



UNICEF Internal Assessment On Cascading Quality Funding to Implementing Partners

Synthesis Report

June 2020

Acknowledgements

This report was produced by UNICEF's Public Partnerships Division (PPD), with contributions from the Division of Data, Analytics, Planning and Monitoring (DAPM), Division of Financial and Administrative Management (DFAM), Comptroller's Office, and UNICEF Jordan and Lebanon Country Offices. It has also received contributions from implementing partners of UNICEF in Jordan (Jordan River Foundation and Mercy Corps) and Lebanon (Lebanese Relief Council and World Vision); from Headquarters of International NGOs (International Rescue Committee, Norwegian Refugee Council) and NGO platforms (Catholic international development charity, CAFOD; Jordan INGO Forum, JIF); from UN agencies (UNHCR, WFP); and the governments of Canada (Global Affairs), Sweden (Swedish International Development Cooperation Agency), UK (Department for International Development) and US (U.S. Agency for International Development, U.S. Bureau of Population, Refugees, and Migration).

This assessment was undertaken in collaboration with the International Rescue Committee (IRC) and the Norwegian Refugee Council (NRC), under the leadership of the Grand Bargain Workstream 7 & 8 (Enhanced Quality Funding) co-conveners (Canada, Sweden, ICRC, NRC, and UN-OCHA, in addition to UNICEF).

UNICEF would like to express its sincere gratitude for the support and contributions of all partners that took part in this exercise.

Acronyms

CERF	Central Emergency Response Fund
CO	Country Office
CPD	Country Programme Document
CSO	Civil Society Organizations
DPAM	UNICEF Division of Planning, Analytics and Monitoring
DFAM	Division of Financial and Administrative Management
DFID	United Kingdom Department for International Development
ECHO	European Civil Protection and Humanitarian Aid Operations
FACE	Funding, Authorization and Certificate of Expenditure
HACT	Harmonized Approach to Cash Transfers
IRC	International Rescue Committee
JRF	Jordan River Foundation
MENARO	Middle East and North Africa Regional Office
NGO	Non-Governmental Organizations
NRC	Norwegian Refugee Council
OCHA	Office for the Coordination of Humanitarian Affairs
ORR	Other Resources Regular
OR-E	Other Resources Emergency
PCA	Programme Cooperation Agreement
PPD	Public Partnerships Division
RR	Regular Resources
Sida	Swedish International Development Cooperation Agency
UNICEF	United Nations Children's Fund
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
US PRM	U.S. Bureau of Population, Refugees, and Migration
WFP	World Food Programme
WHS	World Humanitarian Summit

Contents

Executive Summary	4
Introduction	7
Methodology	16
UNICEF Policy and Systems on Transferring Multi-year and Flexible Funds to Implementing Partners.....	18
Perspective of UNICEF Country Offices in Jordan and Lebanon on the Commitment to Cascade Quality Funding to Implementing Partners	25
Opportunities for Enhancing the Tracking of Quality Funding Transferred to Partners	30
Key Enablers for Multi-year and Flexible Financing of Implementing Partners.....	32
Implementing Partners Perspectives.....	34
Donors Perspectives.....	38
Conclusions and Recommendations	40
References.....	43

Cover Photo credit: @UNICEF/UNI332615/Acosta

Cover Photo caption: Children learn handwashing technique during the installation of a drinking water tank that will benefit 350 families at the Sierra Nevada Community, in the Zulia state, on April 23, 2020.

Executive Summary

From January to April 2020, UNICEF conducted an internal assessment to support the overall objectives of the Grand Bargain workstream 7+8 on Enhanced quality funding.” In particular, the exercise aimed to address one of the Grand Bargain commitments related to the cascading of quality funding to implementing partners at the organizational level. Information was collected through interviews with key informants. Additionally, the assessment was supported by the analysis of data available in VISION, UNICEF’s financial management system, and *eTools*.¹

While this assessment was being carried out, the COVID-19 Pandemic occurred, affecting the world on an unprecedented scale. Despite the challenging circumstances, the work continued, and in addition, the assessment took into account UNICEF’s commitment to review its partnership management procedures to ensure more flexibility for partners in the context of COVID-19.

In 2019, UNICEF received a total of US\$ 493.9 million in multi-year Other Resources-Emergency (OR-E) contributions, which is US\$ 24.1 million less than in 2018. The multi-year OR-E represented 24.2 per cent of the overall envelope received in OR-E. This has allowed the organization to cascade US\$ 232.6 million (48 per cent of all the multi-year humanitarian funding spent in 2019) to government and civil society partners. The rest of the multi-year humanitarian funding spent was prioritized for direct implementation by UNICEF, as a key player in supporting predictable, high-quality humanitarian responses on the ground. A small proportion of this multi-year funding (less than 5 per cent) was set aside to ensure that a minimum amount of funds would be available to immediately respond to unforeseen crisis developments over the start of the coming year. Furthermore, in 2019 UNICEF has transferred 34 per cent of all its humanitarian funding to local and national responders, exceeding its commitment to the global aggregated target of at least 25% of humanitarian funding to local and national responders as directly as possible to improve outcomes for affected people and reduce transaction costs.²

The review of UNICEF’s internal policies and systems has confirmed that they are overall conducive to the transfer of multi-year funding to implementing partners.

