



Introduction

During its first 12 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 2018, however, is very different from when CERF was established more than a decade ago. Requirements as reflected in humanitarian appeals have increased manifold since CERF was created, widening the gap between humanitarian funding and needs to record levels. To keep pace with growing and changing needs an expansion of CERF is essential and in 2016 the UN General Assembly (GA) endorsed the Secretary General's call to expand CERF's annual funding target from \$450 million to \$1 billion

In addition to responding more commensurately to growing humanitarian needs, a significantly larger CERF may also be able to take on new funding roles to better support humanitarian action. The availability of more funding could allow CERF to establish new functions, approaches or 'windows' to help address current gaps in the humanitarian financing architecture. A clear strategy for a future CERF with new or improved functions could help make a stronger case for donors to invest in CERF, and thereby, attract new and additional funding towards the \$1 billion target. Any new approaches should be carefully considered from the perspective of comparative advantage and added value to the humanitarian system. In addition, **new initiatives shall not undermine CERF's current effectiveness and strong standing** in the humanitarian community and **CERF's current core functions should be safeguarded**. Given that CERF is an IASC instrument with strong support from a core group of donors and recipient agencies, radically new allocation approaches will need to be extensively consulted with key stakeholders so as not to undermine the funds strong support.

This paper summarizes current thinking related to possible strategic and operational opportunities presented by a larger CERF (a new 'CERF Operating Model') and it builds directly on the CERF Advisory Group paper "[A CERF For the Future – Discussion Paper](#)" from March 2015¹. The document is not a coherent presentation of a proposed 'CERF For the Future' but rather meant as a reference document capturing the current state of affairs with respect to ideas raised in in the above-mentioned discussion paper from 2015, ideas that have since then matured through further consultations and analysis. Inclusion of specific concepts in this document does not mean that these will be taken forward, but that they are being considered and debated in a substantive manner². As is evident from the descriptions below, the different ideas discussed vary greatly in scope and nature, and they are not directly comparable in the degree of change they will require or their dependence on availability of additional funding. However, they have all been included in one document to present a consolidated overview of ongoing workstreams that can serve as reference for discussions by the CERF Advisory Group and in other fora.

The areas of potential operational or strategic change discussed in this note are introduced below in the form of brief succinct highlights meant to frame the core concepts. A more detailed discussion of each topic will be presented in the second part of the paper, with a description of the problem or opportunity that a change or adjustment to CERF will seek to address, the possible role identified for CERF, the requirements and implications of implementing the change and finally an overview of related initiatives and actions.

The seven topics discussed are:

[Leveraging Higher Funding Level for a More Effective and Efficient Humanitarian Response](#) [Page 3]

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http://www.unocha.org/cerf/sites/default/files/CERF/A_CERF_for_future_DiscussionPaper_for_the_CERF_Advisory_Group_15March2016.pdf

² This note captures key issues and activities only; details related to the different workstreams will be addressed in separate documents.

New allocation approaches that will allow CERF to respond more effectively and efficiently to humanitarian needs through its Rapid Response and Underfunded Emergencies windows by strategically leveraging the higher funding levels. This may involve changes to how, how much and what CERF funds will address in specific crises types, and will include a review of CERF's life-saving criteria. [ongoing]

Forecast-based Early Action [Page 4]

Leveraging CERF's global reach and its proven needs-based, coordinated and field-driven allocation framework to systematically support early action³ to slow- and sudden-onset emergencies by responding to imminent shocks based on early-warning information and triggers. [ongoing, exploratory phase]

Disaster Risk Financing and Insurance [Page 7]

Given the global momentum behind innovative financing, exploring whether insurance mechanisms or similar financial instruments can help serve as a balancing mechanism for CERF's response to natural disasters, by smoothing out related peak cash drawdowns, or raise additional funding for CERF so that it can take on additional risk and provide more and more predictable financing for humanitarian crises resulting from extreme weather events. [ongoing, exploratory phase]

Furthering CERF's role as Catalyst and Strategic Enabler [Page 8]

