

Global Humanitarian Assistance

# Pooled funding mechanisms and large-scale disasters

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Case studies of Haiti and  
Pakistan

April 2011



Global Humanitarian  
Assistance

A DEVELOPMENT INITIATIVE 

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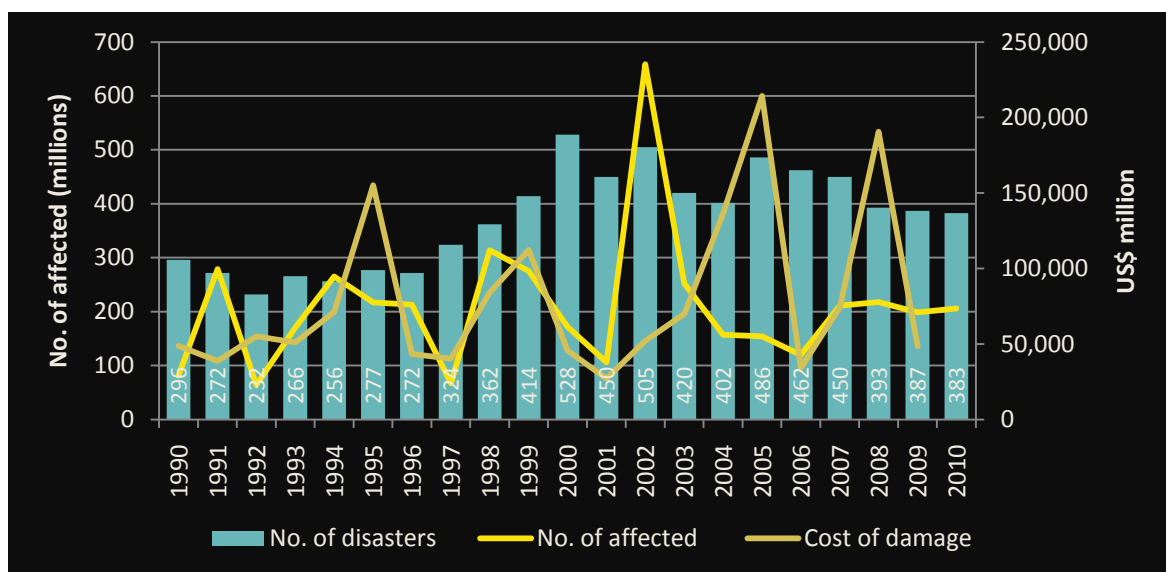
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# Natural disasters and pooled financing mechanisms

Over the last two decades there have been 7,837 natural disasters in over 200 countries. These disasters have cost US\$1.6 trillion in damage and affected 4.4 billion people. The destruction and devastation that natural disasters cause cannot be underestimated.

Disasters can range in severity and the number of people that are affected can depend on various factors including the density of the population where the disaster occurs, the quality of existing infrastructure, the provision of basic social services and the speed of response.

Although many natural events such as earthquakes and tsunamis are currently almost impossible to predict, the areas of the world where they occur have been very well mapped out for risk of occurrence. Others, such as floods, cyclones and some droughts are regular, year on year. Preventing either of these from turning from events to disasters can be mitigated through effective planning, preparedness and infrastructure development.



Number of natural disasters, cost of damage and number of affected 1990-2010. Source: Development Initiatives based on CRED database.

In developed countries the loss of life is often minimised. Investments in infrastructure, early warning systems and other disaster risk reduction interventions minimise the chance of a natural occurrence developing into a disaster and even when they do occur, crisis response systems and actors are ready to respond. However occasionally, as in the recent case of the earthquake/tsunami in Japan, a natural occurrence can cause such large scale devastation that it overwhelms national capacity and even the most prepared nations have to seek international assistance to respond to what has become a large-scale disaster.

## The Financing Mechanisms

In developing countries national capacity may not exist or is very weak even prior to a disaster. When a natural disaster occurs it can incapacitate the internal structures preventing them from being able to respond effectively, therefore international assistance is required.

Pooled funds are not a new phenomenon, the first in-country emergency humanitarian fund was established in Angola in 1998, since then a further 19 have been set up. The global Central Emergency Response Fund (CERF) was launched in 2006 with a grant element of US\$450 million; this however was preceded by the Central Emergency Revolving Fund, a loans facility that was established in 1992. Pooled funding mechanisms are not restricted to humanitarian aid, several multi-donor trust funds have been set up to enable donors to pool funding for reconstruction and recovery activities.