It should be also noted that UNICEF procedures for country and regional office Civil Society Organizations (CSOs) implementing partnerships³ require activity-level planning in programme and budget design. This is required in order to keep all financial resources focused on the agreed results. This procedure is driven by UNICEF’s results-based management approach, which links outcomes to outputs and activities, according to a vertical logic, and requires the tracking of funds along this continuum.

The main barriers identified within UNICEF to passing on greater volumes of flexible and predictable funding to implementing partners include:

- The relatively small proportions of multi-year OR-E (24.2 per cent in 2019) and flexible (7 per cent in 2019)⁴ and global humanitarian thematic funding (the most flexible funding after Regular Resources (ORR), made up 1.5 per cent of the total OR-E contributions received) humanitarian funding (OR-E) received by UNICEF from donors, out of the overall volume of humanitarian funding received by the organization (US\$ 2.04 billion), is not an incentive to change existing practices and systems, but is a disincentive in the current situation;

¹ *eTools* (www.etoools.unicef.org) is an online platform that strengthens UNICEF country programme management for results, simplifying office processes related to implementing partnership management and programme monitoring to help UNICEF staff focus on achieving results in all programme contexts.

² Refers to Grand Bargain Core commitment 2.4.

³ UNICEF, UNICEF Procedure for Country And Regional Office CSO Implementing Partnerships, FRG/PROCEDURE/2019/001, February 2019.

⁴ Including Thematic and Softly earmarked humanitarian funds and excluding contributions to UNICEF core resources.

- The limited availability and/or publicity around the availability of multi-year OR-E at the time of concluding the agreements with implementing partners, preventing UNICEF COs from entering into longer-term (≥ two years) financial commitments with downstream partners;
- The restrictive conditions included in several donor agreements (detailed logical frameworks, high requirements for risk management and due diligence), and earmarked nature of most multi-year OR-E grants received, which do not allow UNICEF to cascade much flexibility to implementing partners;
- The UNICEF CSO Procedure,⁵ and related Programme Document format, which requires the development of an activity-level workplan and budget for planning purposes, in order to keep all financial resources focused on the agreed results. In some UNICEF Country Offices, workplans and budgets are planned with partners at input-level;
- The flexibility to adjust budgets up to 20 per cent at activity-level in Programme Documents (whether multi-year or not) signed with implementing partners, alongside a relatively higher administrative burden to adjust outputs, which is a disincentive to signing multi-year agreements in volatile contexts where programme strategies evolve from one year to the other;
- The common practice of UNICEF to manage relationships with implementing partners through yearly negotiations of programme documents and related budgets, to allow for cost-efficiencies and programme effectiveness gains along the years.⁶

Key recommendations formulated as a result of this assessment are grouped under two objectives: 1. Maximizing the impact of multi-year humanitarian funding, and 2 Enhancing UNICEF's systems to support the cascading of quality funding.

Once the recommendations have been agreed upon, a guidance note should be developed to support UNICEF Regional and Country Offices in utilizing multi-year funds in ways that will maximize the impact of these funds for more efficient humanitarian responses, including (but not limited to) the cascading of multi-year funding to implementing partners.

Recommendations

1. *Maximizing the impact of multi-year humanitarian funding*

- **Galvanize UNICEF and partners' efforts to provide more evidence-based documentation** on the impact of quality funding on effective and efficient humanitarian responses, as a way to show better results and mobilise more multi-year and flexible funding from donors. This would also help addressing, as much as possible, a comparison of results achieved with multi-year funding compared to results achieved with non-multi-year funding, in terms of resource savings in addition to programmatic gains.
- **Strengthen the multi-year vision and planning of COs on implementation modalities** (in contexts of protracted or recurrent crises). In particular, whenever multi-year planning processes are in place, UNICEF COs could 1. be sensitized on the benefits of multi-year commitments with implementing partners, as an inclusive part of the multi-year planning process; 2. be encouraged to identify implementing partners,

⁵ See Footnote 3.

⁶ See Section "Perspective of UNICEF Country Offices in Jordan & Lebanon on the Commitment to Cascade Quality Funding to Implementing Partners" for more details.

including local women's organizations, with whom to engage on a multi-year basis ahead of time, and to actively fundraise for these multi-year partnerships, to ensure that earmarked funds can then be prioritized towards this implementation modality. In parallel, substantial investment in partners capacity building should take place ahead of time to maximize the benefits of this multi-year commitment of funds.

- **Ensure the responsiveness of multi-year programme documents.** UNICEF should look into the best modalities to cascade multi-year funds to implementing partners, while keeping multi-year programme documents closely aligned with the evolving needs on the ground and allowing for cost efficiencies to be made along the years. More flexible arrangements may need to be built into programme documents to allow this to happen. This is an area where HQ guidance and operational support is required to enhance capacities of COs and global expertise of UNICEF on adaptive management of programmes.