CERF promotes more effective and efficient humanitarian response by providing timely, targeted and strategic funding, by promoting coherence and coordination and by funding enabling humanitarian support services. In the context of a larger CERF with more funds available, explore opportunities for new approaches that will strengthen CERF's role as a direct and systematic enabler of catalytic and innovative country-level initiatives in support of an improved humanitarian response⁴. [started, initial pilot initiatives launched]

CERF's Role in Large-scale Underfunded Protracted Emergencies [Page 9]

Leverage higher funding volumes to increase CERF's strategic impact in underfunded large-scale protracted emergencies. This will entail potentially rethinking how CERF's Underfunded Emergencies window is applied in different crises profiles, and how different approaches could be adapted for different crises to maximise the value added of CERF allocations⁵. The review will specifically consider how to further strengthen complementarity and strategic alignment between CERF, Country Based Pooled Funds, and other funding channels available to the Humanitarian Coordinators (HCs) and Humanitarian Country Teams (HCTs). [not started]

CERF and Infectious Disease Emergencies [Page 9]

An expansion of CERF's funding level is an opportunity to assess and clearly define CERF's role in responding to disease outbreaks, including defining what a larger CERF could potentially do differently to facilitate a more robust and predictable response to such outbreaks, while complementing other emergency funds specifically available for health emergencies. This may involve reassessing allocation strategies and eligibility criteria and clarify CERF's response niche and its relationship to other funding mechanisms, in collaboration with other stakeholders active in this domain, such as WHO. [just started]

Improved NGO Engagement in CERF Funded Humanitarian Action [Page 10]

In the context of a \$1 billion funding target for CERF the Grand Bargain workstream on less earmarking called for CERF to explore direct access to NGOs. In this respect, a process exploring how non-UN entities can engage effectively to efficiently deliver CERF funded humanitarian action has already started and the outcome of this work will help inform a future strategy for CERF. [ongoing]

³ The draft inter-agency Standard Operating Procedures (SOPs) for early action to El Niño/La Niña episodes defines Early Action as "... activities that can be implemented before the anticipated hazard to mitigate or even prevent its impacts"

⁴ As an example, CERF allocated funding in early 2018 to DRC in support of the L3-level emergency activation where CERF funds for multi-sectoral response activities were complemented by CERF support for enhanced coordination, assessment and analysis in support of an efficient delivery of the collective multi-sectoral assistance.

⁵ The review will have as underlying premise that any revisions to CERF should not undermine CERF's current added-value nor its effectiveness.

These and other workstreams are meant to inform the development of a clear strategy for a \$1 billion CERF that will feed into an investment case for a larger CERF. The status of each potential 'change area' is elaborated in more detail below, with the levels of information reflecting how advanced the related work is.

Overview of Workstreams

Leveraging Higher Funding Level for a More Effective and Efficient Humanitarian Response

The humanitarian reality in which CERF operates today is very different from when it was established over a decade ago. UN humanitarian appeals, which amounted to \$6 billion in 2005, have grown to a record \$22 billion in 2018. As Emergency Relief Coordinator Mark Lowcock recently highlighted in Dublin, there are three reasons for this increase: first, global population growth, in particular, in places with severe humanitarian problems; second, the recent wave of conflicts in places like the Lake Chad basin, the Horn of Africa, Syria, Yemen and Iraq; and, third, the heightened standard in meeting humanitarian needs.

While the funding required to provide assistance to the most vulnerable has quadrupled in the last decade CERF's annual funding target of \$450 million has remained unchanged, which means that the share of CERF funding against the global requirements has declined from 8.7 per cent in 2006 to 1.9 per cent in 2017. As a result of growing demands upon CERF, its funding has increasingly been spread thinner. Given the manifold increase in humanitarian needs, a larger CERF is essential to ensure that the fund can continue to meet its humanitarian mandate and the UN General Assembly in 2016 endorsed an expansion of CERF's annual funding target to \$1 billion by 2018.

A larger CERF will be able to respond to increasing needs through larger emergency allocations that are more commensurate with the humanitarian needs. Such a robust response capacity is at the core of CERF's objectives and mandate and will yield clear benefits and efficiencies for humanitarian action globally. Therefore, it should remain a central part of the case for investing in a larger CERF.

