

Objective and Scope of the Technical Paper on the Grand Bargain

At their meeting in December 2015, the IASC Principals engaged with the Co-Chair of the High-Level Panel on Humanitarian Financing, EU Commissioner Kristalina Georgieva, and agreed to "*support the recommendations of the High-Level Panel on Humanitarian Financing, including the 'Grand Bargain', working across humanitarian and development pillars, and work with donors on implementing the recommendations*". FAO and OCHA were requested to lead this task, on behalf of the IASC, in collaboration with the members of the Good Humanitarian Donorship by 31 March 2016. FAO designated Sandra Aviles and OCHA designated Lisa Doughten as technical leads in this process.

In implementation of the Principals' Action Point, FAO commissioned an independent consultant to review the elements outlined in the 'Grand Bargain,' and to consult with IASC and GHD members. Based on this consultation, the consultant was asked to develop this technical report, which articulates the possible different scenarios linked to the implementation of each element of the HLP's 'Grand Bargain'.

The report aims to provide technical-level support for IASC Principals and to the high-level process that is being led by the Co-Chair and other members of the HLP, with a view toward securing commitments to be announced at the World Humanitarian Summit in May.

Discussion starter 1. Delivering the Grand Bargain

In the spirit of the Value For Money, the Grand Bargain should be about working together to create better economy, efficiency and effectiveness. It should also be done with an emphasis on avoiding risk aversion – cost-effectiveness can best be achieved by providing cheap short term solutions in easy to access places, and avoiding all difficult and expensive solutions. But this is not what value for money is about. It is about better results for people. And better results for more people – using existing resources better to reach more people, deliver a better/more appropriate service, with the best use of funds. So, we need to find a way to deliver on that.

The observations presented here are the consolidated reflections of 9 IASC member agencies (ICVA, InterAction, ICRC, UNICEF, WFP, FAO, UNFPA, UNHCR and the World Bank) and 2 donors (DFID and USAID) gathered through initial telephone discussions during the week of Monday 8th February. Representatives from the OECD-DAC and the UNDP Multi-Partner Office were also consulted. The contents therefore should be read as being a partial and preliminary foray into this subject area.

Respondents were asked for their reflections on the framing and content of the Grand Bargain (GB) elements of the High Level Panel (HLP) report on humanitarian financing, including detailed feedback on the recommendations from the perspective of their organisations. It should also be noted that while agencies consulted had undergone some internal analysis and discussions, they are still developing their thinking and possible commitments and look forward to a dialogue in which they can further refine their positions and advance possible commitments.

General observations

- Among agencies consulted, there is a very high-level of support for the overall objective, spirit and momentum created by the Grand Bargain proposition and a number of agencies noted that their senior management are prepared to strongly support the initiative, seeing it as an opportunity for major transformative change.
- Now that the SG's report has been published, there is an opportunity to align elements of the framing of the GB with the framing and phrasing put forward in the SG's report. So for example, it may be interesting to have a collective understanding about what both donors and agencies think better economy, efficiency and effectiveness might look like?
- A number of the recommendations are synonymous with wider system reforms (e.g. joint needs assessments, longer-term aspirations to develop capabilities of local and national first-responders, scaling up cash-based programming, reducing duplication, and a 'participation revolution'). Financing, and the GB in particular is seen as a useful approach to help advance these wider reforms. As the process of developing recommendations and commitments progresses, it will be worthwhile to cross-reference with thinking around wider system reforms to ensure financing recommendations are fully synchronised and supportive of these.
- A significant number of respondents noted the following with respect to implementation:
 - Recommendations are likely to be implemented over a period of years, and that therefore implementation plans with realistic time-tables, clear delineation of responsibilities and, inbuilt mutual accountability measures would be welcomed.
 - Agencies and donors are diverse in their capabilities and restrictions and that therefore incremental and differentiated approaches to reaching commitments will be required.

- Further clarification will be required as to which actors are targeted under the GB ie will the development actors be targeted as well?. In keeping with the spirit of the WHS, which points towards building a more inclusive and diverse humanitarian response, there is a strong preference towards a more inclusive process and settlement.