2. Enhancing UNICEF's systems to support the cascading of quality funding

- **Develop new system indicators** in the UNICEF's reporting and performance management platform Insight that can further enhance UNICEF's external reporting on efficiency and effectiveness of quality funding.
- Encourage UNICEF COs **to use the dashboard available under eTools**, which provides for real-time information on the duration of agreements signed with implementing partners, and amounts transferred to partners under these, to monitor the extent of operationalization of multi-year funding to implementing partners.
- **Simplify COs' procedures or introduce digital collaboration tools** (electronic development of Programme Documents) to streamline amendment of signed Programme Documents with partners, as an incentive to the signature of more multi-year agreements with partners.
- **Enhance UNICEF financial system design and relevant policies** to allow COs to sign multi-year Programme Documents with the understanding that related funding requirements will be met through available and projected other resources as well as from ORR in the future (leveraging the amount of ORR planned for future years in the Country Programme Document).
- Engage a small group of COs in **piloting the transfer of flexible funds** (at output or outcome/sector-level) to trusted implementing partners, including local partners and women-led partnerships, with HQ support on the modelling of an adjusted risk management approach for these partnerships, to help demonstrate if UNICEF could in the future amend its CSO procedure to allow the planning of programmatic interventions and flexible transfer of funds at a higher level of the results chain. This could be done in collaboration with local and international Non-Governmental Organizations (NGOs) partners.

Introduction



Photo Credit: © UNICEF/UNI336285/Pouget

UNICEF believes that partnerships⁷ and collaborative relationships are critical to deliver results for children and realize their rights. Since its inception, the organization has worked with a broad range of partners all over the world in order to achieve such outcomes. UNICEF works with Governments to develop and implement child-focused programmes and policies; with CSOs⁸ to advocate for policy change and deliver services for children; with the corporate sector⁹ to mobilize resources and promote child- and women-friendly business and marketing practices; with the media to raise public awareness about children's issues; and with knowledge partners such as universities and think tanks to strengthen the evidence base for programmes and advocacy activities.

Most UNICEF Country, Regional and Headquarters Offices engage with CSOs in various ways on programme delivery and advocacy. These CSOs include international and national NGOs; community-based organizations; faith-based organizations; children and young people; and women's and youth groups. Financial support provided by UNICEF is one of the major elements of

⁷ Partnerships are "voluntary and collaborative relationships between various parties, both public and non-public, in which all participants agree to work together to achieve a common purpose or undertake a specific task and, as mutually agreed, to share risks and responsibilities, resources and benefits" (definition of partnerships was stressed by the United Nations General Assembly in resolution 62/211 of 19 December 2007).

⁸ The term "civil society" refers to the sphere of autonomous associations that are independent of the public and for-profit sectors and designed to advance collective interests and ideas. Civil society organizations include, for example, international and national non-governmental organizations and community-based organizations, civic movements and advocacy groups, trade unions, faith-based organizations and professional voluntary associations.

⁹ The term "corporate sector" is used to cover all types of business enterprises, including small and medium-size firms as well as large national and international companies.

its contributions to partnerships.¹⁰ Through Project Cooperation Agreements (PCAs) with CSOs, UNICEF provides financial resources needed for project implementation, while partners also make tangible financial or non-financial contributions to the partnership.¹¹

UNICEF Country Offices systematically engage with host governments at national and local levels through multi-year country programmes of cooperation, which, among various partnerships and collaborative relationships, includes the provision of multi-year financial support.

Local and national non-state actors are “*organizations engaged in relief that are headquartered and operating in their own aid recipient country and which are not affiliated to an international NGO*”). Local and national non-state actors include:

1.1 National NGOs/CSOs: National NGOs/CSOs operating in an aid recipient country where they are headquartered, working in multiple subnational regions, and not affiliated with an international NGO. This category can also include national faith-based organizations.

1.2 Local NGOs/CSOs: Local NGOs/CSOs operating in a specific, geographically defined, subnational area of an aid recipient country, without affiliation to an international NGO/CSO.

National and sub-national state actors are “*state authorities of the affected aid recipient country engaged in relief, whether at local or national level*” (text endorsed by Grand Bargain signatories). This includes:

2.1 National governments: National government agencies, authorities, line ministries and state-owned institutions in aid recipient countries e.g. National Disaster Management Agencies (NDMAs). This category can also include federal or regional government authorities in countries where they exist.

2.2 Local governments: Sub-national government entities in aid recipient countries exercising some degree of devolved authority over a specifically defined geographic constituency, e.g. local/municipal authorities.

Grand Bargain Definitions

As multi-year and flexible humanitarian funding play a vital role in UNICEF’s capacity to respond to humanitarian crisis in an effective and timely way, UNICEF recognizes that the same benefits of quality humanitarian funding apply to its implementing partners.

The Grand Bargain Annual Report 2019 has however concluded that despite the significant progress achieved in increasing multi-year funding over recent years¹², there was limited evidence that first-recipients were passing on the benefits of predictability or flexibility to their implementing partners.