If a disaster occurs in a country where pooled funds already exist they can prove an important tool for coordinating emergency, reconstruction and recovery aid and ensuring that needs are met. Occasionally a fund will be created specifically to pool contributions to the relief or reconstruction effort if one does

not already operate in country. The use of these funds following a large-scale disaster can be illustrated by looking at the cases of Haiti and Pakistan in 2010.

## The Financing Mechanisms

### Central Emergency Response Fund (CERF)

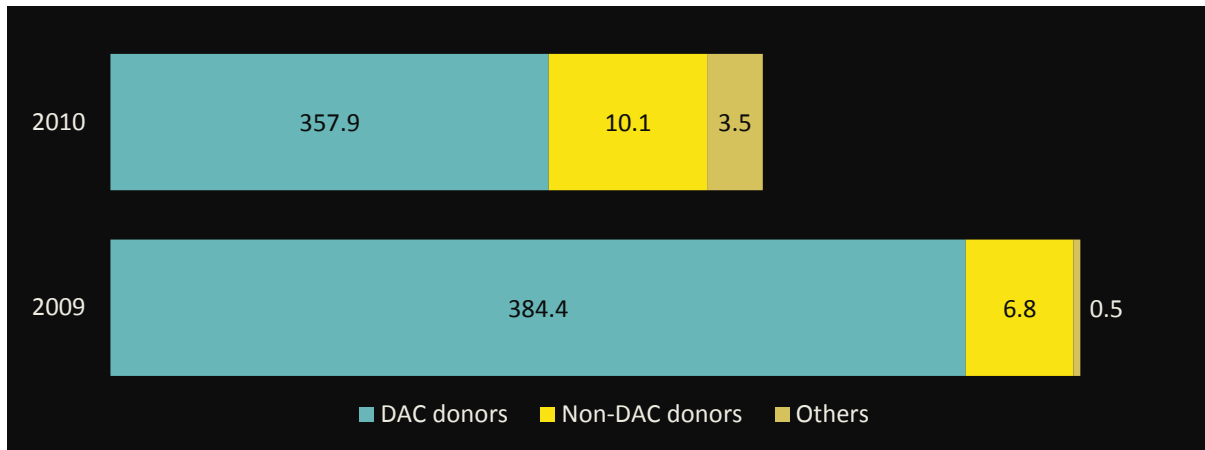
The CERF provides donor governments and the private sector with the opportunity to pool their financing on a global level to enable timely and reliable humanitarian assistance to those affected by natural disasters and armed conflicts. Donor contributions are unearmarked and allocation decisions are made by the Emergency Relief Coordinator (ERC) in New York. Since its inception in 2006 the CERF has received a total of US\$2.1 billion in contributions and a further US\$254 million in pledges from over 150 donors.

Allocations are made directly to UN agencies and the International Organisation for Migration (IOM) and could enable them to leverage funding from other donors. When timely disbursements from the CERF are made this can allow agencies to start projects as soon as possible rather than waiting for bilateral funding, which can sometimes take longer to process. As with the other pooled funds, decisions on CERF allocations are based on need, this can lead to more equitable funding through the underfunded window. Since 2006 a total of US\$1.9 billion has been disbursed to 82 countries and of this 33.4% has been allocated through the underfunded window.

The CERF does not directly fund NGOs, instead UN agencies and the IOM channel funds to organisations that they use as implementing partners. This can affect the speed of disbursement of funds to NGOs. It can also reduce the amount of money available to these organisations as each UN agency will take a percentage (up to 7%) of CERF funding for administration costs. Although CERF funding is channelled to NGOs<sup>1</sup>, there are calls for direct funding to be made available.

<sup>1</sup> Of the countries that report on CERF funding, 23% channelled funding to NGOs in 2008 and 14% in 2009.

For the CERF to work effectively it does depend on a strong humanitarian coordinator in country. Project proposals have to be reviewed and approved by the humanitarian coordinator before they are sent to the CERF secretariat. A resident coordinator acting as a humanitarian coordinator may lack the necessary humanitarian knowledge and experience to make appropriate decisions and could therefore reduce the success of this fund to respond to an emergency.



