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Humanitarian Financing 101

On 2nd May 2013 the CDAC Network hosted a seminar on humanitarian financing mechanisms. The aim of the seminar was to introduce CDAC Network Members to the different humanitarian funding streams managed by OCHA, with an emphasis on how these might be used to support information and communication activities at field-level. This ‘101’ seminar was the first in a new initiative by the CDAC-N of practical, half-day workshops and seminars that leverage different Members’ expertise for the benefit not only of Network Members but also the wider humanitarian community.

Robert Smith, Chief of the Common Humanitarian Action Planning section at OCHA, led this first 30-strong seminar with representatives from over a dozen humanitarian agencies. This document provides some of the key points and information presented during the workshop. The objective of the seminar was to introduce in more detail the mechanisms of pooled funds (CERF, CHF and ERF) and how NGOs can access them, including through the CAP system.

A Brief Overview of Humanitarian Funding

In 2010, [Development Initiatives](#) estimates that international humanitarian response funding reached \$18.8bn. For a detailed analysis of global donors please refer to the [2012 Global Humanitarian Assistance Report](#) available online.

The diagram on the following page illustrates the various funding channels using data from the OCHA [Financial Tracking Service](#) (FTS), [OECD-DAC](#), and data from [the Central Emergency Response Fund](#) (CERF). This diagram shows very well the complex channelling of humanitarian funding through:

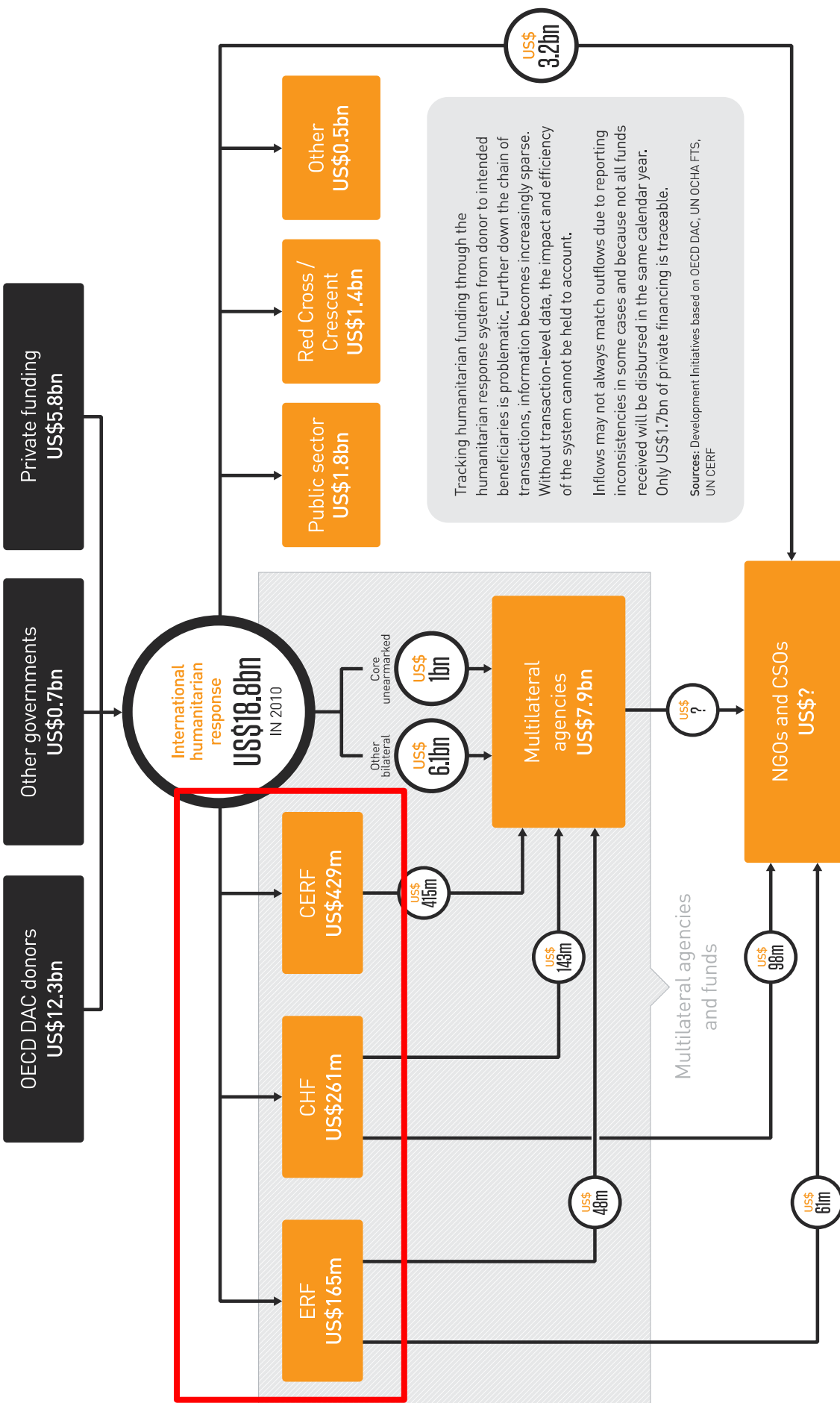
- Multilateral agencies (42%),
- The public sector (9%),
- The Red Cross/Red Crescent Movement (7%),
- NGOs & CSOs (18%+)
- Other actors (3%)

