



# Grand Bargain Spotlight:

## Reducing Earmarked Funding

Unearmarked or flexible funding allows organisations to provide a timely and principled humanitarian response to meet the most critical needs, when needed.

### Background

One of the commitments under the 'Grand Bargain' (part of the High Level Panel on Humanitarian Financing report, 2016) is to increase unearmarked funding to allow more flexible and efficient humanitarian response. Earmarking can be defined as any condition applied by a donor to restrict a contribution or part of a contribution to a specific project activity/purpose and/or geographic area. Earmarking of humanitarian funds has increased over the past decade. The High Level Panel (HLP) report *"Too important to fail-addressing the humanitarian financing gap"* indicated that 85% of funding towards the six biggest humanitarian UN agencies is earmarked, leaving little room to manoeuvre when contexts change, or crises emerge within crises.

### Why unearmarked funding ?

Flexible funding is one of the guiding principles of the Good Humanitarian Donorship (GHD) initiative. The HLP report states that **flexible funding allows humanitarian organisations to prioritise the use of funds to address the most urgent needs** of affected people rather than being restricted to implement programs pre-determined by earmarking. This is compounded

by the inter-agency study *Less Paper More Aid*<sup>1</sup>, which states *'humanitarian organizations must act quickly to provide different life-saving services, they must be flexible and capable to adapt quickly to often rapidly changing circumstances and needs'* (2016).

Flexible funds contribute to a **more balanced distribution of resources**, such as neglected crises that are critically underfunded and receive little donor support or media attention.

It **returns decision-making power to the recipient organisation** who is responsible for providing a principled and timely humanitarian response, and also complements NRCs<sup>2</sup> (and others) calls for reduced donor conditionalities, where those conditionalities lead to unnecessary amounts of resources being spent on grant-specific administration, notably financial and reporting.

Humanitarian operations demand accountability throughout the length of the transaction chain from donor to field operations. That accountability remains unchanged whether funding is earmarked or not. This is a

<sup>1</sup> NRC is a leading partner of the Less Paper More Aid initiative and can be found at: <http://lesspapermoreaid.org/documents/lpma-reporting.pdf>

<sup>2</sup> NRCs Donor Conditionality Project (2016), with Boston Consulting Group.

fundamental component of humanitarian organisations - not only a donor requirement. Transparency of humanitarian organisations' internal prioritisation and accountability processes, as well as frequent revisions of these processes by humanitarian organisations themselves, must be encouraged as a means of advocating for flexible funding.

## Outcomes of WHS

Key donors and humanitarian organisations signed the Grand Bargain which includes a list of 51 humanitarian financing commitments. Commitments under point 8 "*Reduce the earmarking of donor contributions*" are listed below:

- Aid organisations and donors commit to:
  - Jointly **determine, on an annual basis, the most effective and efficient way of reporting on unearmarked** and softly earmarked funding and to initiate this reporting by the end of 2017.
  - Reduce the degree of earmarking of funds contributed by governments and regional groups who currently provide low levels of flexible finance. **Aid organisations in turn commit to do the same with their funding when channelling it through partners.**
- Aid organisations commit to:
  - Be transparent and regularly **share information** with donors outlining the criteria for how core and unearmarked funding is allocated (for example, urgent needs, emergency preparedness, forgotten contexts, improved management).
  - **Increase the visibility of unearmarked and softly earmarked funding**, thereby recognising the contribution made by donors.
- Donors commit to:

- Progressively reduce the earmarking of their humanitarian contributions. The aim is to aspire to achieve a **global target of 30 per cent of humanitarian contributions that is non-earmarked or softly earmarked by 2020.**

## Next steps for NRC

Whilst not a signatory to the Grand Bargain in its entirety, NRC welcomes the outcomes of the 'Grand Bargain' and is prepared to actively engage and/or lead the follow up mechanisms which will be employed to roll out this commitment and others (harmonisation and multi-year funding). NRC can add a much needed operational NGO voice to those discussions.

NRC representational office Geneva will continue its active participation in the IASC Humanitarian Financing Task Team, whose work plan for 2016-2017 details many activities related to the 'Grand Bargain'.

### NRC recommendations:

- Humanitarian organisations should advocate and access more unearmarked funding from institutional partners.
- Follow-up mechanisms to roll-out the implementation of this commitment, must include an operational frontline NGO voice.
- Building on the NRC Donor Conditionality Project, and the Less Paper More Aid project, humanitarian organisations should advocate for conditionalities which do not consume additional resources.

Links to other relevant information:

Grand Bargain, [https://interagencystandingcommittee.org/system/files/the\\_grand\\_bargain\\_may\\_2016.pdf](https://interagencystandingcommittee.org/system/files/the_grand_bargain_may_2016.pdf)

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