In 2019, UNICEF has received a total of US\$ 493.9 million in multi-year humanitarian funding (OR-E) contributions, US\$ 24.1 million less than in 2018. The multi-year OR-E represents 24.2 per cent of the overall humanitarian envelope received.¹³ This allowed the organization to cascade US\$

¹⁰ UNICEF contributions to partnerships and collaborative relationships include: Convening power; Global reach and country presence; Technical expertise and efficient procurement; Capacity-building; Making innovations accessible; Catalysing behaviour and policy change, and; Financial support.

¹¹ UNICEF strategic framework for partnerships and collaborative relationships. UNICEF. 2009.

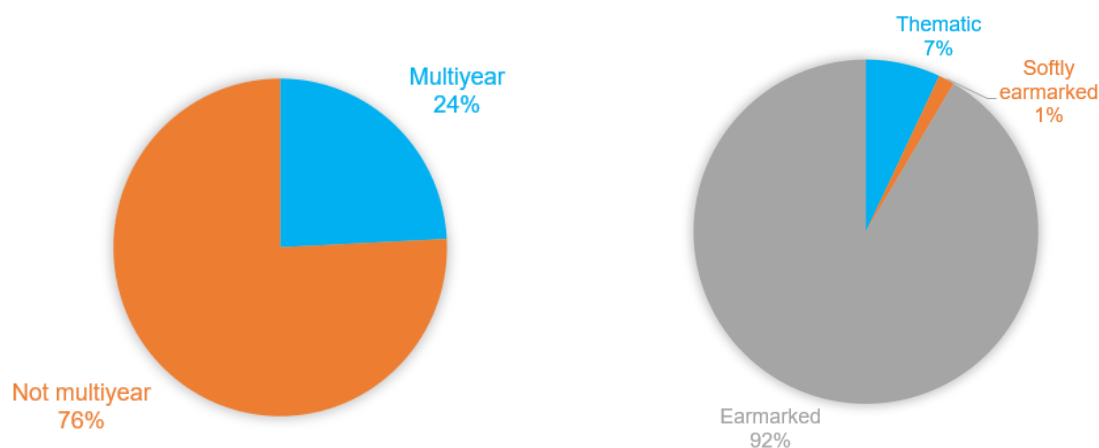
¹² Development Initiatives’ recent global survey of multi-year humanitarian funding found that 11 donors, who provided 81% of total international humanitarian assistance between 2016 and 2018, increased the volume and proportion of their multi-year funding from US\$ 2.7 billion in 2016 (32% of total funds reported) to US\$ 4.8 billion in 2018 (37% of funds reported). This represents a 75% increase between 2016 and 2018 (DI, 2019 forthcoming).

¹³ Other Resources – Emergency (OR-E).

232 million (48 per cent of all the multi-year humanitarian funding spent in 2019) to government and civil society partners. In total, 30 per cent of UNICEF multi-year funding was transferred to implementing partners in 2019, including 15 per cent that was passed down to partners as multiyear funding. The rest of the multi-year humanitarian funding spent was prioritized for direct implementation which also plays a crucial role in supporting predictable, high-quality humanitarian responses on the ground. Finally, some of the multi-year funding received (less than 5 per cent) was set aside to ensure that a minimum amount of funds would be available to immediately respond to unforeseen crisis developments over the start of the next year.

QUALITY OTHER RESOURCES-EMERGENCY FUNDING RECEIVED BY UNICEF IN 2019

(Source: UNICEF Insight, FI Financial Reporting Cube)



A total of US\$ 2.04 billion was received in humanitarian funding (Other Resources – Emergency, OR-E) in 2019, of which approx. 24 per cent or US\$ 493.9 million was multi-year (\geq two years). This is less than the proportion of multi-year humanitarian funding received in 2018 (27 per cent, with a total of US\$ 517.9 million received in multi-year humanitarian funding, out of a total of US\$ 2.4 billion received in humanitarian funding).

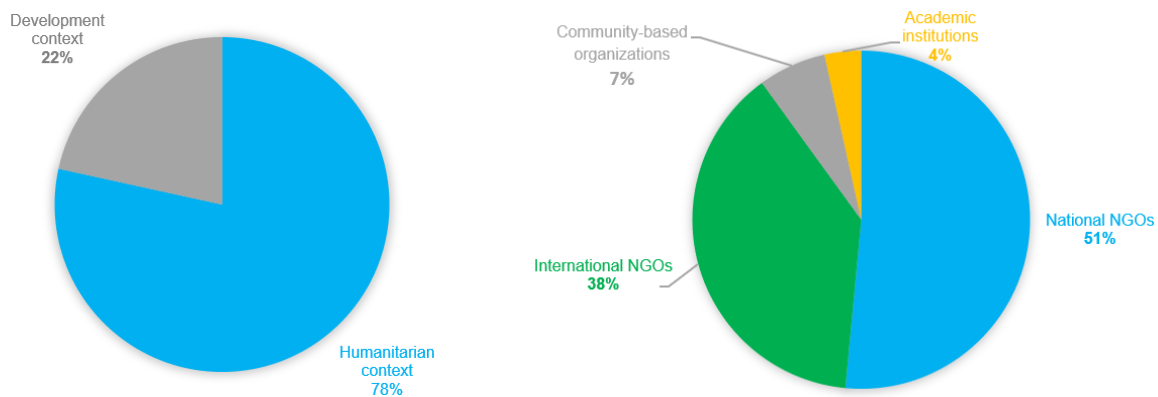
TOP 5 PUBLIC RESOURCE PARTNERS CONTRIBUTIONS IN MULTI-YEAR HUMANITARIAN FUNDING, 2019