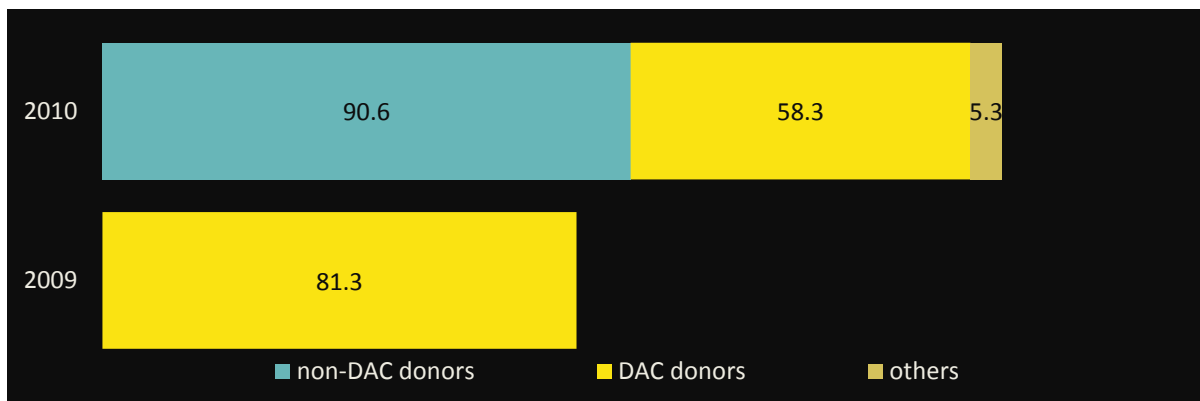
Donors to the Central Emergency Response Fund in 2009 and 2010 (figures expressed in US\$m). Source: Development Initiatives based on UN CERF data

### Emergency response funds (ERFs)

The aim of emergency response funds (ERFs) is to provide rapid and flexible funding to in-country actors (mainly NGOs) to address unforeseen humanitarian needs<sup>2</sup>. Donor’s pool unearmarked contributions which are then allocated by the country’s humanitarian coordinator according to identified need. The popularity of these funds as a means of channelling humanitarian aid has increased over the past year amongst government and non-government donors. The occurrence of natural disasters in countries where these funds already exist has meant that donors have an option to pool their resources to respond to need rather than using only bilateral channels.

For those donors that do not have a humanitarian presence in-country the ERFs provide them with an opportunity to donate monetary aid to the humanitarian effort. It also allows donors to allocate decision-making responsibility to coordinating and implementing agencies, who are presumably more in contact with realities and needs on the ground. This was clearly seen in 2010 when 30 non-DAC donors contributed a total of US\$90.6 million to the ERFs compared to only US\$58.3 million from 10 DAC donors and US\$5.3 million from non-government donors.

<sup>2</sup> Development Initiatives (2007), review of OCHA emergency response funds



Donors to emergency response funds in 2009 and 2010 (figures expressed in US\$m). Source: Development Initiatives based on UN OCHA FTS data

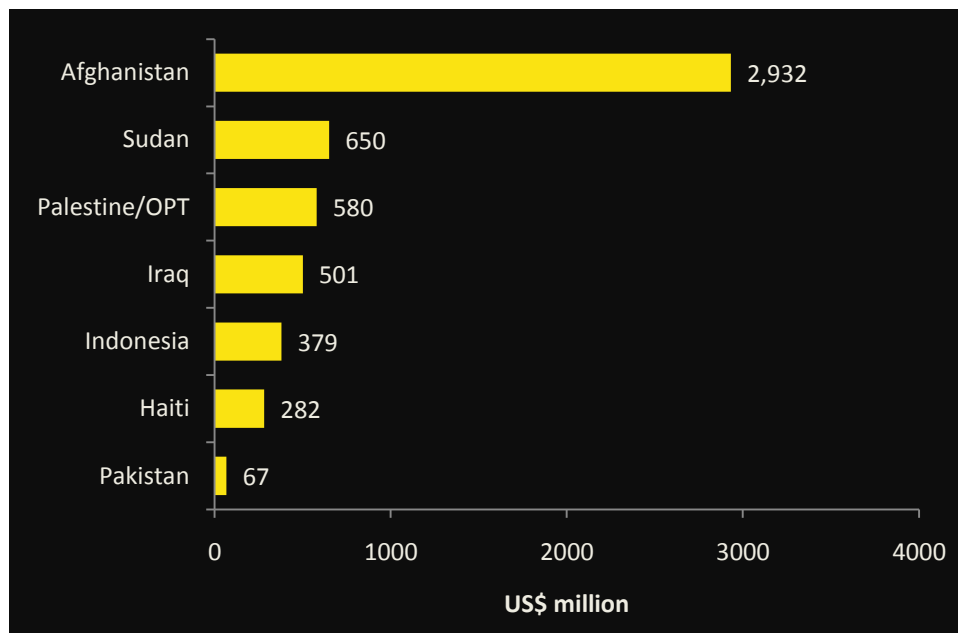
There are on the other hand limitations to the ERFs. One criticism is that they do not often engage with the national government; this means that decisions are made without consulting the appropriate authority, weakening the coordination with national relief efforts. Problems with this fund can also occur if the resident coordinator (RC) in country has or takes on the role of humanitarian coordinator (HC). Their experience of dealing with humanitarian affairs is often considerably less than dedicated HCs and their dual role presents a potential conflict of interest that could affect their humanitarian leadership. ‘An RC is obliged to maintain good relations with a host government, while the HC must press for an effective humanitarian response based on need, even in the face of government disapproval.’<sup>3</sup>

