum financial support package to be committed to at the World Humanitarian Summit for implementation by 2018. As part of this package, the Secretary-General calls for an **increase in the size of CERF to \$1 billion** to better reflect the scale of humanitarian needs that have quadrupled<sup>2</sup> since CERF was established 10 years ago. This expansion, combined with a commitment to introduce continued functional and operational improvements, will

<sup>1</sup> CERF and Country-Based Pooled Funds (CBPFs)

<sup>2</sup> Needs as reflected in humanitarian appeals have increased six-fold since 2004 and quadrupled since 2006. The number of people to receive aid through humanitarian appeals has tripled over the last decade.

ensure **CERF remains fit for the future**, further bolstering coordination and HC leadership, and providing the humanitarian community with higher levels of fast and flexible funding to support collective life-saving humanitarian response.

## An Expansion of CERF – A Sound Investment

**Expanding CERF to \$1 billion will make CERF fit for a new humanitarian reality** while ensuring it continues to meet the core objectives as originally set out by the UN General Assembly. An expansion will offer strategic, operational and efficiency gains beyond the proportionality of funding and will represent **a compelling humanitarian investment proposition** for new and existing donors. This section will discuss the added value of an expanded CERF grouped around three themes:

- Improve Strategic Impact and Operational Effectiveness,
- Adjust to Emerging Humanitarian Threats and Challenges,
- Reduce Transaction Costs and Increase Efficiency and Transparency.

### Improve Strategic Impact and Operational Effectiveness

Over the last 10 years, CERF has demonstrated its effectiveness and its added value in ensuring that humanitarian organisations can better respond to humanitarian needs in sudden onset emergencies, deteriorating humanitarian situations and in underfunded emergencies. **Because of CERF funds, millions of people are reached with timely life-saving assistance each year.** A larger CERF will allow the Fund to scale up its response to meet increasing needs and ensure that **more people in need are reached with time critical humanitarian assistance.** An expansion of CERF's funding level will also provide a number of operational and strategic opportunities that will increase the Fund's added value and impact.

**Larger CERF allocations that better reflect the scale of needs** would provide **greater leverage to Humanitarian Coordinators (HCs)** in bringing key stakeholders to the table in support of a coordinated response. Increased funding envelopes to crises will therefore **enhance CERF's ability to strengthen leadership and coordination** at country level.

**CERF funding envelopes more commensurate to immediate requirements can enhance CERF's strategic value** as it would allow HCs and Humanitarian Country Teams (HCTs) to address urgent needs more comprehensively, by substantively frontloading humanitarian response with CERF funds allowing for quick and comprehensive response. A larger CERF will also **increase predictability** of the Fund's support, allowing RC/HCs and humanitarian organizations greater confidence that CERF will be able to respond with significant funding should the needs arise, thereby **improving overall readiness and preparedness** for responding to humanitarian shocks.

Larger funding envelopes for emergencies will also allow for **higher individual project funding levels** and thereby to a higher degree ensure that **core life-saving activities are sustained for an initial critical period of the response.** This would **reduce transaction costs, increase predictability** and decrease the risk of providing start-up funding to programmes that never "take off" or that are scaled back due to lack of or delays in complementary funding.

A \$1 billion CERF can **respond more robustly to large scale emergencies** (e.g. L3s) including to sudden onset natural disasters where an early injection of **sufficient fast and flexible funding is**

**critical for rapidly scaling up response**<sup>3</sup>. While CERF has responded fast and with sizable allocations to large-scale emergencies in recent years, increasing the CERF to \$1 billion will allow the Fund to respond more commensurate to immediate needs in “mega” crises. This is in line with a call from some stakeholders for establishing a “Super-CERF” for responding to mega-emergencies.

**The CERF Underfunded Emergencies window is an important balancing instrument at the global and country level.** However, with the scale of emergencies growing along with the level of underfunding, it is clear that **the Underfunded Emergencies window should expand in size to maintain its strategic value.** Experience from large-scale underfunded operations, such as Syria and South Sudan, has shown that CERF allocations to address gaps in core funding need to be considerably larger if the **strategic impact is to be fully achieved.**

**Protracted emergencies represent the majority of global humanitarian needs** and a significant portion of CERF funds typically go towards humanitarian operations in these types of emergencies. A larger CERF will be able to **scale up allocations to underfunded protracted emergencies and reinforce the Fund’s added value for such crises.** Similarly, while even relatively modest **CERF rapid response grants can serve as a lifeline** in responding to new and smaller humanitarian shocks within the broader protracted emergency or to a sudden localised deterioration of the humanitarian situation, **more sizeable rapid response allocations will undoubtedly increase CERF’s impact and catalytic effect** in responding to new time critical needs in operations that are also often underfunded for its core humanitarian operations, and that struggle to raise funding for new needs not planned for.