Reflections on the problem statement and approach. Agencies and donors consulted are unanimous in their recognition of the need to improve efficiency. A number of suggested qualifications and points of principle, which could be incorporated into a preamble are listed below:

- **Efficiency is only part of the solution:** The humanitarian funding gap is real and will not be met by cost-cutting efforts alone.
- **Value cannot be measured in unit costs alone.** Value does not mean the ‘cheapness’ of goods and services delivered, but how effectively we meet the needs of the people we serve. A people-centred concept of value should inform the focus and shape of reforms and the way we measure their success. The cost of maintaining the standing responsive capacity of the humanitarian system should also be considered.
- **There is a need to invest for a future-fit humanitarian response system.** Achieving greater value from humanitarian financing is a medium-term objective and will require targeted investment in the short-term in order to deliver transformative returns in the medium-term.
- **Improving efficiency relies on collaborative effort.** Ensuring the humanitarian system functions effectively to deliver value is not within the power of individual organisations: humanitarian actors function within an inter-dependent system and solutions also lie at the collective level.

Detailed reflections on existing recommendations: The following table represents a summary of consolidated reflections and suggestions from agencies and donors consulted and also includes a summary of their overall levels of support for each recommendation (high, moderate, or low); a consolidated assessment of feasibility (high, moderate, or low); and an indication of the time-scale for implementation (short-, medium-, or long-term).

Recommendation	Support / feasibility	Implementation timeframe	Other points for consideration
Agencies and donors to work together towards:			
More financial transparency.	<p>Support: High</p> <p>Feasibility: High</p>	Medium-term	<ul style="list-style-type: none"> • Transparency is seen as an unqualified 'good', which everyone supports in principle. • Many agencies already report to the IATI standard; others are looking to develop commitments to do so. Reporting to the IATI standard lends itself well to a commitment. • Some concerns were expressed that agencies will need practical support to meet IATI reporting requirements and may wish to commit to staged/incremental implementation. • Some concerns were expressed that agencies following a programme-based approach may not be able to deliver sufficiently granular information. • Publishing to the IATI standard alone will not provide sufficient evidence in a useable format to enable scrutiny of transaction costs or to draw connections between financing and needs. The establishment of standards, curation and a 'platform' to collate and facilitate engagement with the data will also be required. • Some concerns were raised around the feasibility of harmonising cost-structures (proposed elsewhere) for agencies with very different business models and cost requirements.¹ There was a divergence of opinion on this point however, with others of the opinion that harmonised cost structures are possible and desirable.
More support and funding tools to national first responders ² .	<p>Support: High</p> <p>Feasibility: Moderate</p>	Medium/long-term	<ul style="list-style-type: none"> • There are very high levels of support in principle for (a) providing a fairer deal in access to and the terms of funding available to national actors (b) investing in the responsive capacity of local and national actors. • However, the inferred link between channelling more funding to local and national actors and cost-savings is noted as somewhat problematic and may require further clarification. Possible trade-offs between cheapness and

¹ The data gathered by the UNDG FBN working group on harmonised cost-recovery rates for inter-agency pooled funds may be useful here. However, it is worth noting that: indirect cost rates in the UN system are all literally over the map; no agreement on whether a cost-recovery rate is actually expected to cover costs; no agreement on definitions for indirect cost; no agreement on the indirect cost rate itself for pooled funds (7 %; 8 %).

² National first responders are interpreted as also including governments, municipalities and local authorities.