### Recovery and reconstruction funds

As humanitarian funding and the mechanisms that are used to channel this money are only part of the total aid that enters a country, other pooled funds have been set up to support a wide range of reconstruction, recovery and peacebuilding activities. These types of funds provide donors with an opportunity to engage in complex situations and to support existing governance structures. They can work with government, NGOs, UN agencies and private organisations to implement projects.

These funds are either managed by the World Bank or the UN or a combination of the two. This can present issues as each organisation has its own procedures and processes. The funds are most common in post-conflict affected countries although increasingly they are being established to coordinate reconstruction and recovery following a natural disaster. There is a danger though that a national government could become dependent on budget support from a fund over a period of time.

<sup>3</sup> The NGO and humanitarian reform project (2010) Fit for the future? Strengthening the leadership pillar of humanitarian reform



Total funding to multi-donor trust funds (MDTFs) 2006-2010. Only partial 2010 for Sudan MDTF. Source: Development Initiatives based on UNDP MDTF Gateway and World Bank

## Case study 1 – Haiti

### **Haiti earthquake January 2010**

*In January 2010 Haiti was struck by an earthquake measuring 7.0 on the Richter scale. The epicentre of the earthquake was very close to Haiti’s capital Port-au-Prince which meant that a large number of the population was affected. The original earthquake and subsequent aftershocks devastated buildings and killed thousands of people and many more were injured. The centre for the epidemiology of disasters (CRED) estimates that 3.7 million people were affected and 222,570 died as a result of the earthquake. The economic cost of this disaster was estimated at US\$8 billion.*

*The damage to public buildings and services significantly reduced the capacity of national authorities to lead and coordinate the response. Port-au-Prince’s vital infrastructure such as electricity and water was disabled. Communications, water and electrical systems were severely disrupted; roads were damaged or destroyed – which slowed the speed and scale of the relief effort.*

- *Flash appeal, January 15 – requested US\$575 million*
- *Revised Flash appeal, February 18 - requested US\$1.4 billion*

### **CERF**

Immediately following the earthquake the CERF played a vital role in providing much-needed resources for the humanitarian response<sup>4</sup>. Within a few hours the ERC had authorised US\$10 million to IOM, UN Children’s Fund (UNICEF), World Food Programme (WFP) and the World Health Organisation (WHO) for projects spanning various sectors including telecommunications, health, food and shelter. The fund was one of the first donors to disburse money to the emergency through its rapid response window. Almost US\$11 million was transferred to agencies on the ground in Haiti on 20<sup>th</sup> January, a week after the earthquake struck. For the first five days following the earthquake the CERF was the largest single source of funding<sup>5</sup>.

Between January and April the CERF contributed US\$36 million to projects through its rapid response window. Overall the CERF funding accounted for 1.1% of the total humanitarian assistance to Haiti in 2010 and made it the 9<sup>th</sup> largest donor to the appeal. All the money disbursed by the CERF to Haiti was spent on projects included in the flash appeal.

| Cluster                           | CERF funding<br>US\$m | Cluster need met<br>in appeal |
|-----------------------------------|-----------------------|-------------------------------|
| Agriculture                       | 3.5                   | 54%                           |
| Camp management                   | 5.5                   | 46%                           |
| Coordination and support services | -                     | 101%                          |
| Logistics                         | 5.0                   | 74%                           |

<sup>4</sup> IASC (2010) *Response to the humanitarian crisis in Haiti*

[http://www.reliefweb.int/rw/rwb.nsf/retrieveattachments?openagent&shortid=AZHU-878SCC&file=Full\\_Report.pdf](http://www.reliefweb.int/rw/rwb.nsf/retrieveattachments?openagent&shortid=AZHU-878SCC&file=Full_Report.pdf)

