

FOR INFORMATION

BM.07/DOC.03: REPORT OF THE EXECUTIVE DIRECTOR

1. INTRODUCTION

1.1 As usual, the Annex to this Executive Director's report provides an update on progress across governance, resource mobilisation, operations, communications and external relations, finance, compliance and human resources (p. 6-9). In contrast with previous reports, however, I would like to use this report to pinpoint the critical challenge facing the Global Community Engagement and Resilience Fund (GCERF) today as I see it, namely its lack of a sound financial and political springboard as a global fund, explain the ramifications, and propose a solution for discussion with the Governing Board.

1.2. The 13 papers presented at this Board meeting tell two quite different stories. The first story is about a rapidly-maturing organisation already achieving the results for which it was established, extending the influence of 14 governmental donors to prevent violent extremism, and uniquely strengthening the efforts of five beneficiary countries to overcome a significant obstacle to security and development. The second story is about a chronically-underfunded organisation, lacking political support and the resources to double down on its initial success to make a significant or lasting impact, raising unrealistic expectations among beneficiary communities, and whose sustainability remains in question.

1.3 There are lots of ways to interpret this divergence. Perhaps the first story has not yet been told clearly enough. Maybe the stories are independent, and governments do not currently have the political or financial capacity to support GCERF further, whatever its achievements. My more positive interpretation is that current and potential GCERF donors have been waiting for the first story to be written before re-writing the second. Now is the time to re-write it. This report defines the characters, provides the setting, lays out a plot and identifies the conflict at the heart of any good story; ultimately however the GCERF donors need to conclude the story with a resolution.

2. THE POSITIVE

2.1 Start with the positive: The GCERF Secretariat is now fully operational, implementing a sound three-year strategy, underpinned by robust policies and procedures, and comprising a unique blend of staff combining PVE, security and development, and grant-making expertise. The external audit, regular approval of donor reports, the report of the Ethics Committee, and a recent comparative compensation survey, have all confirmed that the Secretariat is compliant, cost-effective and competitive. GCERF has also become a significant fixture in the PVE firmament, developing partnerships with *Hedayah*, the United Nations Counterterrorism Executive Directorate (UNCTED), and the United Nations Development Programme (UNDP) in beneficiary countries.

2.2 For quite a while GCERF partners have been asking for results. While always emphasising that prevention is long term, that preventing violent extremism is about behavioural change and therefore complex to measure and time-consuming to achieve, that proving the counterfactual is difficult, and that GCERF only has hands on some of the levers that influence radicalisation to

violent extremism, GCERF has defined and is achieving results, and they are accelerating rapidly. By 30 June 2017 across Bangladesh, Mali, and Nigeria, project implementation had reached and engaged around 312,000 people, a 350 percent increase in reach just three months since 31 March 2017. This is 52 percent of the people intended to be reached by the current grants. GCERF funding is empirically building social cohesion, supporting community agency, promoting equal access to opportunities, and generating a sense of purpose, among individuals and within communities systematically identified as at risk of radicalisation to violent extremism. GCERF has significantly improved its communication of these results, through regular briefings to partners in beneficiary countries, periodic Board updates, and contributions through conferences and publications to the wider PVE community.

2.3 A challenge that is often posed is whether GCERF is genuinely doing something that individual donors could not themselves. Yes, in at least three ways. First, GCERF is leveraging its neutrality to mobilise communities around a politically-sensitive topic where trust, confidence and a long-term investment are essential. Second, GCERF provides a risk-sharing mechanism for donors, which as recently observed by the Director-General of the Swiss Agency for Development and Cooperation (DEZA) are becoming increasingly risk-averse because of a growing emphasis on outcomes.¹ Third, even if individual donors had access to local communities and the bandwidth for risk, any mechanism they would establish to manage small PVE grants would be more expensive than GCERF.

2.4 While in several (although not all) beneficiary countries the funding allocated by GCERF may still be relatively modest, its added value to host governments has been reported to be its intended sustainability, PVE-specificity, pre-emptive targeting of communities at risk of radicalisation, and promotion of local capacity on preventing violent extremism. The Country Support Mechanisms (“CSMs”) established by GCERF beneficiary countries to ensure country ownership over the Core Funding Mechanism (“CFM”) convene new national stakeholders, and have now become involved in wider consultations on national plans of action on preventing violent extremism. In the longer term, GCERF will support and promote the implementation of these national plans at the local level – a familiar gap in the implementation of national plans and strategies in many other areas of public policy.