			<p>quality were noted and concerns raised that under such a narrative, national actors could be consigned to accepting a long-term 'low-cost' offer.</p> <ul style="list-style-type: none"> • The need to maintain careful distinction that those best-placed to respond will vary according to context and capabilities was noted, and some prefer the terminology 'front-line responders'. • Bilateral donors may not consider increasing direct funding to national actors as an efficiency gain in that it would require additional costs at donor HQ level to manage contracting and compliance. Some donors may struggle to adapt their due diligence requirements to enable direct access to funding for local and national actors. The role of 'fundermediaries' therefore is likely to persist and efficiencies at this level may be the logical first point of departure. • Commitments could be sought from 'fundermediaries' to improve their offering to local and national actors, in terms of volumes of funding, terms offered (particularly overhead costs), capacity assessment and due diligence requirements. Some agencies may be willing to commit to funding targets and timetables for implementation. • Investing in the responsive capacity of local and national actors is noted as a long-term objective, which may deliver efficiency and effectiveness gains in the medium to long-term. A separate commitment relating to long-term capacity-building needs may be required and this could also be considered as part of the 'shrink the needs' area. • It is important to link this element of the GB to a discussion on risk and risk management.
<p>Scale up use of cash-based programming and more coordination in its delivery.</p>	<p>Support: High Feasibility: High</p>	<p>Medium-term</p>	<ul style="list-style-type: none"> • Overall, there is broad support in principle for the more widespread use of cash. Though responses were mixed on the idea of a spending or coverage target in support of this recommendation. • It was noted that it is important to acknowledge that cash is not feasible or the right response in every case and therefore it is necessary to retain responsive capabilities and a range of programming options. • More detailed practical recommendations on facilitating a shift from ad-hoc to large-scale cash-programming, that would deliver efficiency gains, could be advanced, including investments in common 'goods' such as investing in market analysis and monitoring; shared targeting criteria and joint assessments; common data standards and platforms; common approaches to accountability; and learning to work with and through established safety-nets.

			<ul style="list-style-type: none"> The need for more coordination in delivery is questioned somewhat on the grounds that cash is not a sector, but an approach and that sectoral coordination is already established – with additional coordination comes additional bureaucracy and costs. It is also noted that, more than increase in its use, cash based programming had to linked to longer-term development programming in terms of social protection and livelihoods support. This needs to be deliberately linked to the status of financial inclusion in the environment in which the programme operates. And if the potential cost-savings are important, a longer term investment in expanding access to financial services could be cost-effective.
Aid organisations:			
Reduce duplication and management costs.	<p>Support: Moderate</p> <p>Feasibility: Low (uncertain)</p>	Medium/long-term	<ul style="list-style-type: none"> Further clarification is needed on the nature of duplication targeted. Further clarification is requested on what ‘management costs’ refers to. A variety of issues were flagged in relation to the reduction of management costs as a route to cost-savings: (1) agreement would need to be achieved at the level of governing boards, which may be a lengthy process. There are wider ongoing UN reform processes considering this issue, which would also need to be considered (2) agencies have different business models, and overhead costs may not be comparable (3) some UN agencies are keen to note that they have made considerable efforts towards cost-savings in recent years. Other routes to achieving greater organisational efficiency could also be pursued including review of business practices including management of working capital and reserves; procurement practices; recruitment and retention practices. Other routes to achieving greater system-wide efficiency could also be explored, notably greater use of common services and resource pooling such as building contingent financing at the system level (including expanding CERF, but also risk-financing options); common procurement/investments in common services and product investments (e.g. vaccine bonds/advance market commitments; influencing affordable production of drugs and vaccines; investing in production of common relief supplies); common services at regional and country-level for transport, warehousing, IT services/communications, monitoring and information management etc.)
Periodic functional expenditure	Support:	Short/medium-	<ul style="list-style-type: none"> Further clarification is required on what this recommendation envisages in

reviews. ³	<p>Moderate</p> <p>Feasibility: Moderate</p>	term	<p>practical terms and what the purpose of this would be.</p> <ul style="list-style-type: none"> • Some concerns were noted that multilateral organisations already undergo independent scrutiny via MOPAN and bilateral donor reviews including the UK Multilateral Aid Review and a large number of lower-level reviews requested by bilateral donors, which were felt to be increasing in number and frequency. The added value of an additional process is not sufficiently clear at this stage. • There is some support in principle however for independent impartial review and technical assessment of potential efficiency gains in business practices at the organisational and system-level. The recommendations from these reviews could be matched with mutually agreed and monitored implementation programmes backed with donor financing support. • There is an idea of proposing peer reviews as a way forward. Peer reviews that cover much more than functional expenditure (Strategy, programme design, systems and processes, monitoring reporting and evaluation, etc).
More joint and impartial needs assessments.	<p>Support: Moderate</p> <p>Feasibility: Moderate</p>	Short/medium-term	<ul style="list-style-type: none"> • There is broad support for the principle of joint needs assessments and indeed it was noted that significant work has been invested in this area during the last 10 years. Coordinated assessments are now a core element of humanitarian programme cycle management tools. • The connection between joint assessments and efficiency may need to be more explicitly spelled out to assist agencies in their interpretation of this recommendation. • Based on recent experiences of joint assessments, certain caveats were flagged: the ability of joint analysis and prioritisation alone to reduce incentives and opportunities for over-stating needs and financing requirements may be more limited than expected; there is value in having a certain degree of diversity in analysis in order to triangulate findings; joint assessments will not eliminate the need for independent agency assessments, which are required for operational planning and ad hoc response. • Additional measures to strengthen the objectivity of needs analysis and costing of response could be explored including triangulation; feedback loops; improved rigour in publishing methodologies, assumptions and data;