Increased CERF funding to protracted emergencies will require continued strong **strategic engagement to ensure that CERF is used to greatest effect** in the context of large-scale humanitarian needs that are protracted in nature. This includes ensuring that CERF funds complement other funding streams<sup>4</sup> – rather than replacing these – and that **CERF allocations maintain a clear strategic focus within ongoing humanitarian operations.**

Crises that spread across borders and have become regional in scope (whether related to conflict, disease outbreaks, pandemics or climate shocks) pose specific challenges for humanitarian coordination and response. **As a global emergency fund, CERF is uniquely placed to respond coherently to regional funding needs by taking a broader perspective on needs.** The ERC can strategically direct CERF funding towards the greatest needs in operations across countries of a region. In addition to the leadership of RC/HCs in CERF recipient countries, the ERC can draw on the strategic guidance of regional HCs where relevant. CERF already allocates funds to address needs that span multiple operations and countries linked to a single emergency<sup>5</sup>. But if CERF has a larger annual funding level the approach can be strengthened to achieve greater impact without drawing resources away from other emergencies.

Given CERF’s **unique niche as a humanitarian needs-based global fund** not driven by media attention or political priorities, CERF plays a key role in funding initial response to **smaller low-profile**

<sup>3</sup> The study on the added value of a reformed CERF by Barnaby Willitts-King from 2015 suggested as a provisional figure for discussion that with an additional \$400 - \$500 million a year CERF could respond to large scale (L3) emergencies with initial allocations in the range of \$100-\$150 million

<sup>4</sup> In addition to various bilateral donor funding streams protracted crises often see the use of multiple pooled funding instruments with different mandates. In most protracted emergency operations CERF will benefit from being utilised in complementarity with a Country Based Pooled Fund under the leadership of the Humanitarian Coordinator.

<sup>5</sup> For example humanitarian crises related to Syria, South Sudan, Sahel, Lake Chad Basin, Ebola and El Nino.

**emergencies with little donor attention.** As funding needs in these emergencies are small compared to large-scale and high visibility humanitarian crises, increased allocations by CERF can amplify the Fund's unique added value for such emergencies and help ensure **a robust and sustained scale-up of response efforts** even if complementary donor funding is not forthcoming or is slow to materialize. **Increased CERF allocations** can, therefore, have **disproportionally higher impact in small emergencies** and help bolster overall effectiveness of response to these crises.

CERF's flexible and field-driven nature makes it **well suited to fund cash programming in humanitarian response, which the CERF** has supported since agencies instituted cash programming several years ago. While an increase in funding of cash programmes is not necessarily dependent on an expansion of CERF, **a larger CERF could significantly increase funding of cash based assistance.**

## Adjusting to Emerging Humanitarian Threats and Challenges

In addition to performing CERF's current core functions better and at a larger scale, an expanded CERF will allow CERF to **adjust its allocation approaches to better reflect new threats and challenges** that have emerged as global priorities since CERF was established as a grant-making facility a decade ago.

The availability of **adequate flexible funding for early response to slow onset or imminent crises or shocks** is an acknowledged gap in the humanitarian financing landscape. Relying on mobilising funding after an emergency can be highly inefficient and a principled commitment by donors to fund on the basis of assessed and verified needs may incentivise responding late to a crisis. Pooled instruments such as CERF offer donors an opportunity to direct unearmarked funds to an instrument that will allocate funds on their behalf on the basis of pre-agreed criteria.