Specifically, a higher funding level can lead to the following important improvements for global humanitarian action:

- Notably, larger CERF allocations to emergencies would be **more commensurate to immediate humanitarian requirements** and the scale of needs. This will mean **more lives saved as more people will receive timely humanitarian assistance** and people will receive more comprehensive life-saving assistance.
- Moreover, a **more timely and comprehensive humanitarian response** would be possible because larger allocations will allow Humanitarian Coordinators and Humanitarian Country Teams to address urgent needs more comprehensively by substantively frontloading humanitarian response with CERF funds. This will allow more time for mobilizing of additional resources and help avoid gaps in response.
- In addition, larger allocations would support a **more coordinated and coherent humanitarian response** by providing greater leverage to Humanitarian Coordinators and clusters in bringing key stakeholders to the table.
- **Improved humanitarian readiness** would be an additional outcome. A larger CERF will increase predictability of the Fund's support. This will give Resident and Humanitarian Coordinators (RC/HCs) and humanitarian organizations greater confidence that CERF will be able to respond with significant funding if and when the needs arise. This, in turn, will allow organisations to launch immediate action with internal emergency reserves in the knowledge that CERF funds are forthcoming.
- Larger allocations will also mean **higher efficiency and increased value for money**. Transaction costs (time and resources invested) at both field and headquarters levels do not increase 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, present economies of scale for the CERF prioritization and allocation processes.

- A bigger CERF would also be able to provide a **larger proportion of funding needs** in low-profile small-scale humanitarian crises that are not likely to attract significant donor attention and money. Increasing the injection of emergency funding for smaller crises is an area where CERF has a clear comparative advantage and could have a much bigger impact immediately.

The allocation approaches and benefits linked to a larger CERF as outlined above can be implemented without significant changes to current CERF's operational model. However, to maximize operational effectiveness the following related initiatives will be considered:

- A review and possible revision of the CERF Life-saving criteria (LSC)⁶ reflecting potential changes in project profiles linked to larger allocations. A revision of the CERF LSC will also allow a general review to bring the criteria up to date⁷ and bring it in line with current terminology, practices and priorities. The CERF secretariat already begun discussions with IASC partners to revise the CERF LSC in the context of a larger CERF. The review will take into account potential operational changes considered for a future CERF. (January – July 2018)
- Greater flexibility in assigning funding between the Rapid Response (RR) and Underfunded Emergencies (UFE) windows (currently locked at 2/3 – 1/3 ratio). Flexibility in assigning funding volumes for the RR and UFE windows will enhance the ability of the Emergency Relief Coordinator to use CERF strategically at the global level to respond to emergencies according to the nature and profile of needs in any given year. The UFE/RR ratio is set out in the original Secretary-General's bulletin (SGB) on 'Establishment and operation of the Central Emergency Response Fund' and reaffirmed in subsequent bulletins. A revision of the SGB will be required to formally change the ratio⁸. The CERF secretariat is currently reviewing the document to identify and categorise the potential changes needed, and determining the process for taking different changes forward if required (Ongoing).

Forecast-based Early Action

There is growing evidence and recognition that early action⁹ interventions undertaken before the full impact of a disaster is felt can help save lives, mitigate suffering and lower the cost multi-fold of responding to the humanitarian consequences of shocks. Still, there are limited financing tools available to support early action¹⁰. Within the humanitarian sector there are currently two key humanitarian risk-based financing mechanisms for early action; the Red Cross Forecast-based Financing (FbF) mechanism¹¹ and the NGO START Fund "Anticipation Window."¹² While the Red Cross/Red Crescent mechanism (the "Forecast-based Early Action by the Disaster Relief Emergency Fund") 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.

CERF has proven to be one of the fastest funding sources available to the UN system for responding to new or deteriorating crises. However, while CERF has funded aspects of early action, this has been limited and ad hoc

⁶ The CERF Life-saving Criteria (LSC) is an eligibility guidance document defining what is considered as life-saving in the context of CERF allocations. The CERF LSC is not a GA approved document and it can be revised by the ERC, but this will require substantive consultations with IASC partners.

⁷ The current CERF Life-saving criteria was finalized in January 2010.