<sup>5</sup> IASC (2010) *Response to the humanitarian crisis in Haiti*

[http://www.reliefweb.int/rw/rwb.nsf/retrieveattachments?openagent&shortid=AZHU-878SCC&file=Full\\_Report.pdf](http://www.reliefweb.int/rw/rwb.nsf/retrieveattachments?openagent&shortid=AZHU-878SCC&file=Full_Report.pdf)



|   |             |     |
|---|-------------|-----|
| Telecom and Data (emergency communications)           | 0.8         | 18% |
| Economic recovery and infrastructure (early recovery) | 1.0         | 40% |
| Education   | -           | 98% |
| Food  | 4.9         | 76% |
| Health  | 5.4         | 74% |
| Health - nutrition                                    | 1.8         | 96% |
| Protection/human rights/rule of law                   | 0.6         | 60% |
| Shelter and non-food items                            | 5.6         | 67% |
| Water and sanitation                                  | 2.6         | 88% |
| <b>Total</b>  | <b>36.6</b> |     |

CERF funding and appeal needs met by cluster. Source: Development Initiatives based on UN CERF and UN OCHA FTS

The WFP requested US\$0.8 million for an emergency communications project of which the CERF funded 100%. In the revised appeal WFP requested US\$4.4 million however they did not receive any further funding for this project.

### Emergency Relief Response Fund (ERRF)

An in-country pooled fund known as the Emergency Relief Response Fund (ERRF) was established in Haiti in 2008 to provide rapid humanitarian response following the destruction caused by annual hurricanes. Up until 2010 the fund was relatively small with a total income of US\$5.5 million. This changed dramatically following the earthquake that struck the Haitian capital, Port au Prince.

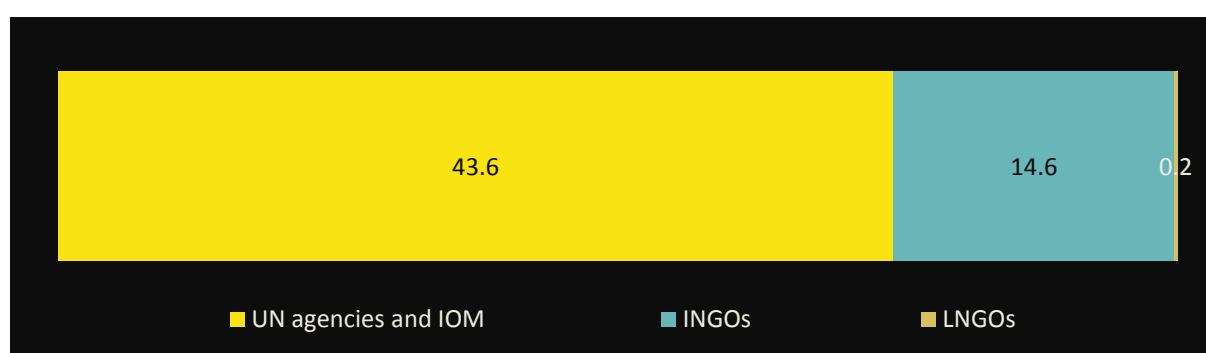
The ERRF requested funding within the appeal, although an amount was not specified. By 1<sup>st</sup> February 2010 over US\$71 million had been donated to the ERRF by 16 donors. Since that date the amount contributed by donors did not increase greatly although the number of donors more than doubled. By 1<sup>st</sup> February 2011 the total amount received by 42 donors equalled US\$82 million.

| Donor as of 1 February 2011 | US\$m committed/contributed |
|-----------------------------|-----------------------------|
| Saudi Arabia                | 50.0                        |
| Brazil                      | 8.0                         |
| France                      | 6.7                         |
| Denmark                     | 5.5                         |
| Nigeria                     | 2.5                         |
| Equatorial Guinea           | 2.0                         |
| Gabon                       | 1.0                         |
| Tunisia                     | 1.0                         |
| Congo, Republic of          | 1.0                         |
| Sweden                      | 0.8                         |
| Others                      | 3.3                         |
| <b>Total</b>                | <b>81.9</b>                 |
| No. of donors               | <b>42</b>                   |

**Case study 1 – Haiti**

The largest donor to the ERRF was Saudi Arabia. It contributed US\$50 million, equating to 62% of the total received. This contribution was much larger than any of the usual Development Assistance Committee (DAC) donors such as Denmark and Sweden. In fact in the list of the top ten donors there are only three DAC members. The ERRF has clearly given new donors the opportunity to respond to the emergency, a total of 39 donors channelled money through this fund that had not previously done so.

By the 1<sup>st</sup> February 2010 over 40 project proposals, amounting to US\$23 million had been received by the ERRF from the humanitarian clusters.<sup>6</sup> Between January and May 2010, 30% of the ERRF funds went to NGOs, including two national NGOs<sup>7</sup>. However the majority of the funding went to UN agencies and the IOM.



