

DEFINITIONS GUIDANCE SUMMARY: NARRATIVE

INTRODUCTION AND SCOPE OF THIS GUIDANCE

In 2016, the UN Secretary-General's High-Level Panel (HLP) Report on Humanitarian Financing declared that the global gap in humanitarian financing stood at approximately US\$15 billion.¹ The Grand Bargain was struck by signatories later that year in part to help close that gap. By focusing on efficiency, transparency and collaboration, the Grand Bargain aims to improve the effective use of humanitarian funding, provide higher confidence in how funds are managed and encourage resource mobilisation; thereby addressing the funding gap from both sides.

A key driver of donor and aid organisation efficiency is the provision of multi-year and flexible funding. However, as noted in the Grand Bargain Independent Annual Report for 2019, there is far more multi-year and flexible funding being reported by donors than the amount that is reported as received by aid organisations.² Donors and aid organisations agree that a major reason for this misalignment is the lack of an agreed definition for multi-year and flexible funding. Building on the discussions of the September 2019 Progress Acceleration Workshop, hosted by the co-conveners of the Enhanced Quality Funding Workstream (7+8)³, revisiting and refining these definitions is an urgent priority.⁴

Therefore, the purpose of this *Definitions Guidance Summary* to clarify the definitions of multi-year and flexible funding in order to help Grand Bargain signatories with this year's (2019) annual self-reporting process. To highlight, this *Guidance Summary* is not modifying the existing definitions of multi-year (OECD definition of multi-year) or flexible funding (Annex I of *The Grand Bargain: A Shared Commitment to Better Serve People In Need*) adopted by the Grand Bargain. Rather, this work is looking to provide clarity on the existing commitments. This guidance summary will also contribute to future work on multi-year and flexible funding to be undertaken by the workstream.

To further help signatories use this guidance summary, please find in the accompanying document hypothetical examples of reporting against the Grand Bargain multi-year and flexible funding core commitments and indicators (Hypothetical Reporting Example).

This *Definitions Guidance Summary* is based on the Guidance Document prepared by the SIDA Helpdesk on Human Security and Humanitarian Assistance. For further information or any questions on this Guidance Summary, please contact the Enhanced Quality Funding Workstream (7+8). This can be done by sending an email to the Grand Bargain Secretariat (gbsecretariat@un.org), who will then pass on your questions to the co-conveners of Workstream 7+8.

MULTI-YEAR HUMANITARIAN FUNDING

In line with the definition from the Organization for Economic Co-operation and Development (OECD), the term "multi-year humanitarian funding" is defined as funding with a duration of 24 months or more based on the start and end dates of the original formal funding agreement. The time frame begins when the original formal funding agreement is signed between the donor and recipient, no matter where the funding sits on the transaction chain. The formal funding agreement should stipulate the amount and duration of the funding. Donors are encouraged to use a method of disbursement that supports and maintains the benefits conferred by multi-year funding.

¹ High-Level Panel on Humanitarian Financing Report to the Secretary-General, too important to fail—addressing the humanitarian financing gap (January 2016) v.

² Development Initiatives, Global Humanitarian Assistance Report (2019) 61. For example, in 2018, donors reported providing 37% of funding as multi-year, yet recipients reported receiving only 13% as multi-year

³ Canada, Sweden, ICRC, UNICEF, together with NRC and OCHA

⁴ ISAC, Progress Acceleration Workshop: Enhanced Quality Funding through Reduced Earmarking, Multi-Year Planning and Funding Workshop Outcome Report (Sept. 2019) p 4.

REPORTING GUIDANCE FOR MULTI-YEAR FUNDING

When reporting against the Grand Bargain multi-year indicators and commitments:

- **Donors:** Donors should report on the percentage of multi-year humanitarian funding provided to recipients. Please also indicate whether your organization defines multi-year to be a duration of 24 months or more, as well as what determines this duration.
- **First-Level Recipients:** UN Agencies, INGOs, ICRC and IFRC should report on the percentage of multi-year humanitarian funding: 1) received by donors and 2) passed to implementing partners. For each scenario (received by donors and passed to implementing partners), please indicate whether your organization defines multi-year as a duration of 24 months or more, as well as what determines this duration. Please indicate if your organization cannot report on multi-year funding passed to implementing partners.
- **Local and National NGOs/Implementing Partners:** Local NGOs and implementing partners should report on the percentage of multi-year humanitarian funding received. Please indicate whether your organization qualifies multi-year to be a duration of 24 months or more, as well as what determines this duration.

