

QUALITY FUNDING

IN THE GRAND BARGAIN



Grand Bargain aims to ensure that when humanitarian crises happen, humanitarian actors respond in the best possible way for the affected populations. This means being more efficient, effective, and accountable.

In the 2023-2026 iteration, quality funding (characterised by its multi-year and flexible nature) remains one of the priorities. The 67 Grand Bargain Signatories are committed to reaching a critical volume of quality funding to enable an efficient and effective response to crises, while ensuring visibility, transparency, and accountability. Although some progress has been observed in the past years, with Signatories providing more quality funding, **it is not sufficient: the transformative change is yet to be seen.**

As of June 2023, Ambassadors Manuel Bessler and Michael Köhler champion this focus area. In Spring 2024, they will convene with key stakeholders to look at the barriers faced in scaling up quality funding.

WHY QUALITY FUNDING MATTERS

In recent years, global humanitarian needs have been surging, with grave consequences on 362 million lives as of June 2023. The available funding falls short while aid organisations need to be able to operate responsibly to support affected populations. Evidence* over the years has shown that quality funding enables:



MULTI-YEAR FUNDING

Decreased costs, for instance through reduced procurement costs, savings on proposal writing, and reduced currency risk.

Predictability of funding allows for more strategic partnerships and better planning.

When multi-year funding is provided directly or indirectly to local partners, they can invest in staff, training, and equipment, strengthening local capacity. It also allows them to be better prepared to respond efficiently and at scale when a crisis hits.



FLEXIBLE FUNDING

Humanitarian organisations to impartially allocate funds based on needs, including those for forgotten crises.

Humanitarian organisations to have the capacity to respond rapidly to evolving humanitarian needs and be more accountable to affected populations.



When multi-year humanitarian funding is combined with greater flexibility, agencies can react more appropriately and/or quickly to changing conditions, and implement longer-term, resilience building activities, resulting in reduced levels of need.

*Sources: OECD - [Multi-year humanitarian funding](#) - ICRC - [The added value of flexible funding to the ICRC](#) - Workstream 7&8 Enhancing quality Funding - [Webpage](#)

HOW CAN QUALITY FUNDING BE SCALED UP?*

1

Donors should aim for **30% unearmarked or softly earmarked contributions** and aim to expand and/or adopt **good practices on flexible arrangements.**

2

Signatories should expand existing good practices, such as, **program-based agreements on flexible arrangements**, or adopt them if not already in place.

3

Intermediaries should increase **pass-through of quality funding to downstream partners**, setting their own targets.

4

Signatories should provide **core funding** to all categories of humanitarian organisations, including **local, national, women-led and women's right organisations.**

5

Signatories should encourage the use of global-level **pooled funds** and support **regional and locally-led mechanisms** for capacity strengthening.

How? Look at the examples of quality funding modalities and good practices available ([Quality Funding practices catalogue](#)) and see which can be expanded/adopted by your organisation.

*Sources:
Multi-Stakeholder Senior Officials Meeting: [Advancing Quality Funding Through Grand Bargain 2.0](#)
Report: [Annual Independent Report 2023](#)

WHAT HAS BEEN ACHIEVED SINCE 2016 IN THE GRAND BARGAIN?

In 2023, **members of a caucus on quality funding** (EU/DG ECHO, IRC, the US Agency for International Development/Bureau for Humanitarian Assistance, the US State Department Bureau of Population, Refugees, and Migration (PRM), Swedish International Development Cooperation (Sida), the Swedish Ministry of Foreign Affairs, UNICEF, WFP, UNHCR, OCHA, ICRC, InterAction and NEAR), **agreed on the following:**

MAIN AGREEMENTS



Multi-year funding is a preferred modality, especially in protracted crises.



Multi-year funding should have at least some flexible arrangements to enable recipient organisations to respond efficiently and effectively.



Multi-year funding should be channelled as close to the frontline as possible.

Workstream 7&8 - Enhanced quality funding

Between 2016 and 2021, the workstream improved understanding of quality funding, identified funding needs for efficiency, provided evidence of benefits, and addressed challenges in offering predictable and flexible funding. In 2021, following consultations with the Signatories, the workstream was closed.



IN 2022

- more than half of donor Signatories provide **at least 30%** of their funding as **multi-year**
- more than half provide **at least 30%** of their funding as **flexible**

QUALITY FUNDING DEFINITION

As outlined in the Grand Bargain, quality funding is characterised by its multi-year and flexible nature. The following definitions were agreed by the Grand Bargain Signatories in 2020 through the workstream on Enhanced Quality Funding.

- **Multi-year 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.
Level of earmarking. There are four different levels of earmarking humanitarian funding:
1) unearmarked funding contributions (typically allowing recipients the maximum amount of flexibility);
2) softly earmarked; 3) earmarked; and 4) tightly earmarked funds.
- **Flexible funding:** Only unearmarked and softly earmarked funding are considered as flexible funding, and includes:
 - **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; core or regular resources, Humanitarian-Restricted Resources, contributions to the Central Emergency Response Fund (CERF).
 - **Softly earmarked funding:** 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.