The NGOs and Humanitarian Reform Project

A chance to influence the humanitarian system

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Humanitarian Reform:
Basic Information Leaflet Series[1]
Financing Mechanisms

Introduction

Financing is one of the three pillars of humanitarian reform that began in 2005.[2] This leaflet outlines the main funding mechanisms related to the reform process: the Central Emergency Response Fund (CERF), the Common Humanitarian Funds (CHFs) and Emergency Response Funds (ERFs). It also describes the Consolidated Appeals Process (CAP) and the Financial Tracking Service (FTS).

How humanitarian financing is managed[3]

The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) supports the coordination, financing and mobilisation of humanitarian response in sudden onset and complex emergencies. OCHA publishes consolidated appeals and flash appeals (see below) on behalf of appealing agencies, to solicit donor support for countries affected by sudden onset or ongoing crises. CAPs and flash appeals give an overview of the humanitarian needs in the affected country and show donors what funding is required to meet those needs. OCHA also manages the CERF. ERFs are managed at country level by the Humanitarian Coordinator, with support from OCHA[4]. The Common Humanitarian Funds (CHFs) of the Democratic Republic of Congo (DRC), Sudan and Central African Republic are financially administered by the United Nations Development Programme (UNDP), while OCHA provides programmatic management support.

Appeals Processes

Consolidated Appeals Process (CAP)

The CAP is the strategic planning process, during which humanitarian partners develop a Common Humanitarian Action Plan (CHAP) to outline strategic priorities, to express the requirements needed to meet these priorities and to ensure a comprehensive, strategic response to the crisis by all partners. Attached to the CHAP are the funding requirements to implement the response, outlined for donors' consideration.

CAPs are usually annual and are used in cases of ongoing complex crises.[5] Flash appeals, on the other hand, follow on the heels of a sudden onset crisis that goes beyond the ability of the government, or any single agency, in terms of capacity to respond. Flash appeals do not usually last more than six months. Both types of appeal follow the same processes of inclusive and strategic planning and coordination. These are some of the main characteristics of the CAP:

– The CAP is the main tool for coordination and strategic planning in complex emergencies.

– It was launched in 1991 to improve the overall coordination of humanitarian response to provide a comprehensive overview of humanitarian needs and who does what, where.[6]

– The Humanitarian Coordinator and the Humanitarian Country Team (HCT)[7] are responsible for preparing, implementing and reviewing the CAP.

– Project proposals for inclusion in a CAP are consolidated on a sectoral basis through the clusters. A specially convened panel made up of the cluster coordinator and representatives of the cluster usually reviews proposals.

– Many NGOs participate in CAPs, either through clusters or through direct participation.[8] OCHA has produced a concise Frequently Asked Questions paper that addresses a number of NGO queries.[9]

– Funding is not assured by having a project included in the CAP and it is the responsibility of each agency and NGO to engage with donors to solicit funding.

Flash Appeals

Like the CAP, the flash appeal is a tool for structuring a coordinated humanitarian response. However, these appeals are issued much more quickly and usually for only the first three to six months of a new emergency. The UN Resident Coordinator/Humanitarian Coordinator (RC/HC) triggers a flash appeal in consultation with major stakeholders within a few days of a major disaster or in response to a significant worsening of an ongoing or slow-onset crisis.[10] NGOs participate in flash appeals in the same way as they do in CAPs, although project information required for the Flash Appeal is much less detailed, requiring only topline information.[11]

Flash appeals are issued immediately and are revised within the first month, using more complete assessment data. Flash appeals and CERF (see below) often work in parallel, with CERF kick-starting funding for UN agencies by providing rapidly available money. The flash appeal notes the amount committed by CERF. Flash appeals are necessary to form a framework of coordinated strategic response, and to obtain funding. CERF can provide initial funds to jump-start critical operations planned in the appeal, but CERF itself is not a planning or coordination tool.

The CAP and flash appeals are not funding mechanisms; rather they are ways of appealing to the international community.

NGO participation in CAP and flash appeals have increased since NGO projects were first funded in 2001 (79 projects submitted by 41 NGOs were less than 1% funded). By 2009, 389 NGOs included 1,920 projects in the consolidated and flash appeals with a requested value of $1,160 million, 53% of which was funded by the time the 2010 CAP was launched. Although a considerable number of NGOs now include projects in the CAP (1,034 NGO projects in 2010 compared to 683 UN projects), the dollar amount requested as UN projects exceeds NGO projects by a factor of 6.[12]

1 This leaflet is part of a series produced by the NGOs and Humanitarian Reform Project. The series aims to provide simple, user friendly material for field-level staff on the different aspects of humanitarian reform. For further details, see http://www.ngosandhumanitarianreform.org

2 The other pillars are humanitarian leadership and coordination.

3 Information for this leaflet is taken primarily from the OCHA website http://ochaonline.un.org/tabid/5839/language/en-US/Default.aspx and Oxfam internal training materials.