FLEXIBLE HUMANITARIAN FUNDING

The Grand Bargain defines the flexible nature of humanitarian funding through a gradation of four categories, which offer a range of restrictions on scope, destination of funding, and/or flexibility: 1) unearmarked funding contributions (typically allowing recipients the maximum amount of flexibility); 2) softly earmarked; 3) earmarked; and 4) tightly earmarked funds.

The Grand Bargain core commitments on funding, as well as the associated indicators, only require reporting on unearmarked or softly earmarked funding. As such, for the self-reporting process, please provide the separate percentage totals, one for unearmarked funding and one for softly earmarked funding. Where applicable and feasible, signatories should break down the unearmarked funding and the softly earmarked funding percentages into their respective sub-categories, as per the guidance below.

However, based on discussions during the September 2019, Progress Acceleration Workshop, the Enhanced Quality Funding Workstream (7+8) will explore practices and determine how to derive greater flexibility regarding the earmarked and tightly earmarked categories. This will be done through various priority actions within the workstream.

Note: *All first-level recipients should report on the unearmarked and softly earmarked funding passed to implementing partners, where possible and feasible. Further work on unpacking the issue of passing flexible funding to implementing partners will be done through a different priority action of the workstream, with expected results to be shared in May 2020.*

1. Unearmarked funding

Unearmarked funding provides aid organisations with the utmost flexibility and allows them to fulfil their mandates more effectively, including development and humanitarian programming. There are three subcategories of unearmarked funds:

A) Core or regular resources

- This is also known as “Fully Flexible Core Contributions” within Annex I of [The Grand Bargain: A Shared Commitment to Better Serve People In Need](#).

- **Definition:** Unearmarked funding contributed by donors without any restrictions on its use. It is the most flexible, bedrock funding without any earmarking, enabling integrated response and allocation of funds where and when they are needed. Unearmarked funding may be contributed directly to aid organizations as core contributions/regular resources.

B) Humanitarian-Restricted Resources

- This is also known as “Core Contribution” within Annex I.
- **Definition:** Funding contributed by donors but lightly restricted to a significant part of the organization’s mandate, such as the humanitarian operations of a dual mandated agency with operations in both the development and humanitarian spheres.

C) Contributions to the Central Emergency Response Fund (CERF)

- This is also known as “Fully Flexible Core Contribution to the CERF” within Annex I.
- **Definition:** Donors provide unearmarked funding to the CERF, which in turn distributes tightly earmarked funding to aid organisations based on the jointly prioritized humanitarian needs for people caught up in crises. This is due to the CERF’s General Assembly mandate, which is restricted to life-saving humanitarian action, as further defined in the CERF Life-Saving Criteria.

Note: All constituencies should provide specific reporting on the contributions provided to the CERF (donors) or funding received from the CERF (recipients) to contribute to a more in-depth analysis of the varying flexibility of these funds along the transaction chain.

REPORTING GUIDANCE FOR UNEARMARKED FUNDING

When reporting against the Grand Bargain unearmarked funding indicators and commitments, the following guidance should be considered:

- **Donors:** Donors should break down the unearmarked contributions provided to recipients according to the three sub-categories. For example, “Donor A provided XXX in unearmarked funding: a) XXX in core resources; b) XXX in humanitarian-restricted resources; and c) XXX was allocated to the CERF.” Donors should only report on the sub-categories that apply to them. For instance, if a donor does not provide humanitarian-restricted resources, then it does not need to report against this sub-category. All donors are encouraged to provide specific reporting on contributions to the CERF.
- **First-Level Recipients:** UN Agencies, INGOs, ICRC and IFRC should break down the unearmarked contributions received from donors according to the three sub-categories. For example, “Recipient A received XXX in unearmarked resources, including: a) XXX was received as core resources; b) XXX was received as humanitarian-restricted resources; and c) XXX was received from the CERF.” If recipients do not receive humanitarian-restricted resources, they should only report on funding received as core resources and the funding received from the CERF.
- **Local and National NGOs/Implementing Partners:** If applicable, local and national NGOs and implementing partners are encouraged to break down the unearmarked funding that they receive according to the three sub-categories. If not applicable, please report any challenges with using the three sub-categories.