Donor	Multi-year humanitarian contribution (2019, US\$)	% of total humanitarian contribution (2019, US\$)
United Kingdom	167,721,192	68.60%
Germany	64,088,862	55.46%
United States	28,945,011	5.34%
Canada	28,593,253	71.65%
The Netherlands	18,599,562	89.47%

In addition, UNICEF National Committees were also a major contributor of multi-year humanitarian funding in 2019, raising US\$ 117 million in multi-year OR-E. Furthermore, US\$ 145 million (or 7 per cent) of the total OR-E was received as humanitarian thematic funding (i.e. flexible) and US\$ 30 million (or 1.5 per cent) was received as softly earmarked humanitarian funds.

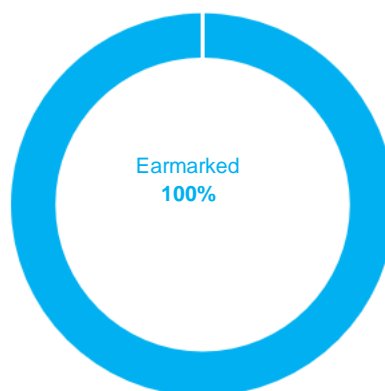
QUALITY OF HUMANITARIAN FUNDING CASCADED BY UNICEF

(Source: Extracted from UNICEF eTools, February 2020)¹⁴



Since 2018, UNICEF country offices have signed at least 255 multi-year (i.e. ≥ 24 months) Programme Documents (PDs) with partners, including 200 (78%) signed in countries with an ongoing humanitarian response

Out of the 200 multi-year PDs signed in humanitarian contexts, 103 were signed with national NGOs, 77 with international NGOs, 13 with community-based organizations and 7 with academic institutions. This data is only available for eTools-adopting countries, where there is no information on consolidated global numbers on the volume of funds transferred through multi-year PDs.



Available information indicates the quasi-totality of Programme Documents (PDs) signed involved activity-level earmarking of funds (in line with the UNICEF CSO Procedure and HACT framework)

While the terms **multi-year** and **flexible** funding are often used together, these are two different aspects of quality funding with different implications for providers and recipients of funds. UNICEF based this assessment on the Grand Bargain Definitions Guidance Document developed in February 2020 under Workstream 7+8, under the leadership of Sweden/Sida and Canada/Global Affairs following a mapping conducted together with donors and recipients of funds, through desk reviews and a survey (see the Box below).¹⁵

¹⁴ Since eTools has been gradually rolled out to UNICEF Country Offices, some Programme Documents signed with implementing partners before the roll-out of the new platform may not be reflected in the data extracted. The figures provided may also include some agreements signed for an initial duration of less than 24 months and later extended (cost-extension).

¹⁵ Definitions Guidance Summary. Prepared by the workstream 7+8 (Enhanced Quality Funding). April 2020.

Multi-year humanitarian funding: In line with the definition from the Organization for Economic Co-operation and Development (OECD), the term “multi-year humanitarian 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.”* The time frame begins when the original formal funding agreement is signed between the donor and recipient, no matter where the funding sits on the transaction chain. The formal funding agreement should stipulate the amount and duration of the funding.

Flexible humanitarian funding: The term “flexible humanitarian funding” designates unearmarked, softly earmarked and earmarked funding, according to the following definitions.

Unearmarked funding: 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:** Unearmarked funding contributed by donors without any restrictions on its use. It is the most flexible, bedrock funding without any earmarking, which enables integrated response and allocation of funds where and when they are needed. Unearmarked funding may be contributed directly to aid organizations as core contributions/regular resources.
- **Humanitarian-Restricted Resources:** Funding contributed by donors but lightly restricted to a significant part of the organization’s mandate, such as the humanitarian operations of a dual mandated agency with operations in both the development and humanitarian spheres.
- **Contributions to the Central Emergency Response Fund (CERF):** Donors provide unearmarked funding to the CERF, which in turn distributes tightly earmarked funding to aid organisations based on the jointly prioritized humanitarian needs of people caught up in crises. This is due to the CERF’s General Assembly mandate, which is restricted to lifesaving humanitarian action, as further defined in the CERF Life-Saving Criteria.

Softly earmarked: Softly earmarked funds are 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. These funds represent a critical complement to the core/regular resources. There are four sub-categories of softly earmarked funds:

- **Thematically earmarked funding:** Funding earmarked at the level of strategic goals or programmatic areas, e.g., Health, WASH, Gender, etc.). After core/regular resources, this is the most valuable funding as it allows flexibility to allocate funds across, regions, sub-regions and country programmes as per the needs.
- **Geographical region earmarked funding:** Funding intended for humanitarian response in a specific region, e.g. Africa, but without any further thematic or country programme restrictions.
- **Contributions to Country-Based Pooled Funds (CBPFs):** Funding to a specific CBPF, otherwise fully flexible. While CBPFs allow donors to provide softly earmarked funds for use within a specific country, all funds received from the CBPFs are received as tightly earmarked.
- **Restricted Resources:** Contributions by donors that are intended to be as flexible as core resources but exclude a small number of countries, themes, or specific activities.