2.5 Of course these achievements are not unqualified. Important programmatic challenges are emerging, for example how to maintain a focus on the long-term goal of prevention when confronted with an immediate humanitarian crisis such as in Cox’s Bazar. Setting targets and defining success remains a challenge for monitoring and evaluation – for example what level of tolerance for diversity are we trying to achieve? The review of CSMs tabled at this Board meeting identifies shortcomings. There have been political and security obstacles to delivering and monitoring grants in certain countries and sub-regions.

2.6 Nevertheless, now should be the time to reap the benefit of investing in GCERF in the first place. Economies of scale at last kick in: with a marginal increase in capacity, the Secretariat can manage a multi-fold increase in grant commitments. To be specific, I estimate that GCERF could

¹ <https://www.devex.com/news/swiss-aid-head-says-too-much-focus-on-results-could-lead-to-risk-aversion-91093>

effectively manage twice as many grants as it currently is, in current partner countries, with the addition of three more staff members. That is a 100 percent increase in grants for a ten percent increase in capacity, which in most circumstances would be considered an excellent return on investment.

2.7 But far from discussing how to achieve economies of scale and return on investment, this seventh Board meeting instead will be concerned with the financial viability of the organisation.

3. THE CHALLENGE

3.1 Here is the second story: For the third year in a row, the Secretariat is presenting a budget to the Board that is nowhere near funded (43 percent to be precise). There have been no significant new pledges or commitments to GCERF since its June Board meeting. Assuming that current negotiations with Canada, the European Union, Japan, the Netherlands, Norway, and the US are successful *and* that all other donors at least match their 2017 contribution, there will *still* be a funding gap for 2018 of USD 441,000. This assumption does not include Qatar or Switzerland, both of which made multi-year commitments in 2014, but from whom a significant renewed commitment now would help address the deficit. In 2014 70 percent of the funding committed to GCERF was unrestricted, in 2017 two percent was. Second rounds of investment in Bangladesh, Mali and Nigeria are not yet fully funded; and it is only because of a carry-over of funds that could not be disbursed in 2017 that investments will be possible in Kenya.

3.2 All of this is to highlight for the Board the potentially fatal gap that currently exists between GCERF as a funding mechanism on the one hand, and the political and financial support currently available to it on the other. The Secretariat is simply trying to implement the decision made at GCERF's establishment by the Governing Board, and confirmed with its approval of the three-year strategy, that GCERF is indeed a global fund. The Secretariat has developed the governance, policies and procedures, and capacity, of a global fund, but it does not have the funding to operate as, or achieve the goals of, a global fund.

3.3 Unless the GCERF donors have the capability – meaning the political will and financial capacity – to invest in GCERF as a global fund, then GCERF cannot fully add the value intended and will not be cost-effective. Specifically, there are three characteristics of donor contributions to any global fund. First, the level of funding needs to be sufficient to be able to generate impact at the intended scale and yield the economies of scale that are the *raison d'être* of a global fund. Second, funding needs to be predictable and sustainable, in order to allow the fund to disburse grants strategically and with long-term value – exactly what individual donors are often unable to do themselves. Third, as far as possible funding needs to be unrestricted, so that the Board as a whole can direct the resources of the organisation strategically.

3.4 It is increasingly clear that the resource mobilisation efforts of the Secretariat will not be enough to resolve this challenge. They need to be based on a far firmer financial and political springboard. Let us apply the lessons from how other global funds have built this springboard for success to the GCERF context.

4. A PROPOSAL

4.1 First, two or three current GCERF donors could self-identify as GCERF 'investors', and commit to covering operating expenses for the next three years. The US grant already generously covers about 50 percent of operating expenses – USD 3m of an annual budget of about USD 6m - but the renewal of this grant for 2018 and beyond remains unclear. In order to fulfil this first step, in other words, the US would need to commit USD 3m per year through to 2020, and one or two other donors would need to commit around a further USD 3-4m per year for operating expenses over the same period. Qatar and Switzerland would appear to be the obvious additional investors – they are the only donors to have provided long-term and un-earmarked funding to GCERF; and Switzerland is the legal founder of GCERF and hosts the Secretariat.

4.2 There are specific advantages for such investors. First, they can take political credit for establishing a global response to a threat to sustainable development and security. Second, in the longer term they can attract a higher return on their own investments. Third, by generating savings for other donors they can ensure that overall more funding is directed towards preventing violent extremism. This is exactly the model deployed by other global funds, and is similar to the role of initial investors in private sector start-ups.

4.3 The *quid pro quo*, second, is that existing GCERF donors would need to take advantage of these initial investments, by increasing their own investments, the obvious attraction being that the very significant majority would be directed towards grants via a proven vehicle. It seems unlikely that any investors will commit if there is not a strong prospect that their investment will indeed leverage further funding.