⁸ It should be noted that in some years CERF has not fully adhered to the ratio and this has been dealt with through the annual SG report on CERF to the GA.

⁹ The draft inter-agency Standard Operating Procedures (SOPs) for early action to El Niño/La Niña episodes defines Early Action as "... activities that can be implemented before the anticipated hazard to mitigate or even prevent its impacts"

¹⁰ "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)

¹¹ 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

¹² 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.

and CERF mostly responds only once humanitarian needs have unfolded. There is increased recognition 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 and risk-informed early warning indicators.

A CERF window or formal approach¹³ aimed at promoting early action¹⁴ and response to slow-onset emergencies (e.g. climate shocks) as well as to imminent sudden onset natural disasters, has the potential to add significant value to the humanitarian system. The objective would be to help reduce or prevent humanitarian consequences by responding early. The window (or function) should have a well-defined eligibility criteria and allocation decisions would be informed by existing early warning systems and triggers and ideally linked to pre-defined early action plans at country level. A CERF early action function would build on existing proven early action structures and systems, and focus on CERF's (humanitarian) comparative advantage and niche in responding to such emergencies. At the same time, it would function in close partnership with other relevant global and local financing tools and mechanisms (such as the Red Cross Forecast-based Financing (FbF) facility, the START Fund's anticipation window, the African Risk Capacity (ARC) and the Pandemic Emergency Financing Facility of the World Bank and WHO). A CERF window or approach dedicated to promoting early action to imminent humanitarian shocks would be a logical evolution of existing allocation approaches. A dedicated CERF early action function, at scale, is feasible only with additional funding, and would allow tailoring of allocation criteria and triggers to specifically meet the needs of this type of emergencies. It may involve expanding the type of eligible interventions CERF would fund and require the adaptation of a no-regret approach when deciding allocations.

An expansion of CERF into systematically funding early action will be contingent on substantial additional funds being committed to CERF by its donors as CERF's current core funding and functions need to be safeguarded.

Change Requirements

Two of CERF's GA mandated objectives¹⁵ are to "Promote early action and response to reduce loss of life" and "Enhance response to time-critical requirements based on demonstrable needs". As such funding of early action interventions in advance of likely imminent humanitarian shocks is in line with CERF's original intention and mandate¹⁶, and such an initiative can be considered to be a new response approach within the remit of the existing Rapid Response window. Therefore CERF could adopt a new early action approach within the existing framework and mandate at the discretion of the SG and ERC without seeking formal GA endorsement¹⁷. Nevertheless, as a formal and systematic CERF early action financing function may be seen as a departure from CERF's established practices, it is important to conduct broad consultations and seek buy-in from CERF's partners and its core donors.

At an operational level, CERF will need to work closely with IASC partners, donors, early action practitioners and technical experts to define CERF's role (its unique niche) in funding early action and establish a corresponding new CERF framework (i.e. processes, systems, triggers, criteria, timeframe etc) for guiding early

¹³ The Early Action function could be envisioned as a separate window, or as a distinct approach within the Rapid Response window with unique criteria and processes.

¹⁴ FAO definition: "Early actions are identified for a definite time frame between an early warning trigger and the actual occurrence of a disaster: they differ from 'early response' as they occur before the disaster has happened and therefore sufficiently early to offset part or all of its impact."

¹⁵ The SG report "[A/60/432] Improvement of the Central Emergency Revolving Fund - Report of the Secretary-General" defines CERF's two first objectives as: "Objective 1. Promote early action and response to reduce loss of life. The primary objective of the upgraded Fund will be to ensure that early action can be taken in the case of newly emerging crises or in the case of deterioration in existing crises. [...]" and "Objective 2. Enhance response to time-critical requirements based on demonstrable needs. 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."

¹⁶ 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).

¹⁷ Should a more structural change be sought, e.g. by establishing a new separate distinct Early Action Window alongside the existing RR and UFE windows, or by going beyond supporting life-saving interventions, formal GA endorsement would be required.

action allocation processes. The concrete type of life-saving interventions that CERF will fund in an early action context may differ from what it currently funds through its regular Rapid Response and Underfunded Emergencies allocations, and this shift or expansion would have to be reflected through an amendment of the CERF Life-saving criteria. Finally, OCHA will require technical support in the near-term to develop the idea, and would need to establish the required expertise and capacity in the CERF secretariat to support this new approach.