Definitions Guidance Summary. Prepared by workstream 7+8 (Enhanced Quality Funding). April 2020

A number of barriers still prevent first-level recipients to passing on and reporting on the cascading of quality funding to implementing partners. While UN agencies – receiving the largest share of multi-year funding from donors - have, in principle, the capacity to enter into multi-year partnership agreements with implementing partners, in practice, the majority of the cascaded funding remains annual and earmarked, with limited flexibility (for example, it may be transferred at different and sometimes unpredictable stages throughout the year). The opportunity to increase the predictability of funding available, in order to better respond to humanitarian needs, is therefore undermined¹⁶.

The above issue has been brought up by NGOs to the attention of UN agencies and donors in the past years. A specific discussion on barriers to passing on greater volumes of flexible and predictable funding to implementing partners took place in the context of the Grand Bargain, during a one-day 'Progress Acceleration Workshop' held by Workstream 7+8 in September 2019 in Geneva, which focused on the outcome "Enhanced Quality Funding through Reduced Earmarking, Multi-Year Planning and Funding".¹⁷

Among others, the following barriers to the cascading of funds were discussed during the above workshop:¹⁸

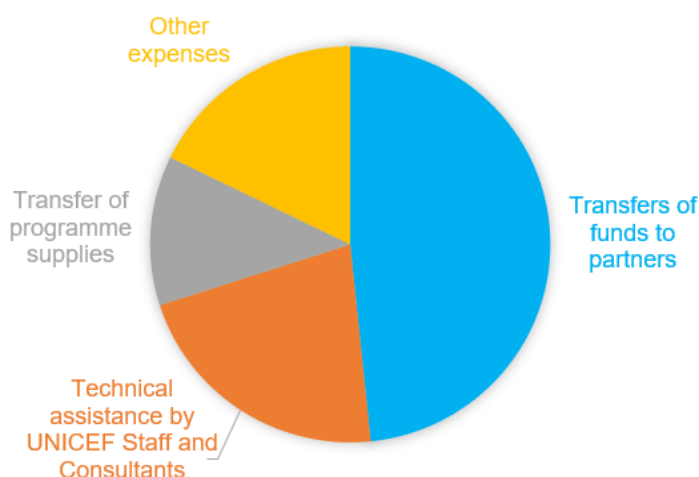
- The relatively small proportions of flexible and predictable funding available to aid organizations, compared to the overall volume of funding received, combined with funding uncertainty, is a disincentive to altering existing contracting practices and behaviour.
- First-level recipients often do not have sufficient predictability of funding to allow them to enter into longer-term financial commitments with downstream partners.
- The restrictive conditions placed on upstream donor grant agreements, also may not allow first-level recipients to cascade much flexibility to implementing partners. First-level recipients are expected to provide a high level of risk assurance to donors and therefore apply relatively stringent controls with their partners.
- Delays in payments from upstream donors can create liquidity problems for UN agencies when passing on funds to partners.
- Tools in place for project management are often designed for annual projects or monitoring of activities (as opposed to more open-ended, high-level, non-time-bound results).
- Partners may also lack capacity (including absorptive capacity) for implementing humanitarian programmes; and partners capacity strengthening is not a well-funded area; in these circumstances, there is no incentive/comfort for first-level recipients to pass on longer-term or more flexible funding. Rather, retaining a higher degree of control is a logical risk management tool.

¹⁶ As highlighted in the Grand Bargain Annual Independent Report 2019. Overseas Development Institute. 2019.

¹⁷ More than 50 attendees (58) participated to the workshop, including Australia, Belgium, CAFOD, Canada, Denmark, Development Initiatives, European Union (ECHO), FAO, FAO (Afghanistan), Germany, Humanitarian Outcomes, ICVA, InterAction, International Federation of the Red Cross, International Rescue Committee, Italy, Jordan INGO Forum, Médecins Sans Frontières, Norway, NRC (Lebanon), OXFAM, ProVictims Foundation, Spain, Steering Committee for Humanitarian Response, Sweden, Sweden (SIDA), The Netherlands, UN OCHA, UN OCHA (Lebanon), UN Women, UNDP, UNFPA, UNHCR, UNICEF, United Kingdom, USAID, WFP, World Bank.

¹⁸ This list of barriers was extracted from the September 2019 workshop report.

- The lack of trust in the operational and compliance capacity of implementing partners – which is closely linked to issues of risk-sharing, UNICEF’s “zero tolerance” policy for fraud and the quality of relationships between the two parties affects the decision to allocate multi-year flexible funds.
- The lack of a longer-term programmatic vision in a humanitarian crisis (which may not be appropriate in all response contexts) may prevent the development of longer-term partnerships.