4.4 Third and again drawing on the experience of other global funds, what will be required in order to realise this proposal is stronger political support from donors to GCERF. Ultimately global funds are political commitments as much as they are financial commitments. The realities of contemporary donor funding are well understood – it is under pressure, it is risk averse, it is outcome-oriented, it is trending towards increasing earmarking. Political commitments have overcome these challenges for funding at a far greater scale for other global funds, and will be required for GCERF.

5. CONCLUSION

The Global Community Engagement and Resilience Fund is building its own resilience just as it helps build that of the communities it supports, and will continue to perform, generate results, and add value. Unless donors are willing and able to make a step-change in their support, however, it will be difficult to achieve the impact and the cost-effectiveness for which the fund was ultimately established. One of the reasons to establish a pooled funding mechanism is to share a financial responsibility. As a result, the proposal here requires only a relatively modest commitment by each of the existing donors, in order to provide the springboard required to launch GCERF properly. Here is a direct example of how donors can take advantage of the mechanism they have established, recoup their initial investments many times over, and write a new story for the global fund on preventing violent extremism.

ANNEX 1: UPDATE ON SECRETARIAT ACTIVITIES

PURPOSE

- The purpose of this short annex to the Report of the Executive Director is to provide the Board with an update on Secretariat activities since the last face-to-face Board meeting from 26-28 June 2017. This update follows the same structure as previous reports of the Executive Director, allowing progress to be mapped across governance, resource mobilisation, operations, communications, finance, human resources, and administration.

GOVERNANCE

- The Governing Board took a decision by no-objection recognising Tunisia as a new beneficiary country, and has asked the Secretariat to commence its engagement with the country;
- Strengthened communication with the Board providing regular information about results and developments on the ground, and sharing insights from the field. In particular, the Secretariat shared Human Interest Stories from Bangladesh, Mali, and Nigeria, provided Baseline Summaries for the three countries, prepared Country Portfolio Summaries, and sent out the second edition of the Board Update on GCERF activities and achievements, including a focus on our PVE efforts in Cox's Bazar in Bangladesh;
- The Chair of the Board and the Executive Director travelled to Nigeria in September and visited a Youth Peace Camp in Jos, accompanied by representatives of the Canadian and Swiss governments; and
- Numerous changes in Board membership welcoming new Board and Alternate Board members.

RESOURCE MOBILISATION

- Total confirmed contributions reached USD 38m (including in-kind contributions). Additional pledges and confirmed funding since the beginning of 2017 amount to USD 14.9m, including USD 5.4m currently under discussion;
- The contributions and pledges to GCERF from the EU, Japan, Qatar, Switzerland, and the United States since the outset, represent 76% of GCERF's total funding;
- Proposals submitted to Australia, Canada, the European Union (EU), Japan, the Netherlands, Norway, Qatar and Switzerland for further funding to support the strengthening of the scope of both the CFM and the AFM, including in new potential beneficiary countries (Philippines, Somalia);
- Contact made with potential new government donors include Czech Republic, Denmark, Germany, Italy, India, Kuwait, Saudi Arabia, Spain and UAE. No concrete financial commitment secured yet;
- Engagement with key foundations and the private sector continues and specific priorities include identifying and engaging foundations / private companies that can support the Secretariat's infrastructure development and research needs;
- A Resource Mobilisation Plan is being developed to align with GCERF's "Strategy to Engage Communities and Address the Drivers of Violent Extremism for 2017-2020" approved at

the last Board meeting in June, to assess funding opportunities, and to define priorities for GCERF and modalities to access increased level of funds in a more sustainable way; and

- A key challenge for the Secretariat is linked to the increasing number of earmarked contributions received, as well as the lack of reliability regarding the renewal of contributions from existing donors.