Status of current initiatives and next steps

The discussion around CERF's potential role in early action is not new, but it has gained considerable momentum recently in the context of related policy discussions¹⁸ and priorities at the global level, and in relation to the doubling of CERF's funding target. To advance the discussion and move towards concrete actions OCHA has initiated consultations with stakeholders and commissioned expert studies to establish an evidence base for informing strategic decision making.

In 2015, Barnaby Willitts-King in the report "Study on the Added Value of a Reformed Central Emergency Response Fund (CERF)"¹⁹ 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 2017, the CERF secretariat commissioned independent humanitarian experts to conduct a thematic review of the added value of CERF in responding to the humanitarian consequences of El Niño²⁰. The review also aimed to provide recommendations on further defining CERF's role in mobilizing life-saving action in response to early warning signs and risk indicators²¹. The key recommendation emerging from the review was that CERF should fund early action systematically when the early warning certainty level is relatively high.

The review recognized that investing in CERF's capabilities to fund early action would be consistent with the Fund's founding objective of supporting 'time critical interventions'. In addition, as the humanitarian system better understands the benefits of responding earlier to mitigate the impacts of risk and as the technical feasibility of responding earlier has advanced, the review found it appropriate for CERF to keep pace with the demands of this evolving system.

The review concluded that CERF has the potential to play a unique and influential role in early action, notably in incentivising coordinated actions including with host country governments, taking its place in a progressive policy space that contributes directly to the Agenda for Action aspiration to 'end needs'.

The report provided a set of detailed recommendations outlining key steps and actions required for CERF to move towards implementing a dedicated early action function. These can form a useful blueprint for planning necessary actions should the decision be made to take the CERF early action initiative forward.

A key element to be addressed²² if taking the early action concept forward for CERF is whether CERF should automatically release early action funding on the basis of pre-agreed 'hard' thresholds and early actions (IFRC FbF model) or adopt a fast and transparent decision-making process that combines early warning information

¹⁸ Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator, Mark Lowcock in his casement lecture "Towards a Better System for Humanitarian Financing" in Dublin in March 2018 proposed to experiment and test some innovations to demonstrate the benefits of applying more anticipatory, data-driven models of allocating funding, and in this respect noted that "One option would be a CERF Early Action window, whereby CERF funding would be released by early warning information and agreed triggers to contain the impact of imminent shocks".

¹⁹<http://www.unocha.org/cerf/sites/default/files/CERF/CERF%20For%20the%20Future%20Strategic%20Study.pdf>

²⁰ http://www.unocha.org/cerf/sites/default/files/CERF/CERF_EI_Nino_Review_Report_FINAL.pdf

²¹ To create further research evidence a planned review of CERF's response to hurricanes in eastern Caribbean and Cuba in 2017 will include specific research questions around CERF supported early action in sudden onset natural disasters, and considerations of early action to conflict related shocks may be included in other reviews planned for 2018.

²² As reflected in the recommendations from: "Independent Review of the Value Added of the Central Emergency Response Fund (CERF) in the Countries Affected by El Niño" by Tasneem Mowjee, Jock Baker and Lydia Poole (February 2018)

and triggers with scientific evidence and expert judgement (START Network approach). Hard thresholds and 'automatic' payments may be operationally desirable but are difficult to achieve and depend to a great extent on the availability of predefined country specific forecasting and analytical capabilities. Since CERF will be funding early action in a potentially wide range of contexts, building a rigorous, transparent rules-based decision-making processes may lend itself best to the CERF model. A combination of the two approaches could also be envisioned. Dedicated research and consultations are needed to identify the optimal early action approach for CERF.

Planned research by the Overseas Development Institute (ODI) on institutionalising the use of forecast-based early action in humanitarian financing can potentially serve as an important contribution to advance the discussion and help shape a CERF early action function.

The immediate next step is to seek endorsement by key stakeholders (May – June 2018) for OCHA to proceed with developing a proposal for a CERF early action function, after which a detailed work- and engagement-plan will be developed and launched (June- July 2018).