Haiti ERRF implementing agencies for projects responding to the Earthquake in 2010. Source: Development Initiatives based on UN OCHA FTS

The Haiti ERRF focused on response to the earthquake and provided funds for four types of projects:

- Emergency response to unforeseen disaster, including mitigation and preparedness work.
- Specific gaps and under-covered or forgotten target groups.
- Specific gaps in coordination and information.
- Pilot initiatives (especially focusing on supporting the reintegration of affected, promoting community based services, community and local authority mobilisation, and livelihoods)<sup>8</sup>.

### Haiti Reconstruction Fund (HRF)

As the initial response to the humanitarian emergency entered its third month, attention was turned to the reconstruction efforts as a high proportion of Haiti's capital, Port au Prince and surrounding urban areas were destroyed or rendered unsafe by the earthquake. A preliminary damage needs assessment (PDNA) was conducted to establish the cost of reconstruction. It identified the need for US\$11.5 billion over three years to rebuild, half of which (52%) would be required for the social sector.

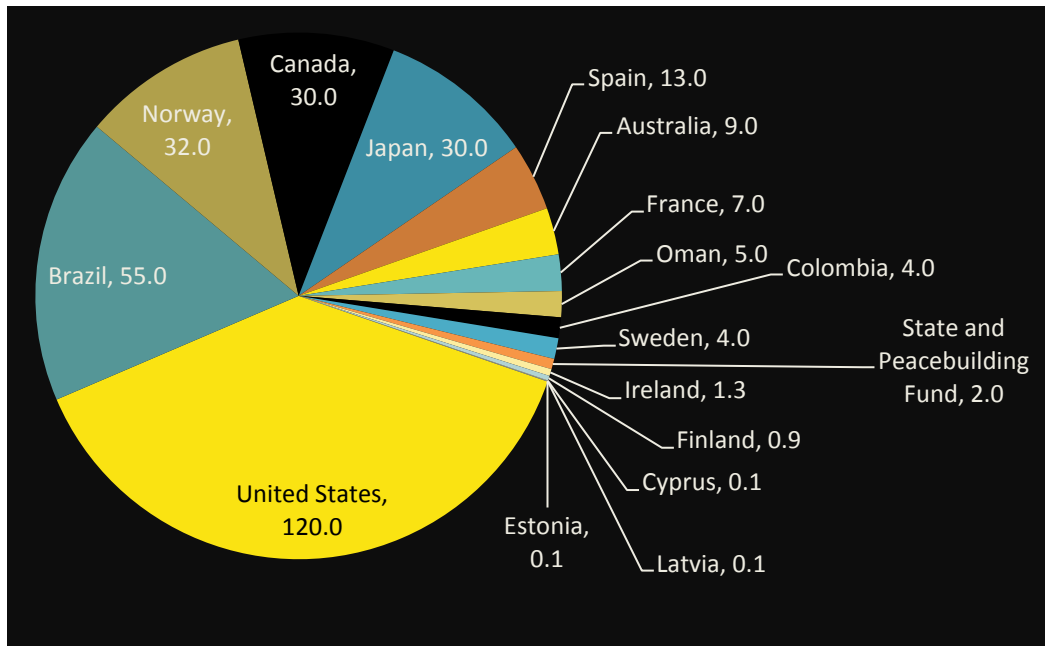
As a result the Government of Haiti requested that a pooled fund be established to support their [Action Plan for the Recovery and Development of Haiti](#) and related initiatives. The Haiti

<sup>6</sup> Haiti Earthquake Situation Report #16 - 1 February 2010

<sup>7</sup> Guidance for Haitian NGOs on the Emergency Relief and Response Fund (ERRF) <http://icva.ch/doc00004477.pdf>

<sup>8</sup> Guidance for Haitian NGOs on the Emergency Relief and Response Fund (ERRF) <http://icva.ch/doc00004477.pdf>

Reconstruction Fund (HRF) was launched in March and began operation in June. The International Development Association (IDA) of the World Bank Group serves as the trustee for the Fund.



**Paid contributions to the Haiti Reconstruction Fund (HRF). Figures expressed in US\$m. Source: Haiti Reconstruction Fund website**

To date 17 donors have pledged US\$345.5 million to the fund however only half of this – US\$313.5 million - has actually been paid in by 16 donors.

By the end of 2010 US\$191 million had been approved by the steering committee for 11 projects. Only US\$25 million had been disbursed to a single project, the Haiti Emergency development Policy Operation, led by the World Bank.<sup>9</sup>

Some have suggested that the lack of government capacity is preventing the mechanism from achieving its potential. Clearly this places the onus on the international community to not only ensure they are fully engaged with the reconstruction planning and decision-making process but also taking the lead where required.