³ See Annex 1 for proposal of an independent technical service provider to help correct the lack of incentives in the system towards greater financial efficiency, pro-active management of risk, and accountability.

			and alternative approaches to costing as an objective check against conventional costing.
A Participation Revolution: listen more to and include beneficiaries in decisions that affect them	Support: Moderate Feasibility: Moderate	Medium-term	<ul style="list-style-type: none"> • High levels of support were registered in relation to the principle of greater accountability to affected populations. Support for this specific recommendation was more muted however, as agencies were uncertain as to what the proposal would look like in practice. Further elaboration of the ‘theory-of-change’ that might link for instance, beneficiary voice with improved targeting, and more responsive ‘course-correcting’ and ultimately effective programming, may assist in building further support for this recommendation. • The idea of moving beyond current ad-hoc approaches to AAP was welcomed, with the notable caveat that system-level approaches to AAP will still need to be tailored to context and no single tool or methodology will be effective everywhere. • In order to realise the transformative potential of AAP, agencies would need to go beyond listening and consulting, and incentives may also need to be put in place to ensure this information informs action.
Donors:			
More multi-year humanitarian funding	Support: High Feasibility: Moderate	Medium/long-term	<ul style="list-style-type: none"> • Very high levels of support were registered across the board. Agencies and donors consulted firmly believe in the transformative potential of multi-year planning and programming in improving efficiency of business practices, and improved programme outcomes. • Multi-year planning and programming is also seen as a route to enabling greater coherence with development programming. • Multi-year planning should also look at breaking the silos in funding. Right now, attempts at multi year funding (stabilisation/resilience) funding are still a story of too little, too late, too fragmented. • Donors are a diverse group with variable capacity and legislative constraints. Therefore, an incremental approach to achieving the overall goal of a significant increase support for multi-year planning is likely to be required. • Agencies are willing to work with donors to identify differentiated options to achieve the goal of supporting multi-year planning, including providing reasonable assurances of funding over a longer-time period, in lieu of actual multi-year grants, which would require legislative and budgetary changes beyond the influence of some humanitarian donor agencies. • The logical implication of donors providing more multi-year funding is that

			agencies must offer multi-year planning, programming, costing and budgeting.
Less earmarks to humanitarian aid organisations	Support: High Feasibility: Moderate	Medium-term	<ul style="list-style-type: none"> • Very high levels of support in principle and a high-level of agreement that a reduction in earmarking would permit a more efficient, timely and needs-driven response. • Reduced earmarking may be harder for some donors than others however, and may require an incremental and differentiated approach. • The increased use of pooled funds has been suggested as a possible workaround to reduce earmarking at the country-level, though there of course costs associated with this from the perspective of recipients in terms of increased unpredictability, increasing agency competition and ultimately, the funding received through these mechanisms is in practice heavily earmarked.
More harmonized and simplified reporting requirements	Support: High Feasibility: Moderate	Medium-term	<ul style="list-style-type: none"> • Very high levels of support in principle were registered across the board. • There are a great many unknowns in terms of what minimum requirements are for donors, that would need to be considered on a case-by-case basis. It may be practical to offer a commitment in principle and to outline a process and timeline for agencies and donors to work together to broker concessions. • Some agencies noted a concern that the more contentious issue of compliance requirements, including partner capacity assessments and audits, may not be included in the terminology 'reporting requirements'. • The current framing does not make explicit a responsibility for 'fundermediaries' to harmonise and simplify their reporting requirements. From the perspective of NGOs, UN reporting requirements are often noted as requiring the most disproportionate effort and a considerable source of inefficiency.

