

Exclusion of NGOs: The fundamental flaw of the CERF

The UN's Central Emergency Response Fund (CERF) will celebrate its first anniversary in March 2007. It was created with the important promise of addressing long-term problems in humanitarian relief – the availability of funds in fast-onset emergencies, and the lack of funding for “forgotten emergencies”. At the time of the creation of the CERF, Save the Children was enthusiastic about the concept but warned that the fact that only UN agencies have direct access to the CERF would prove to be a major barrier to its stated goals. Now Save the Children’s experience leads us to conclude that it is time to allow NGO’s direct access as well.

Introduction

Save the Children’s original concerns were based on the fact that NGOs do not have direct access to the CERF. As it is widely acknowledged that NGOs deliver over 50% of direct humanitarian relief (some argue up to 80%)¹ this is more than an oversight – it is a fundamental flaw. Because NGOs cannot directly access CERF funds, they must wait for the primary recipients, UN agencies, to process proposals and sub-grant agreements before they can take meaningful action themselves.

CERF plays a crucial role in funding “forgotten crises”: for example, the CERF is the single biggest donor in Central African Republic. But Save the Children’s experience this past year suggests that the system on the whole is clumsy and inefficient. People on the ground, suffering without access to humanitarian relief, deserve better.

Save the Children is not alone in raising concerns about NGO access to the CERF. Other NGOs and donors themselves have asked for data and information about how the fund is getting distributed and questioned the efficiency of the current set-up. It is worth noting that the CERF secretariat itself has not been held to account from the beginning to document how CERF funds have been distributed to NGOs, including the timeliness and efficiency of the distributions all the way down to the field level.

Save the Children raises these concerns in the constructive spirit maximising the impact of humanitarian reform. We believe that unless NGOs with proven competency gain direct access to the CERF, it will remain deeply flawed, and the fund will never reach its potential to save lives on a wide scale.



Summary of recommendations

In order to expedite the financing of humanitarian assistance, the central aim of the CERF, Save the Children recommends that:

- The CERF board should immediately initiate a process to amend the rules of disbursement to allow pre-approved NGOs to have direct access to CERF funding.
- The CERF must quickly establish pre-approval procedures of NGOs who have proven competency along the lines of clear and transparent criteria, including mainly the ability to respond and scale up rapidly in a crisis. Pre-approved NGOs should have the same access to CERF central funding as UN agencies.
- CERF disbursements to pre-approved NGOs should function along the same lines as the UK Disaster Emergency Committee's 'Indicator of Capacity'. This stipulates that the percentage of funding provided to each agency is based on its capacity to respond combined with its eligibility to do so by adhering to quality response standards.

While the procedures for pre-approval are being agreed, the following remedial steps should immediately be implemented:

- Fast-track approval – The UN should allow NGOs with established competencies to apply for fast-track approval at the country level for CERF funds allocated to new emergencies or under-funded crises.
- Division of funds – The UN should allow NGOs with established competencies direct access to 50% percent of CERF funds.

The purpose of the CERF

Before the Central Emergency Response Fund was launched last year, the UN's Consolidated Appeals for humanitarian assistance tended to be under-funded. At the same time, the sluggish and often disappointing response to flash appeals forced the UN to rethink the way it raised cash for fast-onset emergencies.

The CERF, launched in March 2006, is divided into two parts: a grant-making fund and a loan facility. The grant-making fund again has two components, one to provide rapid funding for new emergencies and one to bolster under-funded crises. Though there is no limit to the amount a UN agency can borrow from the loan facility, the UN has capped total CERF funding for any one emergency at \$30 million.ⁱⁱ

Though the CERF currently represents just a small percentage of overall humanitarian funding – approximately 4%ⁱⁱⁱ – it is likely to grow. Donors have made it clear that they will increasingly depend on mechanisms like the CERF to administer additional funds without increasing their own civil service head count.

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But does the CERF meet its own criteria for success? Does it provide faster, better service than the systems it replaced?

The overall success of the CERF depends on the quick and efficient disbursement to the UN's own implementing partners: mainly NGOs. Therefore the UN has a responsibility to ensure these new emergency funding instruments succeed, rather than impede NGOs from doing their jobs. The spirit of humanitarian reform is undermined and the humanitarian system as a whole damaged if NGOs cannot operate effectively with speed and independence.