Disaster Risk Financing and Insurance

In the context of a broader effort to explore potentially innovative financing opportunities for CERF the Innovative Financing Foundation (IFF) in 2016 proposed an insurance based initiative that would link an insurance function to CERF's response to select natural disasters. The stated objective of the IFF proposal was:

- transferring financial risks associated with natural disasters to risk insurance at the cost of an annual premium;
- covering the annual premium from innovative sources of financing with no adverse budgetary implications for CERF;
- creating value added benefits for CERF's business model such as additional funding at time of need, decreased financial volatility of the fund and catastrophe preparedness.

The IFF envisioned that an insurance policy would pay out for damages caused by natural catastrophes such as earthquakes and cyclones, depending on their severity. The payout function would be designed for single weather events or multiple weather events. In a single event policy, the payout would be a stepped out function linked to pre-defined and agreed parameters such as intensity and people affected (parametric insurance). In a multiple events policy, the payout would be linked to number of events and amounts disbursed by the CERF. In either case the insurance could cover all high-risk countries.

IFF proposed the insurance premium be covered either through additional, long-term pledges by champion donors, earmarked for the purpose of insurance, or through the formation of a special purpose vehicle (SPV) fund that would donate capital returns for the purpose of premium payment. The Premium Fund would be capitalized by grants, loans and investments from donor champions, possibly with involvement of the G-7 InsuResilience Initiative and private supporters.

In a discussion paper from November 2017 the UK Government Actuary's Department (GAD)²³ assessed three potential risk financing options for CERF, one of which was the abovementioned IFF proposal. It assessed that from a donor perspective the IFF proposal did not provide clear value for money or demonstrated sufficient added value and concluded that; "The IFF proposal raises a range of important questions about whether insurance principles and instruments might allow the CERF to achieve more. However, our analysis suggests that this specific proposal provides significantly lower value for money than some plausible alternatives" but also noted "We do find merit in exploring the potential for an embedded insurance approach, without a Fund, [SPV] and with pre-committed finance designed to drive incentives for proactive risk management within the UN humanitarian system. Such an approach may offer the possibility of the benefits from an insurance system outweighing the administrative and operational costs of such a system".

²³ "A Disaster Risk Insurance Facility for the CERF - Discussion paper" by Daniel Clarke

In April 2018 the UK Centre for Global Disaster Protection prepared a background paper²⁴ for the CERF Advisory Group spring meeting that builds on the GAD discussion paper but provides a broader view of CERF and risk financing. The observations of the paper partly converge with those of the CERF early action discussions but with a focus on large-scale sudden onset natural disasters, and with added considerations on the potential role of insurance and pre-committed risk coverage.

The next steps in considering a future CERF in the context of risk financing and insurance will be informed by discussions and outcomes of the CERF advisory Group meeting in Geneva in May 2018, and will be closely linked to the workstream on CERF as an early action response mechanism (described in section above).

Furthering CERF's Role as Catalyst and Strategic Enabler

CERF promotes a more effective and efficient humanitarian response by providing timely, targeted and strategic funding, by promoting coherence and coordination of response and by funding enabling common humanitarian support services. In the context of an expanded CERF funding target a possible strategy for furthering CERF's role as a direct and systematic enabler of an improved humanitarian response is being explored. This involves identifying potential catalytic programmes and initiatives that will help meet (and accelerate) strategic change-priorities for improving humanitarian response, and identifying CERF's role in funding these. One option explored is to provide small targeted CERF allocations (a micro fund within the fund) towards pre-defined types of enabling initiatives and programmes (e.g. in support of Grand Bargain related initiatives or towards L3 scale-up priorities) that may otherwise not be systematically funded, and that is likely to have a catalytic effect in improving overall response. Such allocations would not replace regular allocations, but complement these when relevant to support a more effective and efficient response, and with a view to promote transformative improvements to humanitarian action. In addition to accelerating certain initiatives at the field level these allocations would also aim to enhance common learning by identifying good practices that can be shared and replicated across emergencies. To achieve this, each allocation could be linked to (and pay for) a formal after-action review or an independent assessment as part of the accountability process for the allocation.

