

Guidance

PROPOSAL FOR A HARMONIZED APPROACH TO FUNDING FLEXIBILITY IN THE CONTEXT OF COVID-19

IASC Results Group 5 on Humanitarian Financing

June 2020

Endorsed by IASC Principals

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Overview

The COVID-19 pandemic and its impacts on ongoing humanitarian crises have created a need to make funding agreements more flexible so that frontline humanitarian actors receive timely and adequate resources and can pivot as appropriate to COVID-19-related activities. The immediate need to improve flexibility is driven by the urgency of preparedness, anticipatory actions and response to COVID-19, however, these actions are also well aligned with the long-term commitments outlined in the Grand Bargain to improve efficiency and effectiveness of humanitarian aid, to deliver flexible and unearmarked funding and to increase funding to frontline actors. Over the longer term, it is understood that COVID-19 may require fundamental changes to the current humanitarian response model, including programming modalities that are more reliant on national actors, with greater consideration for the humanitarian-development-peace nexus.

The first stage of this work was an agreement on common messaging from the IASC to donors in support of funding flexibility in the context of COVID-19. The initial agreed common messaging clearly outlined the intent to implement guidance on flexibility of funding in the four areas of (a) budget/cost eligibility, (b) no-cost extensions, (c) reprogramming of funds, and (d) simplified due diligence/risk management process.

Donors have initially responded positively to the call to provide flexible funding in support of the COVID-19 response. In particular, a number of them have (a) allocated funding to the COVID response, to the GHRP or Red Cross/Red Crescent Movement appeal at a global level and (b) already increased flexibility of agreements for current and future funding to UN agencies and NGO partners with respect to the four areas outlined above. Donor flexibility can enable recipient agencies who work with implementing partners to cascade these flexible provisions, although it is noted that in a number of cases there is already sufficient provision for UN and INGOs to offer greater flexibility to partners and to fully capitalize on the provisions they already have in place.

Recognizing the different mandates, missions and comparative advantage of UN agencies and NGO partners, WFP, UNHCR, UNICEF, UNFPA, FAO, IOM, and OCHA, together with their NGO partners, are increasing funding flexibility, lightening, and speeding up processes in response to the pandemic, as allowable within existing regulations, rules, policies, and procedures. This will contribute to ensuring that flexibility is cascaded through the humanitarian system, including to local and national NGOs, in as consistent a way as possible.

Where flexibility measures are delegated to the country level, HCTs are encouraged to discuss and adopt as joint an approach as possible across all UN agencies and partners operating in a specific country context to lighten administrative processes. (This document does not replace and is complementary to the specific arrangements the UN agencies and international NGOs have developed and shared with partners and their funding agencies.)

Proposed harmonized approaches across UN agencies and partners:

- 1. No-Cost Extensions:** Several agencies have granted authority to approve no-cost extensions to the country level for existing agreements affected by COVID-19. The country team of the individual agency, and in case of the Country-Based Pooled Funds, the Humanitarian Coordinator in consultation with the local advisory board, will be responsible for the decision to grant no-cost extensions for partners with existing agreements in 2020, as allowed by the expiration dates and conditions of funding sources. It is expected that country teams will consider to:
 - a) Implement a simplified process to allow partners to request extensions;
 - b) Where feasible, approve no-cost extensions to as many partners at the country level as funding agreements and considerations allow for a set period of time.

New agreements signed in 2020 would generally not be granted automatic extensions, as it is assumed new proposals will incorporate COVID-19 contingencies in the agreement.

2. **Linking GHRP funding to existing programming:** To accelerate implementation of COVID-19 preparedness, anticipatory actions and response, UN agencies and partners agree to consider, where possible, cost extensions to accommodate additional COVID-19 response-related activities within existing program or project agreements.¹
3. **Budget flexibility:** A range of practices for flexibility within existing approved budgets exists across UN agencies and their partners. While different levels of flexibility will continue to exist, based on specific operational contexts, partners agree to establish, where possible, a minimum level of 15% - ideally 20% - flexibility between budget categories, including for staffing costs, noting that this is not possible in all cases depending on donor limitations.
4. **Direct costs linked to reprogramming:** There is a common understanding that unrecoverable direct costs incurred due to COVID-19 restrictions, such as cancellation of events, postponed travel, etc., should be covered as expenses within existing agreement, where possible, and in consultation between the partner and agencies concerned.
5. **Direct Programme Costs and Support Costs to NGOs:** Beyond the need to cover certain direct costs incurred due to COVID-19, there may be a broader need to ensure that provisions are enacted for appropriate recovery of the real costs of implementing COVID-19 response measures. Existing practices for direct and indirect cost provisions may no longer be suited to the current operational environment. UN agencies and partners commit in principle to review cost classification and recovery practices related to NGOs through a sub-group within IASC RG5 to focus on a clear proposal on how to move forward.
6. **Due diligence and risk management:** Normal audit, assurance, monitoring, and other activities that are typically conducted as field visits will often not be feasible under COVID-19. As long as restrictions limiting travel of personnel remain in place at the local level, it is agreed that desk review, or other remote approach will be used where possible. When a remote approach is not possible or feasible, postponement will be considered on a case-by-case basis.
7. **Electronic signatures and approvals:** In order to ensure a consistent approach to approvals, UN agencies and partners agree that electronic signatures and approvals will be allowed for normal approval processes through 2020. These measures would apply to all standard project processes, reprogramming due to COVID-19, and other requests requiring granting agency approval. Specific guidance on how to submit electronic signature – via email, management system, etc. will be issued to partners by individual agencies in accordance with their relevant rules and regulations on this issue.
8. **Reduced reporting requirements:** In response to COVID-19, agencies and partners agree to minimize narrative reporting requirements and ad-hoc reporting requests to what is necessary for conducting operations in an accountable manner, in alignment with Grand Bargain commitments. For all narrative reporting, it is recommended that all stakeholders (agencies, NGOs, and donors) use the “8+3” reporting template that utilizes a menu of eight reporting elements with three flexible ones.²
9. **Release of funds:** A number of UN agencies have implemented procedures to allow for pre-financing or simplified release of funds to allow scale up of programs. In alignment with the measures outlined above for simplified due-diligence, risk management, and electronic approvals, it is agreed that the agencies for which it is possible will adopt simplified procedures for release of funding to partners where feasible, based on donor provisions.

Review of flexibility measures

In order to ensure that the above measures remain relevant to supporting more effective humanitarian operations, Results Group 5 will conduct a comprehensive 2020 year-end review where IASC members will assess the need to formally extend or modify the measures included in this guidance. While the focus of this guidance is on flexibility measures we can take now to support front line responders in the COVID-19 response, it will be important to consider as part of the comprehensive review if any of these can be integrated into standard practice for humanitarian operations.³

¹ Note: IASC Results Group 5 on Humanitarian Financing has also been tasked by IASC Principals to developing proposals to accelerate funding to NGO partners.

² Refer to www.harmonizedreporting.com for complete 8+3 documentation.

³ Based on the decision by the IASC OPAG in May 2021, this guidance was extended through 31 December 2021.