Common themes and problems for NGOs

In January 2007, the UN openly acknowledged that it is "important to harness the unique capability and speed of NGOs".^{iv} It recognises that UN agencies rely heavily on NGOs as implementing partners in the field, and that building trust and solid working relationships is a pre-requisite for timely and effective humanitarian assistance. Though the UN has invited NGOs to weigh in on how CERF funding should be spent, in the UN's own words, NGOs still feel "left out".^v

Evidence from funding mechanisms similar to the CERF

The UN does not require its agencies to report the exact amount of CERF funding "passed through" to NGOs, how quickly the money is disbursed or how effectively it is used, but we can assess how pooled funding mechanisms similar to the CERF affect NGOs by looking at other evidence from the field.

Crowding out

While it is impossible to know what percentage of funds NGOs lose when UN agencies administer funds on behalf of donors, there is evidence that when it comes to pooled funds NGOs do suffer, according to an evaluation by the Center on International Cooperation and the UK-based Overseas Development Institute (ODI). The evaluation, which examined the use of Common Fund pilot programmes in Sudan and DRC, found that NGOs – which have traditionally implemented the majority of the official humanitarian budget in Sudan and DRC – last year received just 17% and 15% of Common Funds respectively, with 83% and 85% going to UN agencies. As donors give increasingly to pooled funding mechanisms – the UK directed 97% of its DRC contribution to the Common Fund in 2006, according to the same evaluation – the inequity of funding disbursements will have far-reaching effects.

Contracts awarded to UN agencies that have not proven their efficiency

With UN agencies receiving the lion's share of pooled funds in Sudan and DRC, it is important to ask which agencies are winning contracts. Surprisingly, the Center on International Cooperation and ODI report found that agencies with limited humanitarian experience have benefited disproportionately from the new funding stream – the UN's Food and Agriculture Organisation's funding increased by 168% in DRC in 2006, and the World Health Organisation's funding increased by 612%. The report continues:

"Problems identified in the allocation process include apparent conflict of interest issues, and difficulties faced by NGOs in access and participation. Moreover, some UN agencies that are not traditionally major players in humanitarian action seem to have benefited disproportionately from the mechanism in financial and visibility terms, showing huge jumps in funding from past years. This has raised questions as to whether the increased flows are being directed to the most capable actors, even if they do target priority areas".

Accountability and Transparency

When it comes to tracking funds, the UN itself does not require its own agencies to keep track of the percent of CERF funds which are “passed through” to NGOs or the time this takes. The UN’s own reporting and accounting structures are not designed to allow for an assessment of statistics on NGO funding.^{viii} In October 2006, the UN published a discussion paper on the role of NGOs as CERF implementing partners, but it simply lists the number of NGOs which received CERF funds, with no detail about the speed or efficiency of these transactions.^{ix}

Some of the UN agencies’ own funding matrices posted on the CERF website list the names of NGOs which have received funds and, in some cases, the dollar amount of money passed through, but the information is too patchy to be analysed. Unfortunately, the UN currently has no plans to require agencies to present a clearer picture of passed-through funding.

Until now, the onus has been on individual NGOs to try to connect the dots. Oxfam International is compiling research for a report on CERF’s impact based on field experience of some NGOs, which should be published in the Spring of 2007. It is a strange set-up when the responsibility for monitoring UN progress against stated goals falls to NGOs who elect to take up the issue, not with the secretariat tasked with administering the fund. It should be noted, however, that the UN’s Office for the Coordination of Humanitarian Affairs (OCHA) staff themselves report frustration on restrictions and lack of information available.

OCHA recently announced it would conduct its own CERF evaluation, due to be published in May. OCHA’s evaluation will focus on management practices and administrative aspects of the CERF, and, insofar as it is possible, the impact of operational response. It may also include an assessment of the CERF’s relationship with NGOs, but it does not plan to produce a transparent breakdown of funds passed through UN agencies to NGOs.