Signs of progress are starting to be seen as only last month the steering committee approved US\$65 million

Reconstruction of the affected areas has been slow due to the fact that a large amount of rubble still remains. Before the rebuilding can start the debris and rubble must be cleared however projects covering these activities that were included in the humanitarian appeal have not been well funded. The early recovery cluster that includes these projects only received 38% of the requirements; this resulted in the removal of only a small proportion of the 20 million cubic metres of rubble. The HRF steering committee has approved a total of US\$42 million for two debris removal projects that will be carried out by UN agencies. One project approved in 17 August has commenced but the money has not yet been disbursed. The other project was initially approved on 15 December but the steering committee are waiting for the final proposal.

<sup>9</sup> [http://www.haitireconstructionfund.org/hrf/sites/haitireconstructionfund.org/files/lores\\_eng\\_rpt\\_spreads.pdf](http://www.haitireconstructionfund.org/hrf/sites/haitireconstructionfund.org/files/lores_eng_rpt_spreads.pdf)

for rebuilding and restoring earthquake-damaged houses in Haiti. This money will allow the expansion of a government led community-based housing program and will build on a successful pilot which began in October 2010.

## Case study 2 – Pakistan

### **Pakistan floods July-August 2010**

*Over the course of July and early August 2010, Pakistan experienced the worst monsoon-related floods in living memory. Flash floods caused by heavy rainfall devastated large parts of the country following the arrival of seasonal monsoon rains. These floods displaced large numbers of the population as 78 out of the total 141 districts were affected and at least 1.7 million homes were either damaged or destroyed.*

*CRED places the number of affected people at 20.4 million and the number of people that were killed at 1,985.*

- *Initial Floods Emergency Response Plan, 11 August– requested US\$460 million*
- *Floods Emergency Response Plan (revision), 17 September – requested US\$2 billion*

### **CERF**

The money spent by the CERF in response to the floods in Pakistan – US\$42 million - was the largest contribution made by the fund to an emergency in 2010 and accounted for 10% of the total that year. Overall CERF funding to the country was US\$51.8 million although not all the money disbursed by the fund was spent on projects included in the Floods Emergency Response Plan appeal. A further US\$9.8 million was allocated to the Pakistan Humanitarian Response Plan in April for emergency relief to aid Pakistan’s large internally displaced persons (IDP) population.

Overall the CERF funding accounted for 1.8% of the total humanitarian assistance to Pakistan in 2010 and made it the 8<sup>th</sup> largest donor to the Pakistan Initial Floods Emergency Response Plan (August 2010) appeal.

The initial floods emergency response plan was launched on 11 August. The same day the ERC approved US\$12 million for eight different projects, the majority of which went towards food, shelter and NFIs. A further US\$4.5 million was approved the following day and the disbursement of all these funds was completed by 25 August, 2 weeks later.

| <b>Cluster</b>                                   | <b>Total CERF funding (US\$m)</b> | <b>CERF funding to the flood appeal projects (US\$m)</b> | <b>Cluster need met in appeal</b> |
|--|-----------------------------------|--|-----------------------------------|
| Agriculture                                      | 1.8                               | 1.8  | 78%                               |
| Camp Management                                  | 1.0                               | 1.0  | 8%                                |
| Logistics and emergency communications           | 1.0                               | 1.0  | 74%                               |
| Education  | -                                 | -  | 37%                               |
| Economic Recovery and Infrastructure (community) | 0.3                               | 0.3  | 42%                               |

