

AD HOC IASC WORKING GROUP MEETING

ON HUMANITARIAN REFORM

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***Improving and Strengthening the Common Emergency Revolving Fund -
Proposal for the Governance and Management of an Expanded CERF***

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1. Background and Summary:

- 1.1. The CERF was established by the Secretary-General in accordance with UN General Assembly Resolution 46/182 of December 1991. It is a revolving fund with a target level of \$50m, funded by voluntary contributions from a broad base of 38 donors, including a number of 'non-traditional donors'. It is used to make advances to operational organisations and entities of the UN, including IOM. Spending authority rests with the Emergency Relief Coordinator. The CERF has to date received almost \$49.5m in contributions and accrued \$16.6m interest. The interest is used to top up the fund on the rare occasions that loans are not repaid, and in line with GA resolution 48/57, has been used on a reimbursable basis to enhance rapid response coordination in the field. No overhead charges are currently levied by the UN secretariat for the management and administration of the CERF.
- 1.2. It is now proposed that this mechanism be enhanced and expanded by the addition of a grant facility based on additional voluntary contributions with a target base of \$500m. The E-CERF would continue to be accessible to operational agencies and entities of the UN for three windows of activity: rapid start-up, equity and standby capacity. The grant making element of the fund would be replenished on an annual or biannual basis through a donor pledging conference. (The periodicity of replenishment should be decided on the basis of the level of initial contributions to the expanded fund.) It is proposed that the expanded fund retain the same eligibility criteria as the current CERF. The expanded fund will require the development of new application and reporting procedures, additional management and administrative support and enhanced accountability and governance measures. Proposals for addressing these issues are outlined in this paper.

2. Scope of the E-CERF

- 2.1. It is proposed that the **existing CERF** continues and is used to address situations where liquidity remains an issue. There is however concern that this loan facility will be seen as unattractive to agencies if grants are more readily available. It is proposed that the current criteria for the revolving fund remain. However, it will be incumbent on those applying for grants from the

expanded CERF to clarify the reasons for applying for a grant rather than loan.

- 2.2. The primary use of the E-CERF grant facility is to ensure a **rapid response to fast-impact emergencies**. The grant element should aim to provide agencies with access to funds within days of a new crisis, or unanticipated changes to an ongoing crisis. This facility would be available to initiate relief programmes in circumstances where regular humanitarian financing mechanisms such as the CAP or Flash appeals have not been established. This facility would also be used in circumstances where there is unanticipated expansion in relief requirements in existing longstanding crises. Grants made to support fast response will be limited to three month duration to ensure that they do not undermine existing financing mechanisms. The E-CERF will cover all crises both natural disasters and complex emergencies as has been the case with the CERF)
- 2.3. The E- CERF grant facility will also be available to support core **humanitarian needs in neglected crises** and thereby contribute to addressing the issue of the equitable distribution of humanitarian assistance. In order to provide clarity on eligibility in this complex area, proposals will be restricted to a commonly agreed list of countries determined on an annual basis.
- 2.4. Support to **contingency and preparedness** activities for defined emergencies is the third area that should be eligible for support from the E-CERF grant facility. The facility could be used for deploying standing emergency response capacity of personnel and logistics in preparation for crises. Pre-positioning humanitarian supplies in the field where an emergency, such as a refugee outflow is foreseen but has not yet occurred. Contingency planning for possible emergencies.
- 2.5. It may be appropriate, especially in the early stages of operating, to make notional earmarkings for the different elements of the E-CERF grant facility. The following are proposed but would be dependent on the level of contributions made to the E- CERF
 - o 40-50% the fund for fast impact emergencies
 - o 30-40% for equity and funding of core elements of neglected crises
 - o 10-20% for contingency and preparedness (if the E-CERF was fully funded)

These earmarkings could if necessary be amended in-year by the ERC and are primarily for planning purposes to ensure adequate resources are available for rapid response.

3. Eligibility

- 3.1. Eligibility for the E-CERF should remain as for the CERF – i.e. entities of the UN. This is primarily on practical grounds, that rapid response via the CERF is in part as the systems are 'in-house', so that systems are relatively compatible and cash transfers speedy. This also in theory provides the same level of accountability to donors as is entrusted through MOUs to UN agencies, where the assumption is for minimal reporting. NGO's the Red Cross movement and local partners would gain access to the CERF only through formal arrangements with UN agencies.

- 3.2. It is proposed that OCHA should normally be ineligible for E-CERF funding; this would avoid any concerns over a potential conflict of interest between the ERC's role in allocating resources and in fundraising for OCHA's operations.
- 3.3. Resident Coordinators / Humanitarian Coordinators should be given access to the E-CERF where they are given the role and develop the necessary capacity for handling funds at the country level. Such access would need to be within the terms of a country level CHAP and with the agreement of the UN country team.

4. Governance and accountability

- 4.1. The arrangements for governance and accountability need to be based on the need to preserve the CERF's capacity for quick response and the need for accountability. It is therefore proposed that that approval of individual applications would be the responsibility of the ERC under the delegated authority of the Secretary General thereby ensuring a speedy response. Reporting and accountability would be to the General Assembly through ECOSOC as well as through an annual pledging conference. These would provide opportunities to review the performance of the E-CERF and the appropriateness of the criteria used in allocating grants.