Field Based Decision Making

In theory the UN has asked NGOs to participate in assessing humanitarian needs and planning how CERF and Common Funds should be distributed. In particular, they can play a role in helping to prioritise projects for CERF funding by helping Humanitarian Coordinators identify life-saving needs. In practice, however, NGOs often feel they have little control.

Though the UN has confirmed its commitment to enhance cooperation with NGOs, it needs to take NGO concerns seriously or it risks losing them as implementing partners. In Ivory Coast, for example, NGOs staged a rebellion of sorts, as they refused to sit on the humanitarian country team board charged with allocating CERF funds. Later NGOs refused to apply for CERF funding on the basis that they did not have direct access to funds.

From the Field: Save the Children’s Experience

Overall, Save the Children’s experience with the CERF and Common Funds has been mixed. On one hand, the CERF has helped fill funding gaps that otherwise might have been left unfilled. On the other hand, securing funding and interacting with UN staff from various agencies created frustration and confusion on the ground.

Middle management

Because CERF funds cannot be directly accessed by NGOs, UN agencies that receive CERF funding must “pass through” funds to NGOs: this system is inherently inefficient. In practice, Save the Children has experienced many delays in funding. Not only is valuable time wasted, but the process is frustrating for NGO staff. Save the Children’s Country Director in Ethiopia points out that Ethiopia’s UN Humanitarian Coordinator can get 24-hour approval of up to \$30 million but that NGOs face bureaucratic delays that can last weeks or months when applying for even a fraction of that amount.

OLD SYSTEM:



NEW SYSTEM:



Unrealistic turn-around time for proposals

In some cases, calls for proposals for CERF projects fail to build-in an appropriate amount of time for NGOs to respond. Furthermore, the UN does not specifically notify NGOs of the opportunity to apply for funds. In Save the Children’s experience, proposal deadlines have been as short as a week or, in one case, just a few days.