While CERF currently funds this type of interventions, the key change would be for CERF to fund them systematically based on a formal strategy (rather than on an ad hoc and exceptional basis), and with a global perspective towards promoting good practices. A larger funding level is not necessarily a requirement for CERF to adopt such an approach, but more funding will help ensure sufficient funding to implement it systematically. This sharpened catalytic funding approach would fit logically into the process of defining a comprehensive future strategy or operating model for CERF linked to the new \$1 billion funding target, and could form part of an investment case.

CERF 'soft piloted' the above approach recently in relation to the L3 declaration in DRC by funding initiatives in support of L3 scale-up priorities. In addition to 'regular' response activities CERF supported enabling activities directly in support of specific L3 priorities as identified by the HCT (i.e. related to needs-assessments and prioritisation, coordination and accountability to affected populations). To assess the impact of this targeted CERF funding, and to learn lessons, CERF plans to undertake a review of its allocations to DRC²⁵. The findings of this review (planned for second half of 2018) will help inform consultations and discussions around a potential future formal strategy for CERF in supporting such catalytic interventions.

Should the approach be formalised it would largely be a change in strategy within CERF's existing response framework and thus not require significant changes to CERF. It may however require clarification and adjustments within the CERF life-saving criteria and necessitate development of new guidance.

²⁴ "What role for disaster risk financing and insurance in the UN Central Emergency Response Fund (CERF)?" by Nicola Ranger and Daniel Clarke

²⁵ The review will be part of the regular 3 to 5 country-reviews commissioned each year under CERF's Performance and Accountability Framework (PAF)

CERF's Role in Underfunded Large-scale Protracted Emergencies

In the context of the new \$1 billion funding target a forward-looking strategy for CERF should explore opportunities for leveraging higher funding volumes to increase CERF's strategic impact in specific emergency types. In this respect CERF's role in underfunded large-scale protracted emergencies may warrant a specific consideration. While CERF allocations from the Underfunded Emergencies window are clearly an important life-line for humanitarian operations in underfunded crises, the immediate strategic impact is typically clearer in smaller forgotten emergencies than in large-scale protracted underfunded crises where CERF allocations will only form a very small part of overall funding needs.

A review of CERF's approach to underfunded crises could therefore entail rethinking how CERF's Underfunded Emergencies window is applied in different crisis profiles, and how different approaches can be adapted for different crises to maximise the added value of CERF allocations. For large-scale protracted crises a review should specifically consider how to foster maximum complementarity and strategic alignment between CERF, Country Based Pooled Funds, and other funding channels available to the RC/HC so that CERF is considered in the context of broader country-level crises financing strategies, and links to New Way of Working approaches when relevant.

Consideration of new approaches will be based on internal aggregated experience in OCHA from underfunded allocations over recent years and on the related feedback from field partners obtained through direct engagements and reporting. It will also be informed by HQ consultations and by evidence from past CERF reviews and evaluations as well as by new research commissioned by CERF. For example, a planned review of recent CERF allocations to DRC will include related research questions. As one of the longest running humanitarian emergencies and a top recipient of CERF funds (Underfunded Emergencies and Rapid Response) DRC is a relevant context to explore how to ensure maximum value from CERF Underfunded Emergencies allocations. In addition, the HCT in DRC has adopted allocation strategies through the DRC Country Based Pooled Fund that may provide an interesting and relevant perspective for CERF allocations (e.g. multi-year grants towards a multi-year humanitarian response plan).

Generally, a field-based perspective will be adopted when looking to further optimize allocation approaches for underfunded crises, i.e. from the perspective of RC/HCs and HCTs, how would a CERF Underfunded Emergencies allocation add the most value? An openness to new and different thinking will be the basis for the review to ensure a solid foundation for deciding whether new allocation approaches should be adopted, and determining what these may look like.

If new strategies and approaches are implemented for the Underfunded Emergencies window, the nature of the changes will determine what will be required to implement these and whether it will necessitate changes to CERF's official framework (e.g. the SG's Bulletin on CERF) or merely a revision of CERF guidance and criteria.