Quantifying the exact amount of funding going through NGOs & CSOs is difficult, as the extent of multilateral agencies' funding to 'operational partners' is not currently disclosed. The 2001 to 2012 period shows a similar pattern, with most funding going through UN (59%), followed by NGOs (21%+ if we include UN subcontracts), the Red Cross/Red Crescent Movement (9%), and finally 4% to affected governments.

More than 80% humanitarian funding are restricted to certain areas or crises. This implies that funding is available to humanitarian organisations only after a crisis hits. Only 12.1% of contributions are given in advance with essentially no conditions on use, allowing recipients to use them for rapid response or filling gaps in unforeseen situations.

The rest of this report focuses on the OCHA Consolidated Appeals Process (CAP) and the OCHA-managed pooled funding mechanisms of the CERF, CHF and ERF.

HUMANITARIAN FUNDING CHANNELS

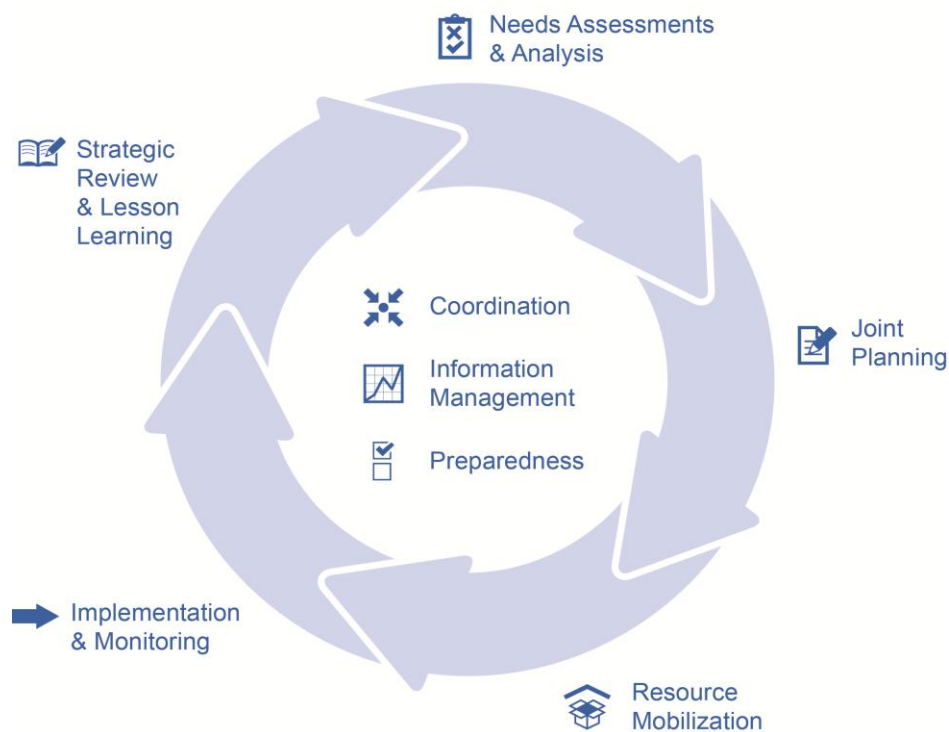


The CAP and How it Works