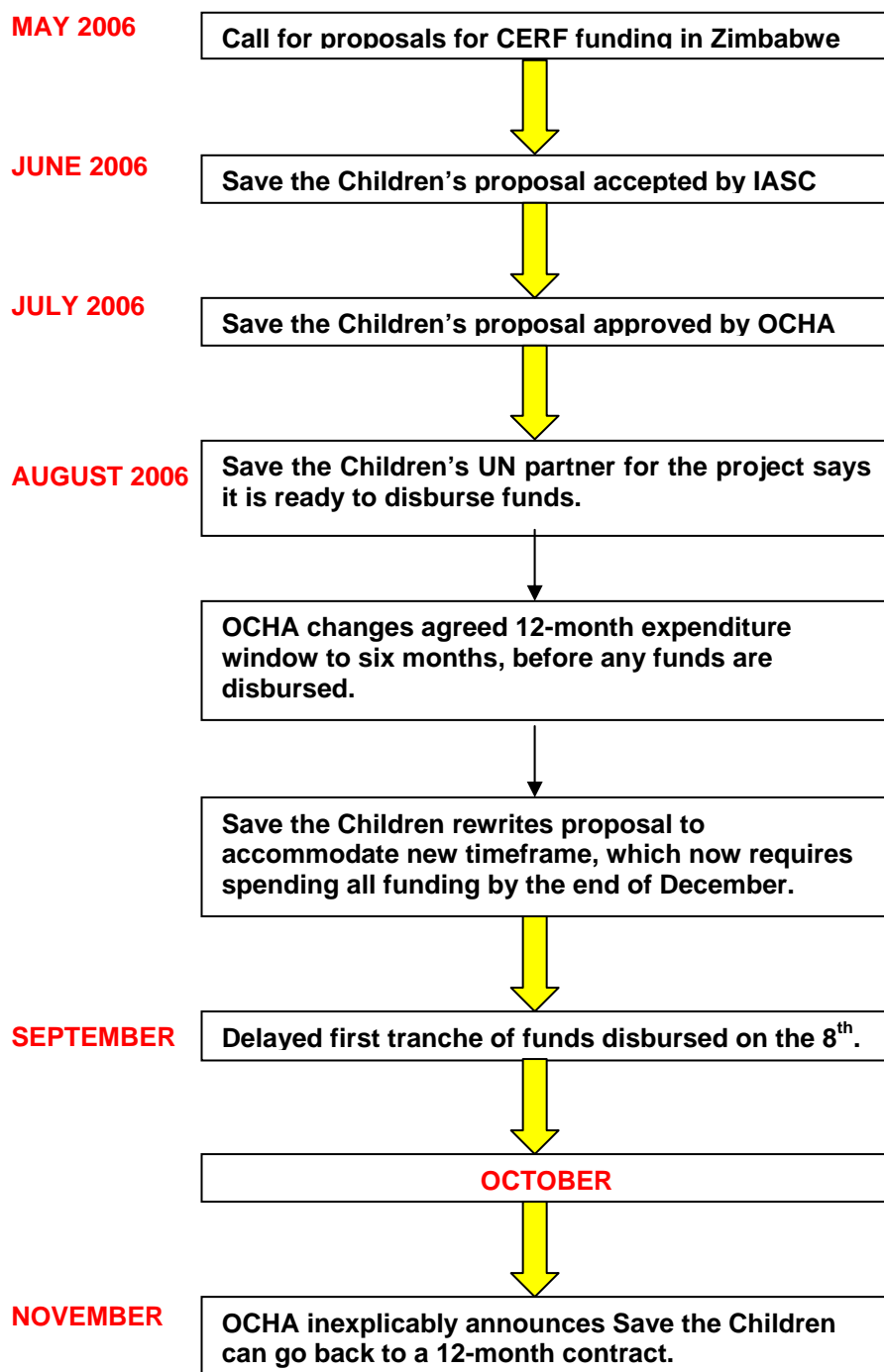
The case of Zimbabwe

In Zimbabwe, calls for proposals are announced at the Inter-Agency Standing Committee (IASC) meetings; NGOs who do not sit on the committee rely on word of mouth. Save the Children’s Country Director, as a member of the IASC, heard directly about the first call for proposals in Zimbabwe in May 2006. She then contacted other NGOs to let them know they would have a week to submit a proposal. A second call for proposals announced at another IASC meeting at the end of 2006 had a deadline of just a matter of days. Only one NGO representative was at the meeting, however, and Save the Children did not find out about the call for proposals until it was too late to respond. Not surprisingly, no NGOs responded.

Unrealistic expectation of spending timelines

Save the Children has also struggled to comply with unrealistic spending timelines.

Timeline for disbursement and spending in Zimbabwe



Save the Children applied for one of the four blocks of \$250,000 CERF funding allocated to Zimbabwe in May 2006. The proposal was accepted by the IASC and sent to OCHA in June. It was approved by OCHA in July. In mid-August, Save the Children's UN partner on the project said it was ready to disburse. In the meantime OCHA had changed the already-agreed 12-month expenditure window to just six months, which meant Save the Children would have to spend all funds by the end of December 2006. Save the Children had to scramble to re-write its proposal to accommodate the new timeframe, which ended up delaying disbursement even further. The first tranche of funding came through on September 8, which gave the team just over three and a half months to spend the money. Two months later OHCA inexplicably announced that Save the Children could go back to the 12-month contract.

Question of transaction costs

When CERF funds are distributed to UN agencies, there is a 7% cap on overheads for project support costs. The question is: who gets the 7%, or how should it be divided between UN agencies disbursing the money and the NGOs carrying out the work?

OLD SYSTEM:



NEW SYSTEM:



In Zimbabwe, Save the Children's UN agency partner, responsible for passing through funds, requested 11% to pay its own overhead costs, which was not only above the capped limit set by the CERF, but it left Save the Children with nothing. Save the Children negotiated a compromise; its UN partner agreed to accept 7%, and Save the Children, which had requested 5%, got just 3%. Even if in future NGOs can apply for the own overhead costs, allowing UN agencies and NGOs each to take a cut significantly reduces the overall funding for projects.

Save the Children's Country Director in Zimbabwe said that unless the question of transaction costs is sorted out, the opportunity cost of taking CERF funds outweighs the benefits.

Is the CERF undercutting funding for NGOs?