5. Application and Approval

5.1. Allocation

While the CERF's operating procedures will be essentially the same for all 3 elements, different justifications will be required for access to the different elements, as described below.

- 5.2. The Fund would aim for turnaround of fast response emergency applications in 0-2 days, and equity and standby applications within 2 weeks.
- 5.3. The Fund would retain at all times a reserve for unforeseen emergencies. It should allocate not more than 40% of its resources for the year in the first quarter, 60% by mid-year, 80% by the end of Q3, and 100% by the year end. Over-commitment of the Fund overall would not be permitted. Equally, it would not be an objective to spend the Fund fully every year unless appropriate calls were made on it.

5.4. Applications and Justification

The E-CERF will require a formal application procedure as well as a reporting procedure that will need to provide basic levels of accountability while not being so burdensome as to delay the speed of implementation. It is therefore proposed that the applications should cover the following:

- Justification including the needs basis of the request
- Management and Implementation arrangements
- Risks (including to humanitarian personnel) and risk management
- Budget and financial arrangements
- Reporting arrangements

- 5.5. For fast response applications the justification will need to cover nature of humanitarian need, and the urgency and scale of response required. They would relate to sudden onset emergencies or rapidly changing situations and would normally be linked to a Flash Appeal or a Consolidated Appeal where the ERC judged the situation to be changing rapidly. The ERC may also under certain specific critical circumstances wish to initiate an action under the expanded CERF to ensure a rapid response.
- 5.6. For equity applications that sought to address critical needs in neglected crises. It is proposed that a list of eligible countries might be established before each year's operation. Applications would normally be linked to elements of the CAP and would need to demonstrate that they were addressing a seriously under-funded emergency. N.B. quick onset requests for "forgotten" countries should be put forward as a fast response requirement and not as a core response to neglected crises. .
- 5.7. Implementation arrangements should set out plans for reaching affected people/groups, including the delivery mechanism and other agencies to be engaged.

5.8. **Approval**

Applications would be approved by the ERC on the basis of agreed Guidelines for the operation of the Fund. Applications for fast response allocations would normally be made within 1-4 days. More time could be allowed for Equity and Standby allocations, but the Fund should at all times seek to maintain a fast response capability and seek to bring all applications to decision within two weeks maximum.

- 5.9. The procedure and justification for providing loans and grants would essentially be the same, except that for loans the justification would need to cover repayment prospects. Loans have normally been used to enable early mobilisation for emergencies that are expected to be well-funded, and are reimbursed when donor funds become available.
- 5.10. It is probable that the establishment of the E- CERF would require dedicated capacity within the ERC's office to ensure that these time requirements are met.

5.11. **Reporting**

As noted above, Agencies would present summary reports of activities carried out under the E-CERF to the ERC, and make available their annual or other regular reports to their governing bodies. Full accountability for E-CERF allocations would be via the receiving agency's own accounting and reporting system, internal and external auditing procedures. Assuming allocations were confined to UN Funds, Programmes and Agencies it should not be necessary for E-CERF as a purely financial mechanism to duplicate these arrangements.

- 5.12. Based on Agencies' summary project reports and their standard annual reporting, the ERC would prepare an annual report on E-CERF operations. The report would start with a narrative section outlining the main activities of the Fund for the year, discussing the Fund's effectiveness in relation to its purposes, such as speed and response to forgotten emergencies, and raising issues arising from the year's operations for discussion. Annexes would list allocations by country, financial size and purpose, and give summary details on status and implementation.

6. Administration

- 6.1. The CERF currently charges donors no management cost. It is proposed that this continues with the expansion of the CERF as far as possible within UN rules, in order to maintain donor confidence that funds are assisting beneficiaries as much as possible while covering essential administrative costs.
- 6.2. The ERC would need a dedicated section within OCHA to receive, record, screen and prioritise applications and present them to the ERC for approval. One possibility would be to locate this section within the OCHA CAP unit and for donors to fund it as a separate 'project' within OCHA. This would have the advantage that the process of CAP appeal preparation and E-CERF allocation could be well aligned.

7. Consultation and accountability mechanisms

- 7.1. The general concept of the proposed arrangements is to give the ERC delegated responsibility from the Secretary General for activity approvals, but also to provide for full consultation with major stakeholders on the principles and processes of Fund allocation upstream, and for reporting and accountability on Fund use after the event.
- 7.2. As the E-CERF will remain a financial instrument established by the General Assembly it is foreseen that the main line of reporting would be to the General Assembly through ECOSOC through an annual report prepared by the ERC. However, the expanded CERF will require more complex reporting and it is therefore proposed that that an advisory group of member states is established comprising both recipient and donor (including non traditional donor) states with a rotating membership. This group would be drawn from the membership of the humanitarian segment of ECOSOC and would provide a covering report alongside the ERC's report to the GA.
- 7.3. It is proposed that donors should meet annually for pledging to the E-CERF. These meetings should also be the forum for consultation on E-CERF Guidelines and Procedures, and of reporting on operations. The donor pledging meeting would review the latest available ERC's annual report on E-CERF operations together with a summary update on operations in the current year to date and an account of any changes proposed in the arrangements and Guidelines.
- 7.4. It is proposed that after its first two years of functioning, an independent review be undertaken to assess progress and make recommendations regarding the scope and functioning of the fund.

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