No single aid organisation can have a strategic overview of all aspects of a major crisis. Dozens, even hundreds, of aid organisations work in each major crisis. Coordination is important to avoid gaps and duplication, target urgent needs, address the crisis strategically, and work coherently towards longer term recovery.

The Consolidated Appeal Process (CAP) is intended to facilitate this process. Its objective is to bring aid organizations together to jointly plan, coordinate, implement and monitor their response to natural disasters and complex emergencies. It encourages them to appeal for funds cohesively, not competitively, with the objective that people in need can be supported in a timely, predictable and accountable way. One of the models that has gained significant attention in recent years is the 'Humanitarian Programme Cycle' where the CAP allows humanitarian organization to pool needs assessments, plan and, in some cases, deliver jointly. This represents the ideal way of responding to a humanitarian crisis.

The humanitarian programme cycle

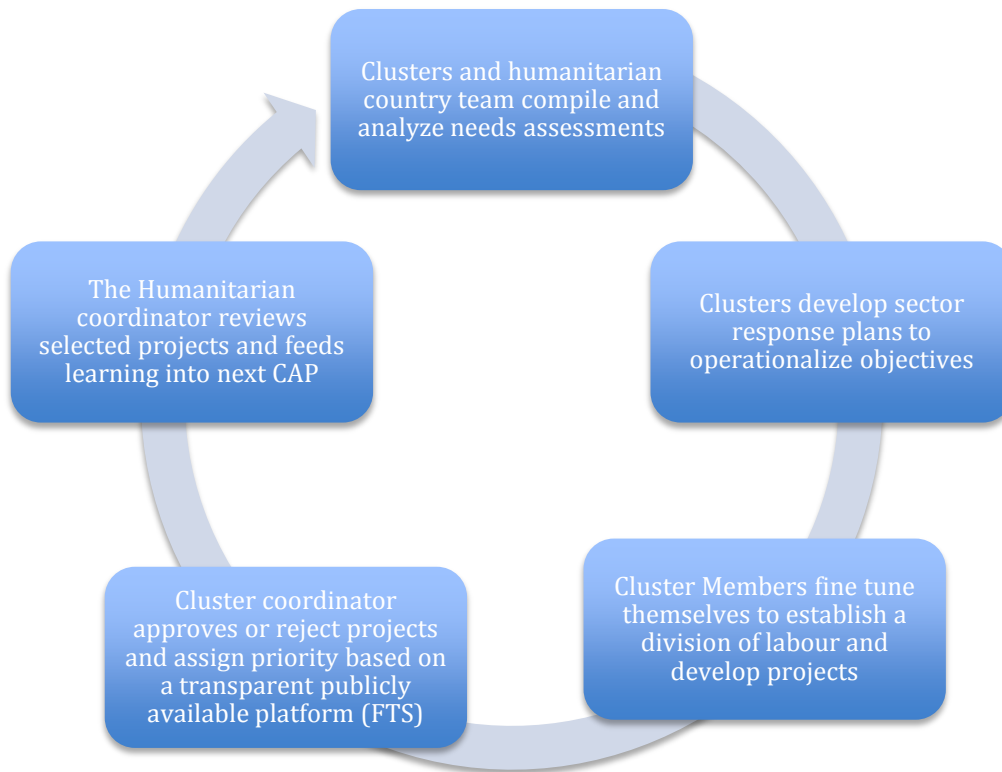


The CAP is organized according to the clusters system. The list below presents the different clusters with their respective lead agencies:

- Protection: UNHCR
- Food Security: FAO & WFP
- Emergency Telecommunications: WFP
- Early Recovery: UNDP
- Education: UNICEF and Save the Children
- Sanitation Water and Hygiene: UNICEF

- Logistics: WFP
- Nutrition: UNICEF
- Emergency Shelter: UNHCR and IFRC
- Camp Management and Coordination: UNHCR and IOM
- Health: WHO

The CAP is an essential tool in the humanitarian programme cycle. It encourages humanitarian agencies to create a common database about the demand for humanitarian assistance.



Not all organisations are part of the cluster system. Thus the CAP cannot be a comprehensive view of what's happening, it is however an important measurement of funding. It provides donors with information on where funding is missing and where funding is most important. Donors follow FTS information, as they want to avoid directly allocating funds to fully funded projects. In short, the CAP establishes the **demand side** of humanitarian funding.

The CAP focuses on close cooperation among donors, NGOs, the International Red Cross and Red Crescent Movement, the International Organization for Migration (IOM), United Nations agencies and host governments. A consolidated appeal document presents a snapshot of the situation and response plans. While CAPs used to be solely for the UN in recent years more than half of the proposed projects in CAPs are NGO projects. For an example of a CAP appeal please look at the [2013 Republic of South Sudan Appeal](#) that lists the funding requirements per organization, cluster or donor.

On average, about 80% of the international humanitarian pooled funding goes to organisations whose projects are coordinated in the CAP. Inclusion in the CAP, however, does not guarantee funding. It does allow donors to rapidly evaluate the position of a certain proposal within the larger

picture of the humanitarian response. In short, being part of the CAP is not a requirement for accessing humanitarian funding but it is a database to which donors resort to better understand response plans in order to allocate funding to the most strategic projects. Any project from any NGO can be part of the CAP. However, only certain types of pooled funds can be allocated to NGOs directly as is discussed below.

Pooled Funding: CERFs, ERFs and CHFs

Pooled funds are intended to address the imperfections in direct funding from donors to implementers. They are intended to allow coherent giving according to priority, using existing accountability systems. For donors transaction costs are minimised if they can give a large chunk of money to a pooled fund rather than having to establish contracts with multiple partners. Currently three types of pooled funds exist.

Central Emergency Response Fund (CERF)	Common Humanitarian Funds (CHF)	Emergency Response Funds (ERF)
<p>Purpose: Provide rapid response funding in the sudden onset situations and for underfunded emergencies</p> <p>Fund Type: Global Fund</p> <p>Management: ERC* with support of the CERF Secretariat</p> <p>Recipients: UN Agencies (NGOs can become implementing partners)</p> <p>Size: \$450 million per year</p> <p>Average allocation size: \$914,000</p>	<p>Purpose: Provide funding for planned actions in a protracted crisis (plus unplanned actions for sudden emergencies if needed)</p> <p>Fund Type: Country-based</p> <p>Management: HC*/RC* with support of OCHA field offices</p> <p>Recipients: NGOs and UN Agencies</p> <p>Size: Typically 10% of country humanitarian funding</p> <p>Average allocation size: \$526,000</p>	<p>Purpose: Provide funding for sudden emergencies or flare-ups within a protracted crisis</p> <p>Fund type: Country-based</p> <p>Management: HC/RC with support of OCHA field offices</p> <p>Size: small funds for sudden needs</p> <p>Average allocation size: 3\$08,000</p>

ERC: Emergency Relief Coordinator / HC: Humanitarian Coordinator / RC: Resident Coordinator

Only the CHF and ERF are available to NGOs. This is deliberate: some members of the UN General Assembly feel more comfortable that CERF funds only go to agencies over which they have some degree of control. As CHFs and ERFs were not created a by a General Assembly resolution they are not limited to UN agencies.