2019 – Utilization of multiyear ORE

Source: UNICEF Insight, FI Financial reporting Cube (2019)

To further unpack and address this complex issue and actively lead a transparent dialogue within Grand Bargain signatories, key stakeholders and implementing partners on this issue, as part of the Workstream 7+8 workplan, in January 2020 UNICEF conducted an internal assessment in order to gain a clearer, evidence-based understanding of specific barriers preventing UNICEF from cascading multi-year and/or flexible funding to implementing partners and to reflect on opportunities that would potentially make the response on the ground more effective and efficient.

Furthermore, the emergency response to the COVID-19 global pandemic in March and April 2020, led UNICEF and other agencies to take actions to provide more flexibility to implementing partners, as defined in the guidance by the March 2020 IASC Results Group 5 on Humanitarian Financing¹⁹. Therefore, recent developments related to the financing of the COVID-19 emergency response are covered in this report.

It is also important to highlight some specificities of UNICEF’s business model as an introduction to the topic under consideration. The following section illustrates the fact that UNICEF relies heavily on multi-year humanitarian funding for direct implementation of certain activities.

UNICEF’s business model

UNICEF’s business model involves large direct implementation operations, in addition to transferring funds to downstream partners for programme implementation purposes. Direct implementation is carried out via the deployment of UNICEF’s staff and consultants, as well as large-volume procurement activities, as per the chart below.

In addition to being a direct implementer of humanitarian operations, UNICEF relies on key partners at national and sub-national level, to whom funds are transferred through effective and efficient approaches.

¹⁹ Flexible funding for humanitarian response and COVID-19. IASC Results Group 5 on Humanitarian Financing. March 2020.



Photo Credit: © UNICEF/UNI325453/Ghafary

The graph shows that out of a total of US\$ 480 million multi-year humanitarian funds utilized in 2019, 48 per cent (US\$ 232.6 million) was transferred in cash to implementing partners, while 12 per cent (US\$ 58.7 million) was used to procure programme supplies that were subsequently transferred to government counterparts and CSOs, and 22 per cent (US\$ 104.2 million) was prioritized for the deployment of technical assistance and expertise (through UNICEF staff and

consultants). Looking at the amount transferred to implementing partners (US\$ 232.6 million), this represents 24 per cent of the amount of humanitarian funding transferred by UNICEF to implementing partners in 2019 (US\$ 985.2 million).

The field consultation and analysis conducted highlighted that UNICEF COs rely heavily on multi-year funds for certain direct implementation activities, suggesting that it may not be possible for UNICEF to transfer all its multi-year funding to downstream partners. It is interesting to note that implementing partners have also reported that they were in the same situation as the Country Offices, relying on multi-year funds for certain activities.²⁰ Therefore, UNICEF may need to strike a better balance between exploiting the benefits of flexible funding for itself and sharing these benefits with partners.

The key points highlighted by UNICEF COs include:

- *Issuance of contracts with companies implementing multi-year strategies:* UNICEF COs are required to block funds for the full duration of contracts signed with companies. In case of a multiyear strategy (e.g., large infrastructure work), UNICEF signs multiyear contracts requiring blocking a substantial amount of multiyear funds.
- *Procurement activities (including for preparedness purposes):* Procurement activities require funds that will be valid until the equipment and supplies are delivered to the intended recipients, and in some cases installed and commissioned. In the case of contingency stocks, it is especially important to rely on multiyear funds to avoid a situation where funds will expire while stocks are still stored in UNICEF warehouses.
- *Recruitment of UNICEF staff on two-year contracts:* Since UNICEF offices are required to block funds for the full duration of contracts in order to initiate a recruitment process, the availability of multiyear funds is key to the issuance of two-year contracts. Longer UNICEF staff contracts are conducive to the recruitment and retention of quality staff to achieve results, including the coordination/management of downstream partners, and therefore play an important role in the quality of humanitarian responses.

²⁰ See section "Implementing Partners Perspectives", p. 31-32.

Another important feature of the use of multi-year humanitarian funding, which remains “invisible” when looking at past expenses on multi-year grants, is the use of multi-year contributions to hedge for other short-term resources. UNICEF uses multi-year contributions to pre-finance a diversity of activities including contracts, procurement of equipment and supplies, cash transfers to partners, and as soon as other short-term contributions pledged by donors are received, these are then replaced in funds commitments and used to process payments. Without the availability of multi-year grants at time of urgent funding gaps, UNICEF supported services would often be interrupted for several weeks or months. Therefore, immediately transferring multi-year grants to a handful of downstream partners with multi-year partnership agreements would allow to realize the benefits of multi-year funding but might notably deadlock all other UNICEF supported services.

Field consultations have also confirmed that instead of immediately utilizing the full amount of multi-year grants, COs may be holding onto such multi-year grants as a “cushion” for potential lean funding seasons (for example, the first trimester of a new year when funds have not yet been received), and instead prioritizing the transfer of non-multi-year grants with more rapidly approaching expiration dates.