OPERATIONS

- GCERF is currently supporting a total of 15 agreements with Principal Recipients (PRs) in Bangladesh, Kosovo, Mali and Nigeria;
- Project implementation has reached and engaged more than 312,000 people across Bangladesh, Mali and Nigeria as of 30 June 2017. This represents a 3.5-fold increase in comparison to 31 March 2017 (85,000) and is more than 52% of the number of people intended. Female participation rate stands at 40%;
- Grant management activities with specific emphasis on the monitoring of grant implementation and the special conditions applicable to each grantee in relation to the first round of funding under the CFM in Bangladesh, Mali and Nigeria, and second round of funding under the CFM in Mali;
- Financial disbursements increased by more than 50% from USD 2.4m to USD 3.85m between 31 March and 30 June 2017. Total disbursements now equal 30.5% of the total commitments as of 30 June 2017;
- Concluded and signed the first grant agreements with one Principal Recipient and one Direct Grantee under the first round of funding in Kosovo;
- Launched a second round of funding in Kosovo, including launch of the call for expressions of interest, due diligence and potential grantee selection, support to consortium proposal development and preparation of a National Application for consideration by the GCERF Governing Board;
- Launched grant making under the Core Funding Mechanism (“CFM”) and Accelerated Funding Mechanism (“AFM”) in Kenya and managed rigorous due diligence processes;
- Launched grantee ‘Communities of Practice’ to strengthen capacity, share and exchange experiences and learning, and to coordinate activities in Bangladesh, Mali and Nigeria;
- Continued CSM Review for presentation of the initial findings and the key recommendations arising from the process for consultation at the Board meeting in December;
- Further elaborated and launched a comprehensive programme of monitoring, evaluation, accountability, and learning;
- Selected a hosting partner organisation for the establishment of GCERF’s first in-country presence for the implementation of the AFM in Bangladesh;
- Further to the approval of Tunisia as a beneficiary country in September, commenced engagement with the Government of Tunisia for the implementation of the CFM; and
- Continued to explore options for GCERF engagement in Myanmar and started to explore options for engagement (AFM) in the Philippines and Somalia.

COMMUNICATIONS/EXTERNAL RELATIONS

- GCERF's participation in various meetings on the margins of the 72nd United Nations General Assembly (UNGA) session raising its visibility and profile, as well as sharing its achievements and results with international PVE community (GCTF members, United Nations agencies, international organisations, civil society, private sector, and philanthropic sector);
- Presentations and briefings to the Twelfth GCTF Coordinating Committee Meeting, and 8th GCTF Ministerial Plenary Meeting (September 2017, New York)
- Organisation of Roundtable Discussion on "Making Progress on PVE: Lessons from Asia" (19 September 2017, United Nations, New York), convened by GCERF and the Government of Japan to address progress in preventing violent extremism and highlight examples of successful leadership and intervention across Asia;
- Organisation of High-Level Panel on 'Migration and Violent Extremism' (20 September 2017, New York), co-hosted by the European Union and GCERF;
- Organisation of the event for Geneva Peace Week titled "Putting the Action in PVE National Action Plans", in partnership with the Geneva Centre for Security Policy (GCSP), the International Civil Society Network (ICAN), and the United Nations Development Programme (UNDP) Oslo Governance Centre;
- Numerous publications and interviews, including [GCERF's Strategy](#) professionally designed (with the support of the European Union) and published online; Executive Director's Interview with Al Jazeera on "[Breaking the cycle of radicalization](#)" and as an [International Gender Champion](#); GCERF featuring in the report "[Financing the United Nations Development System: Current Trends and New Directions](#)"; "[Defusing the ticking time-bomb in Cox's Bazar](#)", "[Why we need to Talk About Migration and Human Security](#)", and [Global Terrorism Index 2017](#).

FINANCE

- Revision of the 2017 workplans and budgets carried by the new Controller;
- Coordination of workplan and budget development for 2018;
- Implementation of changes in accounting processes;
- Implementation of new accounting system: migration of data, training for staff, roll out of solution and associated process changes;
- 2017 interim audit completed in November; and
- Continued providing support to the Operations team for all matters related to financial and fiduciary issues including on due diligence, disbursements, budget reviews and monitoring visits on the CFM and the AFM assessing risks and performance of grantees; and
- Field work on first external financial examination ("audits") of grantees now completed, reports are now coming in.

OTHER COMPLIANCE

- Support to establishment of GCERF hosting by a Bangladeshi partner organisation;

- Continued developing additional policies, processes and tools related to fraud prevention, anti-terrorism and anti-money laundering measures across GCERF operations including at grantee level;
- Additional work has been carried out on the required steps to kick start work on the IT Roadmap;
- New regulation on Delegation of Authority; and
- Coordination function with new Legal Advisor now established.

HUMAN RESOURCES

- Launch and completion of a formal compensation survey supplemented by a comparison of a number of HR practices among 26 Geneva based organisations which resulted in recommendations to enhance compensation management at GCERF;
- Launch and completion of a climate survey conducted through individual confidential interviews by the Corporate Services Associate, action plan to be finalised early December;
- Coordination of the performance mid-year review (2 during the year from next year);
- Search for an absence/time management IT solution which has led to a search for an HR information system;
- Development of new regulations (grievance process etc.), participative review of current HR regulations; and
- Negotiations of an improved insurance cover for staff for accidents, most critically in high security risk areas.