4 See http://ochaonline.un.org/tabid/5839/language/en-US/Default.aspx for more information.

5 Not all countries have a CAP. For example, in Sudan the work plan serves a similar function and in the DRC, the process is known as the Humanitarian Action Plan (HAP).

6 On average, some 19 appeals are launched annually (22 in 2009 and 14 in the first four months of 2010) to meet the requirements of nearly 40 million people. Since 1992, the CAP has requested an average $4.7 billion per year, and received $2.9 billion per year (62%).

7 A group made up of representatives of various operational humanitarian actors, including UN, non-governmental organisations (NGOs) and the Red Cross/Red Crescent Movement. See basic information leaflet NGOs, clusters and other humanitarian coordination mechanisms http://www.ngosandhumanitarianreform.org

8 For example, of the 1,717 projects appealed for in the global 2010 CAPs, over 60 percent (or 1,034) will be implemented by non-UN humanitarian partners. The 2007 and 2008 average was around 78 percent.

9 See http://ochaonline.un.org/humanitarianappeal/webpage.asp?MenuID=12504&Page=1241

10 Since 2007, when the flash appeal as a mechanism and a process underwent a full overhaul, 11 flash appeals have been issued each year on average.

11 See http://ochaonline.un.org/humanitarianappeal/webpage.asp?MenuID=12508&Page=1481

12 See http://ochadms.unog.ch/quickplace/cap/main.nsf/h_Index/CAP_2010_Humanitarian_Appeal/$FILE/CAP_2010_Humanitarian_Appeal_SCREEN.pdf?OpenElement (page 15)

NGOs in consolidated and flash appeals, per year[12]					
Year	# NGOs	# NGOs projects	NGO projects total funding request	Funding reported	Funding as % of NGO CAP requests
2000	4	9	$8 million	$0.1 million	0%
2001	41	79	$46 million	$1 million	1%
2002	95	376	$325 million	$86 million	26%
2003	81	333	$128 million	$25 million	19%
2004	118	338	$164 million	$50 million	30%
2005	119	403	$300 million	$111 million	37%
2006	263	888	$648 million	$224 million	35%
2007	244	1,105	$656 million	$516 million	79%
2008	275	1,528	$1,084 million	$832 million	77%
2009 (to date)	389	1,920	$1,160 million	$610 million	53%
2010	322	1,034*	$836 million	–	–

*Somewhat lower at the start of 2010 than in 2009 in part because of advice to aggregate projects as much as possible to reduce burdens of earmarking to narrow projects. Number of NGOs in the CAP and funding request tends to increase over the course of the year.

Pooled Fund Mechanisms

The Central Emergency Response Fund (CERF)

The CERF[13] was launched in March 2006 as part of the humanitarian reform agenda. Its aim is to ensure the existence of a standby fund – up to US$500 million – which is available immediately at the onset of a crisis or where a crisis experiences difficulty in obtaining funding.

The CERF provides grant funding in two types of situations: firstly, for rapid response funding, and secondly for underfunded emergencies. A total of up to US$450 million per year is available for grant funding. The CERF also has a loan facility (of up to US$50 million a year), which can be directly accessed only by UN agencies and the International Organization for Migration (IOM) for emergency programming while they wait for donor contributions to arrive.

NGOs may receive CERF funding as partners of UN agencies and the IOM. The main CERF recipient agencies are the World Food Programme (WFP) and the UN Children's Fund (UNICEF), which between them received 60% of CERF funding between 2006 and 2010. As of 2010, the CERF revised template for project submission requires that appealing agencies note the intended amount of funds to be channelled to NGOs.

The CERF is managed by OCHA through a secretariat based in New York. It is funded through voluntary contributions by 118 UN Member States, with additional funds raised from a small number of private companies, charitable foundations and individuals. The largest CERF donor in 2009 was the British government followed by the Netherlands, Sweden, Norway, Canada and Spain.

Globally, CERF accounts for some 4% of humanitarian funding. In the first four years of its operation (March 2006-March 2010) CERF contributed approximately US$1.6 billion to 1,700 projects in 76 countries. Just over US$1 billion of this was to provide funding for sudden onset crises or to situations where there was a sudden deterioration in an existing crisis; and US$530 million went to underfunded crises.

While the rapid response funds are allocated when needed, funds allocated through the underfunded window are disbursed twice a year (in January and July). Eligible countries are identified in consultation with the Inter-Agency Standing Committee (IASC)[14] as to which humanitarian emergencies are least funded.

A number of other pooled funds that operate at the country level are now commonly perceived as being part of the move to reform humanitarian financing because of their compatible objectives:

Common Humanitarian Funds (CHFs)

CHFs were set up in 2006 in DRC and Sudan, initially as a pilot by members of the Good Humanitarian Donorship Initiative.[15] A subsequent CHF has been established in the Central African Republic and another one is being set up in Somalia in 2010.

