

Quality funding: How to reach critical mass

Workstream 7&8: Enhanced Quality Funding

Co-convenors: Canada, UNICEF, ICRC, Sweden, NRC, OCHA

This summary draws on a policy brief developed by the Quality Funding Workstream with the support of FAO and NRC (Quality Funding Workstream, 2020); a complementary catalogue of quality funding practices (Development Initiatives, 2020); and two studies from the Workstream Co-convenor agencies: an internal assessment of UNICEF's experiences of cascading quality funding to implementing partners (UNICEF, 2020), which is intended as a precedent for other UN agencies to identify opportunities to increase levels of cascaded quality funding; and a study on the added value of flexible funding to the ICRC (ICRC, 2020).

The policy brief identifies opportunities for a radical scale-up in quality funding, including proposing a new concept of quality funding; recommending a series of good practices that should be the focus of scale-up efforts; and identifying critical risks and sticking points which must be addressed to unlock further progress.

Quality funding is a fundamental enabler of many aspects of the Grand Bargain, including localisation, participation, working across the nexus, and enhanced efficiency and effectiveness. Unlocking a significant increase in the supply of quality funding and ensuring effective distribution and management across the delivery chain of aid organisations is critical to realise the gains envisaged by the architects of the Grand Bargain. Getting there will require high-level commitment to a radical scale up in quality funding, as well as concerted efforts at both political and technical levels.

A set of political and technical actions are recommended as next steps for Grand Bargain signatories. These include commitments and actions to:

1

RETHINK THE CONCEPT AND APPROACH TO ACHIEVE QUALITY FUNDING

A more holistic and nuanced concept of quality funding is required to guide an accelerated scale up. This expands the scope of ambitions beyond the types of flexible and multi-year funding envisaged in the Grand Bargain, to enhance the predictability, flexibility and timeliness of the full spectrum of funding, including tightly earmarked funding. Support from signatories and political-level decision-makers will be needed to rapidly agree this new concept, including the new proposed inclusion of timeliness.

2

ACCELERATE WHAT WORKS

- **Increase flexibility across all funding instruments and agreements.** The Quality Funding Workstream should advocate for high-level political commitment to increase flexibility across all types of funding agreements, and work at a technical level to identify specific key conditions to be modified.
- **Provide a critical mass of quality predictable funding.** The scale up of multi-year funding has been a major success of the Grand Bargain and a further substantial push should now be made to further increase the supply of predictable funding. The Workstream should also, however, work with signatories to increase the funding predictability beyond multi-year funding, and to enhance the predictability and flexibility of multi-year funding. This could include identifying a list of conditions and practices that enable predictability and flexibility and identify opportunities to negotiate further concessions. Signatories also need to harness political level buy-in to implement these conditions in practice.

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- **Scale up a targeted list of quality funding tools and approaches that are proven to be effective.** These include programme-based approaches which are flexible by design and earmark only country programme level, and have proven benefits in enabling timely, needs-based, accountable responses with a range of cost-efficiency gains; internal flexible thematic and crisis response funding mechanisms also significantly enhance the timeliness, needs-based targeting and efficiency of response; and instruments and approaches that are proven to enable access and provide quality funding to local and national actors. Identification and prioritisation should be carried out jointly, encompassing a gender lens, with the Localisation Workstream.

3

BROKER PRACTICAL SOLUTIONS TO THE REMAINING STICKING POINTS AND RISKS

- **Address donor accountability and visibility concerns and work together to build the case for quality funding.** The Grand Bargain is a unique forum for convening dialogue and brokering practical solutions across donor and agency constituencies. It provides a historic opportunity therefore to clarify what exactly donors require to meet their accountability, reporting and visibility requirements, what would help them to defend the case for quality funding, and what agencies can realistically offer, whilst respecting the spirit of Grand Bargain commitments to reduce the reporting burden. This requires both dialogue at the technical level, to determine the specific needs of both donors and agencies, and at the political level, to achieve senior-level buy-in and agreement on the concerns outlined and proposed solutions.
- **Identify and address barriers to cascading quality funding to front-line responders.** Greater clarity is required on expectations around cascading and what needs to change in order to make an optimal distribution of quality funding possible. The Workstream and signatories should intensify their work to clarify expectations, identify barriers and define realistic targets and actions.

These actions will take time to implement. Given its centrality, the quality funding agenda must remain a key component of any post-2021 successor to the Grand Bargain. This includes ensuring that there is an accountable entity to support and monitor progress against recommendations and commitments.

Sources:

Development Initiatives, Norwegian Refugee Council, FAO 2020. Catalogue of quality funding practices

ICRC, 2020. The added value of flexible funding to the ICRC

Quality Funding Workstream, 2020. Quality Funding: How to reach critical mass

UNICEF, 2020. UNICEF Internal Assessment on Cascading Quality Funding to Implementing Partners - Synthesis Report