

## **ACT INTERNATIONAL RAPID RESPONSE MECHANISMS: REVOLVING FUND – CONCEPT PAPER**

### **BACKGROUND - EXCOM APPROVAL, AND RECENT DEVELOPMENTS :**

The Revolving Fund, and other Rapid Response Mechanisms - Alert, revised Global Rapid Response Fund (GRRF), Preliminary Appeal, and Rapid Support Team (RST) - were approved at the December 2007 meeting of the ACT International Executive Committee. In early 2008 the roll-out plan was developed:

- The Alert format is already in use.
- The revised RRF format and new Preliminary Appeal format will commence on 1 July 2008.
- The RST is being developed with interested members, and is planned to start on 1 January 2009.
- It was agreed that a Concept Paper would be prepared on the proposed Revolving Fund.

### **REVOLVING FUND - PURPOSE :**

The purpose of the Revolving Fund is to make immediate funding available to ACT International members in the early stages of **a new, rapid onset, medium- to large-scale emergency operation**<sup>1</sup>. Use of the Revolving Fund thus is directly connected to the Appeal process, to respond quickly to members' requests made through the Preliminary Appeal (or through an Appeal, in cases where a preliminary appeal was not issued) (NOTE: The purpose and use of the Revolving Fund are therefore distinct and separate from the purpose and use of the GRRF. A comparison of the two funds is provided below)

### **MODALITIES AND PRE-CONDITIONS:**

An advance from the Revolving Fund may be requested by any ACT International member which is planning to participate in a Preliminary Appeal/Appeal, and which adheres to the purpose, modalities and pre-conditions included herewith. A funding advance may be requested up to US\$ 100,000, or to a higher limit of US\$ 150,000 on an exceptional and case-by-case basis (depending on the level of the Fund and number of members involved in and at the discretion of the Director). Requests for use of the Revolving Fund should be attached to the Preliminary Appeal (or normal Appeal, if prepared within 4 days of the emergency) proposal, and sent to the ACT Coordinating Office.

The fund is premised on a "revolving" concept, meaning that the Revolving Fund will eventually be replenished once Appeal member contributions are received, in order to maintain it at a constant level. The Revolving Fund will be established at an initial level of US\$ 750,000), through a one-time provision of funds by ACT International members.

Certain pre-conditions are established for use of and access to the Revolving Fund:

- As noted above, the Fund is to be used for new, rapid onset emergency operations, and where members need to respond urgently to avert further loss of life and property.
- Money from the Revolving Fund will be authorized **only** if it is certain that an Appeal will be forthcoming.
- The ACT CO will have made approaches to members to establish the approximate possible level of funding that would be available for a specific emergency.
- There is no flexibility when it comes to recovering of advances. This means that as the funds for the appeal are received, the ACT CO replenishes the Revolving Fund until the full amount advanced has been recovered.
- The ACT CO will manage the Revolving Fund as a separate accounting entity from the RRF.
- Interest earned on the Revolving Fund accrues to the fund, that is, as interest is received, it is capitalized into the fund.

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<sup>1</sup> Under discussion in ACT CO. Preliminary thoughts – should refer to a rapid onset natural disaster or emergency of significant proportions, demanding an extraordinary ACT member response and exceptional measures to restore the lives and well-being of affected persons and communities, and requiring considerable resources from the global ACT International alliance to complement those provided locally (i.e., beyond those required for a small emergency, where local resources or an RRF can suffice).

## COMPARISON OF THE TWO FUNDS

## (Global RRF &amp; Revolving Fund)

Global Rapid Response Fund	Revolving Fund
1. Used for immediate relief in an emergency: <i>food, nutrition, shelter and related transport and support costs</i>	1. The Revolving Fund will be used to advance immediate funds to requesting members to meet urgent needs in the first days of a <b>new rapid onset emergency</b> (i.e., not for ongoing emergencies or post-emergency situations). The Revolving Fund request should be part of the Preliminary Appeal proposal (see new Preliminary Appeal format), or Appeal if it is ready immediately following the emergency (see 3. below on timing).
2. No Appeal will be issued for the specific emergency for which GRRF funds are provided. (NOTE: the RRF policy document does allow for “exceptional circumstances” where an RRF may lead to an Appeal – e.g., when the magnitude of an emergency may be greater than originally thought)	2. Issuance of a normal ACT Preliminary Appeal, leading to an Appeal, is a <u>MUST</u> .
3. Timing of GRRF proposal – by day 2 following the emergency.	3. Timing of Revolving Fund (and Preliminary Appeal) proposal – by day 4 following the emergency (or earlier if possible).
4. Funds are given as one-off grant for a specific emergency. The ACT CO welcomes and encourages contributions from interested members towards the specific emergency, to help replenish the GRRF.	4. Funds from the Revolving Fund are <u>AN ADVANCE</u> and as such are <u>TO BE RECOVERED</u> from the <u>first appeal funds that are received</u> .
5. The maximum amount will generally not exceed US\$60,000 irrespective of number of members responding to the emergency. <u>Exceptions</u> : where needs may be greater, where several members are implementing an RRF, and where US\$ 60,000 may not suffice, the Director may exceptionally authorize an RRF to a limit of US\$ 100,000.	5. The maximum amount is US\$100,000 per emergency. <u>Exception</u> : at the discretion of the Director, on a case by case basis, the amount may increase to US\$150,000 maximum.
6. Funds to be used within 3 months maximum.	6. The time limit is determined by the appeal period.
7. Unspent balance will be paid back to the GRRF fund.	7. No unspent funds are expected.
8. Narrative and finance reports to be received by the ACT CO within one month after completion of RRF implementation.	8. Reporting is per the normal ACT appeal Reporting Requirements.
9. Audits are required for RRF funding as part of a member audit. A specific audit is required if one member receives US\$ 60,000 or more for an RRF.	9. Auditing as per ACT Reporting Requirements.
10. Semi-annual general reporting by the ACT CO.	10. Annual reporting of funds movement by the ACT CO.
11. Establishment of the GRRF is on the basis of an annual Appeal to the ACT International alliance. The level will be reviewed periodically taking into account the balance on hand.	11. Establishment of the Revolving Fund is on the basis of a one-off request for US\$ 750,000 by the ACT CO, and thus contributions from members up to this maximum. This will be reviewed after two years.