CERF and Infectious Disease Emergencies

An expansion of CERF's funding level is an opportunity to assess and clearly define CERF's role in responding to disease outbreaks, including identifying what (if anything) a larger CERF could potentially do differently to facilitate a more robust and predictable response to such outbreaks. This work has commenced and will include reassessing CERF allocation strategies and eligibility criteria²⁶ in relation to humanitarian response to infectious disease outbreaks, and it will aim to clarify CERF's response niche for disease outbreaks and its relationship to other funding mechanisms in this respect (e.g. the Pandemic Emergency Facility (PEF), GAVI, The Global Fund, CBPFs).

CERF is in the process of finalising a detailed review of CERF Rapid Response window allocations for responding to infectious diseases to date and developing a framework to guide CERF interventions. This guidance will form the basis for consultations around a strategy for a larger CERF in responding to such emergencies, and help identify potential relevant future changes.

²⁶ This work will to some degree link to workstream I (e.g. review of CERF life-saving criteria) and workstream II on early action.

Considerations for CERF's role in responding to disease outbreaks will be closely linked to planning for a CERF early action mechanism, given that some disease outbreaks have similar characteristics to the type of emergencies qualifying for early action (e.g. slow onset, availability of early warning indicators, humanitarian and financial and advantages of responding early).

Improved NGO Engagement in CERF Funded Humanitarian Action

The concept of direct access by NGOs to CERF has returned in the context of a \$1 billion CERF and the Grand Bargain workstream on less earmarking, which specifically called for "exploring the possibility of opening CERF for direct access to civil society organisations". Responding to this the CERF secretariat conducted research and consultations and prepared a discussion paper exploring different aspects of direct NGO access to CERF (available on CERF's website²⁷). The discussion paper pointed to several risks and limitations related to direct NGO access to CERF and suggested that given CERF's current political and operational set up, direct access by NGOs to CERF does not offer clear operational or efficiency gains.

Consultations with the NGO community will continue. However, if CERF cannot provide direct access to NGOs, it is important to consider other opportunities of improving NGOs' role in CERF-funded humanitarian action. Key opportunities identified so far include:

- **More effective and efficient partnerships arrangements under CERF grants:** The annual CERF sub-grant analysis based on reported CERF grants data has been pivotal in informing initiatives for improving partnership processes between UN agencies and NGO partners. In part driven by discussions of the sub-grant data in the CERF Advisory Group and other fora, several agencies have put in place specific mechanisms to strengthen their partnership arrangements and as a result have demonstrated significant improvements.
- **Stronger NGO engagement at the strategic level:** CERF encourages NGO involvement in strategic decisions on the prioritization of CERF funds through HCTs and cluster engagement as well as through partnerships with CERF recipient UN agencies. In countries with Country Based Pooled Funds (CBPFs), to which NGOs have direct access and play a strong role in governance processes, the structures and systems around these funds provide a proven opportunity for direct inclusion and engagement of NGOs in CERF processes, and for complementarity and strategic alignment of the two funds under the leadership of HCs and HCTs.
- **Cluster-based umbrella CERF submissions:** CERF has seen innovative submissions of 'cluster-based' CERF proposals where a UN agency serves as applicant for a CERF application on behalf of select NGO projects that are independently selected and implemented. This could offer more direct CERF access to NGO partners in the framework of a cluster based structure. CERF will work with partners to explore this approach and verify if it could lead to operational and efficiency gains on the part of NGOs.
- **Predeveloped country-level response plans:** A potential CERF early action funding window or approach may open up additional opportunities for closer NGO involvement in CERF allocations. Early action allocations will typically be based on established country level early warning systems and predeveloped response plans prepared in advance of emergencies, thus improving the opportunity for substantive NGO involvement in CERF processes
- Finally, a pilot focusing on further exploring potential benefits of direct NGO access to a global funding instrument managed by OCHA could be explored. This could build on the collective experience and expertise of OCHA relating to CERF and CBPF structures, systems and processes.

These options will be further researched and consulted in the context of developing a strategy for a CERF for the Future.

²⁷<http://www.unocha.org/cerf/sites/default/files/CERF/AG2017/Note%20on%20NGO%20access%20to%20CERF.pdf>