2. Softly Earmarked Funding

Softly earmarked funds are contributions that are lightly earmarked for 1) specific themes or strategic objectives or programmes; 2) to a geographical region; or 3) contributions to Country-Based Pooled Funds; or 4) restricted resources. These funds represent a critical complement to the core/regular resources. There are four sub-categories of softly earmarked funds:

A) Thematically earmarked funding

- This is also known as “Directed to a Strategic Objective” in Annex I.
- **Definition:** Funding earmarked at the level of strategic goals or programmatic areas e.g. Health, WASH, Gender, etc.). After core/regular resources, this is most valuable funding as it allows flexibility to allocated funds across, regions, sub-regions and country programmes as per the needs.

B) Geographical region earmarked funding

- This is also known as “Directed to a Geographical Region” in Annex I.
- **Definition:** Funding intended for humanitarian response in a specific region, e.g. Africa, but without any further restrictions on theme or country programmes.

Note: For reporting purposes, signatories have the option to provide separate totals (one for thematically earmarked funding and another for geographical regional earmarked funding) or combine both sub-categories into one total. When reporting against geographical region earmarked funding, signatories do not need to define or provide a breakdown of the specific regions.

C) Contributions to Country-Based Pooled Funds (CBPFs)

- This is also known as “Directed to a Country-Based Pooled Fund (CBPF)” in Annex I.
- **Definition:** Funding to a specific CBPF, otherwise fully flexible. While CBPFs allow donors to provide softly earmarked funds for use within a specific country, all funds received from the CBPFs are received as tightly earmarked.

Note: All constituencies should provide specific reporting on the funding provided to the CBPFs (donors) or received from the CBPFs (recipients) to contribute to a more in-depth analysis of the varying flexibility of these funds along the transaction chain.

D) Restricted Resources

- This is also known as “Core Contribution with Limitations” in Annex I.
- **Definition:** Contributions by donors that are intended to be as flexible as core resources but exclude a small number of countries, themes, or specific activities. This sub-category is different from “Humanitarian-Restricted Resources”, which only refers to when donors lightly their funding to the humanitarian operations of a dual-mandated agency. Funding with any further restrictions falls under the sub-category “restricted resources”.

REPORTING GUIDANCE FOR SOFTLY EARMARKED FUNDING

When reporting against the Grand Bargain softly earmarked funding indicators and commitments, the following guidance should be considered:

- **Donors:** Donors should break down the softly earmarked contributions provided to recipients according to the four sub-categories, where applicable. For example, “Donor A provided XXX in softly earmarked funding, including a) XXX in thematically earmarked funding; b) XXX in

geographical region earmarked funding (*thematic and geographic can also be combined into one total*); c) XXX in restricted resources; and d) XXX was allocated to the CBPFs.” Donors should only report on the sub-categories that apply to them. For instance, if a donor does not provide restricted resources, they do not need to report on this sub-category. All donors are encouraged to provide specific reporting on the contributions to the CBPFs.

- **First-Level Recipients:** UN Agencies, INGOs, ICRC and IFRC should break down the softly earmarked contributions received from donors according to the four sub-categories, where applicable. For example, “Recipient A received XXX in softly earmarked resources, including a) XXX in thematically earmarked funding; b) XXX in funding earmarked to a geographical region; c) XXX in restricted resources; and d) XXX was received from the CBPFs.” UN Agencies, INGOs, ICRC, and IFRC should only report on the sub-categories that apply to them. All recipients are encouraged to provide specific reporting on the allocations from the CBPFs.
- **Local and National NGOs/Implementing Partners:** If applicable, local and national NGOs and implementing partners are encouraged to break down the softly earmarked funding that they receive according to the four sub-categories. If not applicable, please report any challenges with using the four sub-categories.