Proposed grouping of recommendations. In general, there seems to be a general consensus around the somewhat 'transactional' or 'quid pro quo' framing of the recommendations. It is suggested that the recommendations be proposed as a 'collective enterprise', grouping recommendations under thematic areas, such as measures to improve the efficiency of the humanitarian system at a number of levels. This may also assist in elaborating the theory-of-change behind some of the recommendations to help clarify the expected efficiency contributions of each recommendation, particularly if there are any attempts to quantify the efficiency gains that could be achieved. For example:

- ***Business practices of individual actors.*** There are a variety of measures individual actors can take to improve their efficiency. This includes recommendations on overheads, but also potential efficiency gains in other core business practices of agencies (such as procurement; management of reserves and working capital; management of exchange rate gains and losses; better use of IT; recruitment and retention practices etc.); predictable and responsive (including un-earmarked) funding to enable multi-year planning and among agencies towards multi-year planning and programming in protracted crises.
- ***Shared value-chain efficiencies.*** Humanitarian actors interact within a complex system and may of their practices and behaviours impact on the efficiency of others in the system. Measures to enhance efficiency across the value chain includes accountability (transparency, reporting practices, and 'participation revolution'); enabling those best placed to respond to access funding / reducing reliance on and improving the value of 'fundermediaries'.
- ***Collaborative/system wide efficiencies.*** There may be unexplored Includes a variety of 'public goods' which should bring system-wide efficiency gains: risk anticipation and risk-informed financing, including use of early-action triggers; building system-wide contingent financing capabilities to deal more efficiently with peak demand; investing in responsive capacities of front-line responders; realising the transformative potential of cash; more effective targeting of financial resources through improved reliability and objectivity of needs analysis and response costing; pooling of resources, purchasing power and costs. Plus investing in the potential of 'big data' to improve targeting and performance.
- ***Country/crisis-level efficiencies.*** Efficiency should also be examined and sense-checked at the crisis-level to ensure that the various measures proposed actually result in desired outcomes at the sharp-end of the response.

Annex 1

The international humanitarian system is largely devoid of the adaptive stimulus of competition, being predominantly grant dependent (where donors are largely content to fund the same partners to receive the similar results from year to year) and with very limited influence from end-users, who do not have the luxury of choice, and in the limited instances where they do have opportunities to provide feedback on the quality and effectiveness of services provided, this information remains lodged within individual organisations, limiting its transformative potential.

The humanitarian system would benefit therefore from an independent technical service provider to help correct for the lack of incentives in the system towards greater financial efficiency, pro-active management of risk, and accountability. Such an entity could be equipped to identify significant challenges and mandated, resourced and networked with actors outside of the sector, to research, commission and test solutions. An independent Financial Efficiency Risk and Accountability body (FinERA) would convene technical specialists from the private sector, including financial services, organisational management, harnessing consumer voice, and technology, as well as academics, specialising in disciplines such as risk scenario building, forecasting and modelling and economic modelling, as well as key humanitarian actors, to work collaboratively to build evidence-based policy, approaches and instruments.

FinERA could, for example, research and develop to a pilot or launch stage instruments which pool collective demand and financial capacity to negotiate preferential market terms for services, such as advance market commitments. FinERA could conduct modelling of likely patterns and volumes of demand for humanitarian services and consequently volumes of financing requirements, for a variety of scenarios including multiple simultaneous L-3 emergencies. Or investigate the possible humanitarian applications of decentralised fund transfer mechanisms including crypto-currencies and peer-to-peer transfer and currency exchange platforms, and develop recommendations for advocacy to governments, legislators, and private sector providers. This body could also have a strong ongoing commitment to ensuring accountability through transparency, providing technical advice and analysis to existing resource tracking services. These are purely illustrative examples, the possibilities are broad and should be driven by the adaptive requirements of the system.