In many emergencies Save the Children staff have been told by donors that they must seek CERF funding instead of traditional bilateral funding. For example, in response to floods in east Africa in November 2006, Save the Children sought out discussion with the UK Department for International Development (DFID) for preparedness work in northern Kenya. Even though Kenya is a high priority for DFID, as is preparedness work, there was no money available. All DFID spending had gone to the CERF, with additional new money going to the Kenyan Red Cross and UNHCR.

As Save the Children's early assessments identified specific gaps in child protection for the refugee camps in Northern Kenya, we sought alternative arrangements in order to scale up our programming. We became defacto donors to UNHCR, as we seconded the services of child protection and logistics staff. This is back to front, as UNHCR could have applied for CERF funding, and under the current rules Save the Children cannot.

Conclusions and Recommendations

Donors and agencies alike have committed to improve the predictability and efficiency of humanitarian response. It should be noted that UN staff were helpful and cooperative in the research for this paper. Nevertheless, in the original discussions around the time of establishing the CERF Save the Children in 2005 called for a 72-hour maximum turn-over time for the transfer of funding from the CERF to the field. This is the timeliness donors wanted when establishing the fund; it is the time scale that NGOs expect, particularly those who have proven ability in humanitarian response. Yet there is no evidence that the CERF has ever enabled funding to reach NGOs on the ground in anything like 72 hours. The only urgent timeline the UN seems to enforce is for NGO proposals, not for the distribution of funding to established partnerships. This needs to change.

In order to expedite the financing of humanitarian assistance, the central aim of the CERF, Save the Children recommends that:

- The CERF board should immediately initiate a process to amend the rules of disbursement to allow for NGOs to have direct access to CERF funding globally and at country level.
- The CERF must quickly establish pre-approval procedures of NGOs who have proven competency along the lines of clear and transparent criteria, including mainly the ability to respond and scale up rapidly in a crisis. Pre-approved NGOs should have the same access to CERF central funding as UN agencies.
- CERF disbursement to NGOs should function along the same lines as the UK Disaster Emergency Committee's 'indicator of capacity'. This stipulates that the percentage of funding provided to each agency is based on its capacity to respond combined with its eligibility to do so by adhering to quality response standards. An agency's capacity can be seen by how much it has expended on emergency relief over the last three years. Its eligibility is evidenced by adherence to the Code of Conduct for the ICRC and NGOs in Disaster Relief, regular monitoring and evaluation of programmes, fully audited accounts, amongst other criteria.

(Recommendations continued next page).

As criteria for pre-approval is being agreed, the following remedial steps should immediately be implemented:

- Fast-track approval – The UN should allow NGOs with established competencies to apply for fast-track approval at the country level for CERF funds allocated to emergencies or under-funded crises.
- Division of funds – The UN should allow NGOs with established competencies direct access to at least 50% percent of CERF funds.

**Save the Children's Humanitarian Policy Team
January 2007**

ⁱ "Background Paper 2: Enhancing UN/Non-UN Engagement at Field Level", IASC/SCHR, July 3, 2006. Published following conference in Geneva, Switzerland – Enhancing the Effectiveness of Humanitarian Action: A Dialogue between UN and non-UN Humanitarian Organisations, 12-13 July 2006.

ⁱⁱ Email from Central Emergency Response Fund Finance Officer, UN Office for the Coordination of Humanitarian Affairs, 17/01/07

ⁱⁱⁱ The latest figures for total humanitarian assistance are from 2003 (pre-tsunami), Development Initiatives

^{iv} "CERF and NGOs: Challenges and Case Studies", CERF Application Tool Kit, January 2007

^v "CERF and NGOs: Challenges and Case Studies", CERF Application Tool Kit, January 2007

^{vi} Email from Central Emergency Response Fund Programme Officer, Office for the Coordination of Humanitarian Affairs, 18/01/07

^{vii} Discussion paper, CERF Advisory Group. "The Role of NGOs in Prioritising Requests and Implementing CERF Programmes". 6 October 2006.

^{viii} Email from Central Emergency Response Fund Programme Officer, Office for the Coordination of Humanitarian Affairs, 18/01/07

^{ix} Discussion paper, CERF Advisory Group. "The Role of NGOs in Prioritising Requests and Implementing CERF Programmes". 6 October 2006