As a global contingency mechanism, CERF can **respond early and in a timely way to slow onset crises based on early warning indicators and triggers.** Early CERF allocations can complement local and regional response efforts and frameworks<sup>6</sup> and help ensure that critical initial response efforts gets underway early to **minimize humanitarian impact and reduce response costs**<sup>7</sup>. CERF allocations to slow onset emergencies can serve as an indication (a 'red flag') that the severity of a crisis has moved beyond the local/regional donor response and merits international attention from the capitols. This allows **CERF to have a multiplier effect.**

CERF has in recent years increased funding for early response<sup>8</sup> to slow-onset crises. A larger CERF can build on its experience in this niche **to systematically scale up funding for early response based on early warning indicators.** This would require **formalising a strategy and criteria for expanding the funding of early response within CERF's life-saving mandate**<sup>9</sup>. A clear strategy for funding of early

<sup>6</sup> Including risk pooling instruments such as the Caribbean Catastrophe Risk Insurance Facility (CCRIF); the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI); and the African Risk Capacity (ARC).

<sup>7</sup> ARC estimates that for drought US \$1.00 spent on early intervention through ARC saves US \$4.40 spent after a crisis unfolds.

<sup>8</sup> Early action or early response as it applies to humanitarian pooled funding mechanisms should not be seen as synonymous to prevention or preparedness, but rather, as supporting or promoting quick impact emergency response activities. The key term here is "emergency response" prompted by an "expected" crisis situation necessitating the humanitarian partners to act through appropriate interventions – both in terms of the timing and approach- to avert a potentially larger disaster.

<sup>9</sup> Should funding requests for early response activities increase significantly it may also require a degree of firewalling so as not to "cannibalise" CERF funds from acute crises. This could be achieved through a "virtual window" linked to and triggered by increases in CERF's overall funding volume.

response activities would more clearly position CERF in the area of risk-reduction, preparedness and prevention (while not funding this) and help place CERF in a broader **risk management** approach<sup>10</sup>.

With an **expanded approach to early action** CERF can play a **bigger role in responding to climate-related humanitarian needs and disease outbreaks**. The impacts of climate change are likely to contribute to increased vulnerability as well as increased incidents of extreme events such as heat waves, drought, storms and flooding. In recent years CERF has played an increasing role in **supporting early response to climate related hazards** within its life-saving mandate. For example, **CERF has been one of the quickest and largest supporters of early humanitarian action for the global response to the El Niño phenomenon**<sup>11</sup>. CERF's early response to the **Ebola outbreak in West Africa in 2014** demonstrated that timely allocations from CERF to humanitarian needs related to **pandemics** can have great value in ensuring a timely response in the early stages on an emergency. A larger CERF can **scale up allocations to humanitarian response to disease outbreaks** when relevant.

More **predictable and proactive funding of early response** by CERF can also be envisioned beyond slow onset crises. A larger CERF will allow allocation modalities that would further **enhance agencies' readiness and preparedness in responding in a timely way to humanitarian needs**. For time critical humanitarian needs (e.g. new access opportunities, sudden population displacements) or sudden shocks (e.g. hurricanes, storms, floods) that are predicted to likely be imminent, but have yet to materialize, CERF could work with country level partners on developing **special preapproved CERF proposals that would be released if certain events unfold with specific triggers meet**<sup>12</sup>. This would ensure the **immediate release of funds** if and when required, without requiring a new prioritization and submission process. While funds would not be released immediately it would give humanitarian organisations assurance that CERF resources will be on standby for certain response activities should the situation deteriorate, thus **improving their readiness and preparedness to respond fast** if and when needed<sup>13</sup>. This approach can also be used for slow onset emergencies where pre-agreed CERF allocations would materialise if certain triggers are met.

## Reduce Transaction Costs and Increase Efficiency and Transparency

An expanded CERF will offer opportunities for improvement in operations that will speak to the **commitments of the Grand Bargain on efficiency** as proposed by the Secretary General's High Level Panel on Humanitarian Financing and reiterated in the Secretary General's report for the WHS. **A \$1 billion CERF will offer clear efficiency gains** in CERF processes at both global and field levels. In addition, an expanded CERF will **extend the Fund's high level of accountability and transparency to a much larger funding portfolio** and help increase transparency of aid flows.

**Larger CERF allocations** to emergencies and programmes would offer **opportunities for achieving greater effectiveness** in responding to emergencies **without increasing transaction costs**. Transaction costs (time and resources invested) at both field and headquarters levels do not increase

<sup>10</sup> This is in line with recommendations from the 2015 [‘Study on the Added Value of a Reformed CERF’](#) by Barnaby Willitts-King (“[...] a higher CERF funding target could create the space for a slightly broader interpretation of early action as a time critical response and more of such projects could be funded”).