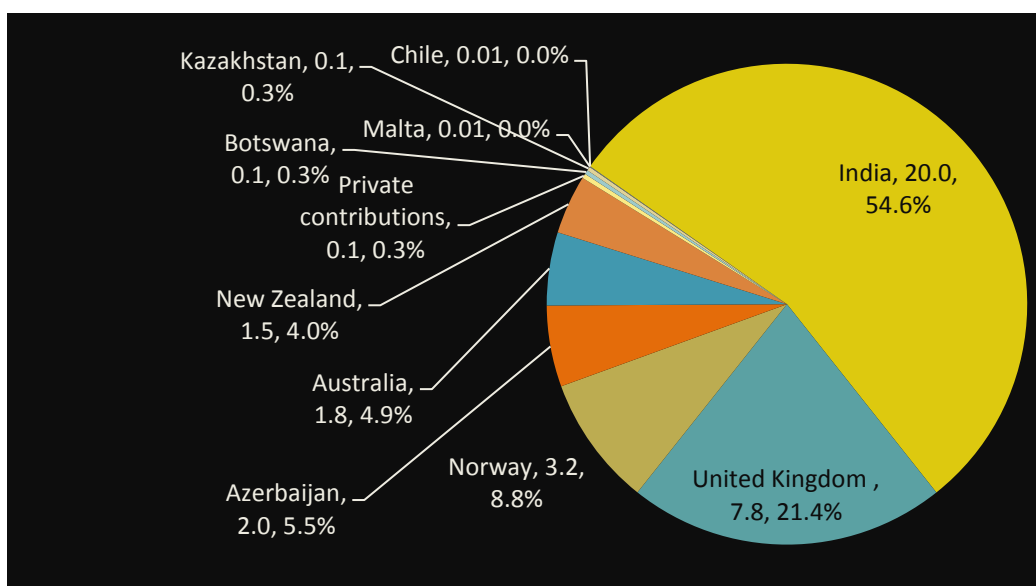
|  |             |             |     |
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| restoration)                                 |             |             |     |
| Food   | 15.8        | 11.4        | 64% |
| Health                                       | 9.1         | 6.7         | 51% |
| Health - Nutrition                           | 2.4         | 1.7         | 68% |
| Protection/Human Rights/Rule of Law          | 0.5         | -           | 27% |
| Security (coordination and support services) | 1.0         | 1.0         | 70% |
| Shelter and non-food items                   | 10.3        | 9.9         | 39% |
| Water and sanitation                         | 8.7         | 7.3         | 49% |
| <b>Total</b>                                 | <b>51.8</b> | <b>42.0</b> |     |

CERF funding to the Pakistan Floods Emergency Response Plan and appeal needs met by cluster. Source: Development Initiatives based on UN CERF and UN OCHA FTS

As part of the revised appeal the UN High Commissioner for Refugees (UNHCR) requested US\$11 million for a camp coordination project. The CERF provided US\$1 million to the agency which made it the only donor to the project and the cluster.

**ERF**

The Emergency Response Fund for Pakistan is only one year old; it was established in March 2010 and activated in September 2010 when it received its first contributions. By the middle of September six donors and numerous private individuals had contributed \$12.6 million to the fund; a further US\$22.1 million was pledged from nine donors. The total commitments and contributions at 1 February 2011 totalled US\$36.6 million from 11 donors with India contributing the largest amount, US\$20 million.



Donors to Pakistan's Emergency Response Fund in 2010 (figures expressed in US\$m). Source: Development Initiatives based on UN OCHA FTS data

At the same time more than 30 projects in the priority food, health, water, sanitation and hygiene (WASH), and shelter and non-food items (NFI) clusters had been selected for funding, a total of more than US\$8 million. These projects covered Balochistan, KPK, Punjab, and Sindh regions.<sup>10</sup>

To date US\$2.0 million has been paid to six projects in the appeal (Pakistan Floods Relief and Early Recovery Response Plan August 2010 - July 2011) for three sectors, shelter and NFI, health and WASH. A further US\$9.3 million has been committed to 29 projects but the money has not yet been disbursed. US\$0.7 million has been paid to three projects outside of the appeal for the WASH and shelter and NFI sectors. The same amount has been committed to a further three projects outside the appeal.

Unlike Haiti the majority of the money, both commitments and disbursements, has been allocated to international NGOs (INGOs). Local organisations have received 23.3% of the funding.



Pakistan ERF implementing agencies for projects responding to the Floods in 2010. Source: Development Initiatives based on UN OCHA FTS

### Pakistan multi-donor trust fund for reconstruction

A pooled fund to support reconstruction and peace-building activities was launched by the World Bank in August 2010. However this fund was not established in response to the floods but instead to support initiatives in areas of Khyber Pakhtunkhwa (KP), Federally Administered Tribal Areas (FATA) and Baluchistan that were affected by the conflict between the government and the Taliban.

Nevertheless following the floods the World Bank stated that they were also prepared to use the newly operational fund to finance recovery, reconstruction and rehabilitation.<sup>11</sup> This could be used to channel money for reconstruction activities that according to the PDNA is estimated at US\$8.7 billion to 10.8 billion.

Australia, Denmark, the European Union, Finland, Germany, Italy, Sweden, Turkey, United Kingdom and the United States have agreed to pool a total of \$130 million through the fund for reconstruction activities following the floods however their exact contributions are not clear.<sup>12</sup>

<sup>10</sup> Pakistan Floods Relief and Early Recovery Response Plan (November 2010)

<sup>11</sup> [World Bank](#)

<sup>12</sup> [World Bank](#)



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