Over the last 5 years, over \$2bn has been channelled through the CHFs and ERFs against \$66bn compared to overall total humanitarian funding. This means that country specific pools represent only 3% of the total. Counting only funding for the countries in which they operate, they usually

account for anywhere between 10 and 25% of funding. Thus they have greater importance at the national level.

How to Apply for Pooled Funding?

Procedures differ slightly from country to country but for CHF the applicant will have to get the proposal approved for the CAP (happens once a year). For ERF being into the CAP is not a requirement but it does improve chances of getting approved. The deadlines and procedures differ so please refer to the list below for accurate CAP procedures and deadlines. If approved the applicant transforms the CAP proposal into a more detailed explanation of the project. Each CHF and ERF has a management in the OCHA country office and allocation decisions are made by the ERC in consultation with a wider body that usually includes some key agencies and donor representatives. For detailed procedures and all relevant applications please visit the country specific CHF and ERF websites.

List of CHFs and ERFs

CHFs

[Central African Republic CHF](#), [Democratic Republic of the Congo CHF](#), [Somalia CHF](#), [South Sudan CHF](#), and [Sudan CHF](#).

ERFs

[Afghanistan](#), [Colombia](#), [Democratic Republic of the Congo \(DRC\)](#), [Ethiopia](#), [Haiti](#), [Indonesia](#), [Kenya](#), [Myanmar](#), [Pakistan](#), [State of Palestine](#), [Syria](#), [Yemen](#) and [Zimbabwe](#).

Limitations of Pooled Funds

Pooled funds are valuable in the way they channel an increasing volume of humanitarian funds from a wide range of donors to well-known as well as less visible crises. They encourage interagency cooperation and create an incentive for better coordination. From a donor perspective, they also reduce transaction costs by outsourcing the control and assessment responsibility to the UN agency managing the fund.

But these transactions might not be reduced as the cost is trickled down the contractual chain as each link extracts a percentage at each stage. For example, the CERF (the largest fund) with an annual funding of \$460m, is only available to UN agencies that pass a quarter of the funding to NGOs (Development Initiatives, 2011). Furthermore, the CERF evaluation report (Development Initiatives, 2011) shows that the time between the award of CERF funds and disbursement of funds is, on average, 13 weeks. The additional intermediary can thus create losses of money and time. Another critique comes from the potential conflict of interest between UN agencies responsible for managing the fund and applying for funding from the same fund. In addition, the low visibility and profile of certain local partners sometimes makes it difficult for them to access and influence the strategy of pooled funding.

More Resources

OCHA has some interesting documents about ERF and CHF [factsheet](#), more on [CHFs](#), more on [ERFs](#).

The key statistical resource on humanitarian funding is the [Financial Tracking Service](#) managed by UNOCHA. This lists all real time CAP information.

For a detailed analysis of ERF, Development initiatives published [an extensive report](#) in 2011.

For a detailed profile on CERF, Development Initiatives published an extensive report in [March 2011](#).

Another source [OECD-DAC](#) system, which provides high quality data for most of the major official donors. Unlike the FTS it is not real-time and limited to the OECD-DAC countries. For a user friendly interface look at the OECD website [AidFlows](#).

The [Centre for Research on the Epidemiology of Disasters](#) (CERD) captures information about disasters and the funding response to them.

Finally the annual [Global Humanitarian Report](#) by the British consulting firm Development Initiative compiles the FTS, OECD and CERD data into a fascinating report.

For an example of a [CAP application](#) please click here.

For more information on OCHA mechanisms please visit this [link](#).