<sup>11</sup> From mid-2015 to mid-March, CERF has supported ten affected countries (Angola, El Salvador, Eritrea, Ethiopia, Guatemala, Haiti, Honduras, Malawi, Somalia and Zimbabwe) with \$68.6 million in allocations with additional applications in the pipeline

<sup>12</sup> To limit transaction costs such ‘standby’ proposals would only be applicable in high risk and high probability scenarios

<sup>13</sup> CERF grant expenditures can already be back-dated up to six weeks allowing agencies to start response in advance of disbursement of CERF funds. However, pre-agreed proposals will create additional assurance and predictability in situations where required.

proportionally to the amount of funding allocated. They are typically comparable for the allocation of small as well as large CERF envelopes. Larger allocations, therefore, offer desirable **efficiency gains for the CERF prioritization and allocation processes**. Increased funding levels will also offer efficiency opportunities in fund management. Not only will more funding go towards direct humanitarian action, but CERF can also better use the economies of scale inherent in fund management. While some additional staffing may be required in the CERF secretariat with increasing funding levels, the potential increase in personnel would not be proportionate to the increase in size and number of grants disbursed. Efficiency gains achieved through larger funding volumes may also allow for a reduction of the UN secretariat's management fee for CERF (which currently stands at 3 per cent) while ensuring that the fee charged remains sufficient to cover the management costs of CERF. **A larger CERF that provides larger allocations will thus offer clear efficiency gains and improve overall value for money on donors' investment in CERF.**

Funding provided through **CERF grants offers a high degree of transparency and accountability** for CERF's donors and other stakeholders. Allocation decisions and prioritization processes related to CERF grants are informed by inclusive and collective efforts under the leadership of RC/HCs and are documented according to clear standards. Information on CERF allocations is **available in real time on CERF's website and published in the standard of the International Aid Transparency Initiative (IATI)**. **Results achieved with CERF funds are reported** by RC/HCs and recipient agencies and reports are made publically available. In addition, CERF's performance and added value at country level is independently assessed by experts in a sample of countries each year. Uniquely, CERF also **tracks funding flows from grant disbursement to front line delivery**. For each CERF grant the involvement of implementing partners (IPs) in project delivery is reported, recorded and analysed. This leads to **greater transparency of aid delivery** and provides the humanitarian community with valuable information on the timing and volume of sub-granted CERF funds and on the profile and identity of IPs (international NGOs, national NGOs, government, Red Cross/Crescent). Data shows a clear trend of **increasing implementation of CERF funds through local frontline responders**<sup>14</sup>. The availability of detailed information on CERF delivery through partners have made CERF processes a lens through which **UN agencies' partnerships with frontline responders have been assessed for improved effectiveness and efficiency**. A larger CERF will increase leverage to promote **effectiveness in UN led aid delivery**.

## Conclusion

Under the Secretary General's Agenda for Humanity, he has called for CERF's annual funding target to be increased from the current \$450 million to \$1 billion by 2018 to reflect the increased scale of humanitarian needs. A significant increase of CERF's funding level will bolster the availability of global contingency financing for responding to humanitarian shocks and to meet the needs of underfunded crises, ensuring that CERF can continue to meet its General Assembly mandated objectives in the future as it has done for the past decade.

A \$1 billion CERF will yield higher results and an even greater impact in that it will offer clear opportunities for strategic, operational and efficiency gains beyond a simple proportional increase in allocations. An expansion of CERF will allow for improving the Fund's strategic impact and operational effectiveness, reorient approaches to better meet emerging threats and challenges, reduce transaction

<sup>14</sup> A total of \$107 million has been reported by recipient UN agencies as contracted to implementing partners through 1218 sub-grants under CERF grants in 2014 (up from \$97 million in 2013), not including in-kind arrangements. Of this more than half, \$56 million, was for national partners (up from \$51 million in 2013).

costs leading to increased efficiency and increase transparency and coherence of UN led humanitarian response.

An expanded CERF represents an important strengthening of the humanitarian response system and a compelling humanitarian investment proposition for new and existing donors and.