The CHFs are pooled funding mechanisms intended to streamline funding for protracted humanitarian emergencies, with a sizeable percentage of humanitarian response funding channelled through the funds. For example, in 2008 donors committed US$142.1 million to the CHF in Sudan, accounting for 9.9% of humanitarian funding for the Sudan Work Plan.[16]

These funds channel money to agreed humanitarian response plans (CAPs, or in the case of DRC, the Humanitarian Action Plan (HAP) and in the case of Sudan, the Work Plan). Applications can usually only be made twice a year, and are based on projects submitted to the consolidated appeal. NGOs whose projects are not included in the CAP (Work Plan) cannot access the fund in Sudan.

Each fund has a Pooled Fund Board. While structures are not uniform across all funds, these boards are typically chaired by the Humanitarian Coordinator (HC), and include local representatives of the three largest donors to the Pooled Fund, three participating UN agencies (representing clusters) and three representatives of the NGO community. The Board advises the HC, ensures compliance with the agreed Terms of Reference (ToR) and ensures transparency in the use of funds.

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13 See http://ochaonline.un.org/cerf

14 The IASC is the primary mechanism for inter-agency coordination of humanitarian assistance, policy development and decision-making. It involves nine UN agencies operational in humanitarian assistance and nine standing invitees comprised of NGO networks, UN bodies and other organisations, including the International Committee of the Red Cross, the International Federation of Red Cross/Red Crescent Societies, IOM and the World Bank.

15 See http://www.goodhumanitariandonorship.org

16 The Sudanese equivalent of the Humanitarian Action Plan (HAP – see footnote 5) or CAP.

Emergency Response Funds (ERFs)

The ERFs (also called Humanitarian Response Funds) were first set up in 1997. They are small- to medium-sized funds, with a median of US$6 million per year, typically providing grants of up to US$500,000. ERFs are country-level mechanisms. As such, the rules, guidelines and eligibility criteria for accessing them vary by country. Each country-level fund conducts local training and produces concise information on the application process for NGOs. Some of the funds have live websites with useful relevant information.[17] In 2009, 75% of all funds disbursed from ERFs went to NGOs, including 111 national NGO partners.

As of May 2010, ERFs operate in 15 countries.[18] The ERFs are gap-filling funds that aim to respond rapidly and flexibly to unforeseen crises that have not been included in a CAP. Applications can be made on a rolling basis and funding is recommended by an Advisory Board made up of representatives from UN agencies, NGOs and sometimes donors. Projects are submitted for review to OCHA, which plays a key role in facilitating decision-making, and can reject proposals before submission to the board or HC. After projects are submitted, the ultimate decision rests with the HC, though he/she is guided by the recommendation of the review board.

Financial Tracking Service (FTS)

The FTS is a global, online, real-time database of humanitarian funding needs and international contributions. It aims to improve resource allocation decisions and advocacy, by clearly indicating the amounts of aid received in proportion to needs. The FTS offers a series of analytical tables that show humanitarian aid flows to specific crises and also allows users to produce custom tables on demand. It covers all countries for which international humanitarian funding is reported. The FTS is managed by OCHA and located at: www.reliefweb.int/fts. NGOs are encouraged to report directly to FTS by email (fts@reliefweb.int) or through the online reporting form located on the FTS website. OCHA has produced a useful two page guide on the FTS for NGOs.[19]

The FTS is a recording service that can only post what is reported to it. Regular reporting mechanisms exist with many donor country governments and organisations, but it still relies on all partners to check the information online and keep it up-to-date. Incomplete data undermine the FTS's reliability and its usefulness for coordination and visibility. Conversely, full information makes a powerful coordination tool and helps all stakeholders to see the full extent of humanitarian activities and resources.

Photo: Nicky Lewin/CARE. Failed crops, Ethiopia.

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Cover photo: Jenny Matthews/ActionAid. A young girl and a baby from the Menja minority people in Gulali Village, Waka, Ethiopia.

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[17] **Haiti ERRF:** http://ochaonline.un.org/OCHAHome/WhereWeWork/Haiti/DonatingforHaiti/ERRFforHaiti/tabid/6489/language/en-US/Default.aspx ;
   CAR – ERF: http://hdptcar.net/ERF/ ; **CAR – CHF:** http://hdptcar.net/chf ; **Ethiopia – HRF:** http://www.ocha-eth.org/hrf ;
   OPT – HRF: http://www.ochaopt.org/hrf.aspx?id=139 ; **Zimbabwe ERF**: http://ochaonline.un.org/AppealsFunding/ERF/tabid/3557/language/en-US/Default.aspx ;
   Sudan CHF: http://www.unsudanig.org/workplan/chf/index.php ; **DRC Pooled Fund:** http://www.rdc-humanitaire.net/?-Pooled-Fund,28- ;
   Iraq EHRF: http://ochaonline.un.org/Default.aspx?alias=ochaonline.un.org/Iraq
[18] See http://ochaonline.un.org/tabid/5839/language/en-US/Default.aspx for further information
[19] See http://ocha.unog.ch/fts/exception-docs/AboutFTS/guidesheets/FTS_&_NGO_guide_2010.doc