Addressing multiple humanitarian imperatives and programme implementation priorities - beyond the transfer of funds to implementing partners - with the limited pool of multi-year humanitarian funding available within UNICEF, has already proved to be efficient. A DFID-commissioned thematic evaluation held in 2017 focused on protracted crises and demonstrated that multi-year humanitarian financing offered significant opportunities for value for money gains within UNICEF²¹. These included taking a longer-term planning perspective and investing in studies alongside implementation to improve delivery mechanisms, as well as signing grants for longer than a year with implementing partners. However, the same study highlighted the limitations of UN agencies’ systems and approaches to using multi-year humanitarian funding, indicating that such contributions continued to be used in traditional annualized or short-term planning frameworks.

“The area of planning appears to be the main gain associated with multi-year humanitarian funding (MYHF). The best example so far is in DRC, where UNICEF has been using MYHF for a cash transfer programme for people displaced by conflict. Because of the longer-term nature of the funding, UNICEF has commissioned several studies alongside implementation and used the results of these to improve delivery. They have also managed to reduce delivery costs by giving fewer, larger grants, something that recipients said they wanted in ongoing consultation.”

The Value for Money of Multi-Year Humanitarian Funding: Emerging Findings. Valid Evaluations. Courtenay Cabot Venton, Lewis Sida. May 2017, (p.3)

²¹ The Value for Money of Multi-Year Humanitarian Funding: Emerging Findings. Valid Evaluations. Courtenay Cabot Venton, Lewis Sida. May 2017.

Methodology

Objectives

This internal assessment has pursued the following objectives:

- Conduct an analysis of UNICEF-specific cascading of multi-year and/or flexible funding to implementing partners and identify key issues and possible solutions to increase the level of quality funding to be cascaded in future years.
- Engage with other key humanitarian actors (UN agencies, large NGOs and key donors) to obtain more data and understanding of the bottlenecks when cascading quality funding.

End Goal

The Grand Bargain commitments have set specific targets to increase the amount of quality funding cascaded to partners,²² even if UNICEF does not currently have such an organizational target, this first exercise has allowed the organization to better understand the situation internally, which will in turn enable more explicit and transparent discussions with partners at all levels.

This assessment may also help develop a common understanding on what it would take for an organization such as UNICEF to effectively materialize the Grand Bargain commitment to cascade quality funding to implementing partners.

Methodology

The methodology adopted for this exercise has been collegially discussed with Grand Bargain co-conveners of Workstream 7+8 on Enhanced Quality Funding: Canada, Sweden, UNICEF; ICRC, NRC and OCHA.

Under the **first** phase of the exercise, UNICEF conducted an analysis of its policies and systems, to assess how the current was conducive to the transfer of multi-year and flexible funding to implementing partners. This was implemented through interviews with UNICEF experts at HQ level (DAPM; DFAM; Comptroller's Office). Interviews were also conducted with UNICEF COs in Jordan and Lebanon in order to gain a deeper understanding of the field reality regarding the implementation of the policies and tools relevant to cash transfers to implementing partners. The choice to interview UNICEF COs in Jordan and Lebanon was made in consideration of the qualitative study conducted by UNICEF offices in the two countries in 2018.²³

UNICEF acknowledges the methodological limitation of focusing on two COs in a similar funding situation (i.e., both have received large amounts of humanitarian funds for the Syrian refugee crisis since 2013, and in recent years have experienced a decrease in humanitarian funds available despite the protracted crisis and continued needs of refugees and host communities). In the future, UNICEF will also look at other geographic regions where it has long-standing humanitarian programmes, particularly the Eastern and Southern Africa Region (ESAR) and West and Central Africa Region (WCAR), to refine its analysis. Broadening the analysis to other geographical areas could be done as part of the implementation of each of the recommendations presented below.

²² See Footnote 1.

²³ Multi-Year Flexible Funding: Best Practices, Opportunities and Examples, UNICEF Jordan and Lebanon. UNICEF. 2018.

At the same time, UNICEF has looked into opportunities and enablers that would support the enhanced cascading of quality funding to implementing partners, beyond the policy and system aspects, and has conducted a mapping of internal tools (existing or under development) that could be mobilized in the future for an improved tracking of multi-year and flexible funds cascaded to partners.

This assessment also attempts to make a case for more quality funds to be provided from donors to aid organizations, as well as by UNICEF to downstream partners for multi-year programmes, no matter the source of funds available at UNICEF.

Under the **second** phase of this exercise, UNICEF engaged with other key humanitarian actors to obtain more data and understand the barriers and enablers to transferring quality funding to implementing partners. This second phase was conducted through interviews with subject matter experts, including:



Photo Credit: © UNICEF/UNI218009/Abdul

- Implementing partners of UNICEF in the field, in Jordan (Jordan River Foundation, a national NGO, and Mercy Corps, an international NGO) and in Lebanon (Lebanese Relief Council, a national NGO, and World Vision Lebanon, an international NGO);
- Headquarters of international NGOs (International Rescue Committee, Norwegian Refugee Council) and NGO platforms (Catholic international development charity, CAFOD; Jordan INGO Forum, JIF);
- Key humanitarian donors to UNICEF globally, including Canada (Global Affairs Canada), Sweden (Sida), UK (DFID) and US (USAID, US PRM);
- Other UN agencies, such as the World Food Programme (WFP) and UN High Commissioner for Refugees (UNHCR).

UNICEF Policy and Systems on Transferring Multi-year and Flexible Funds to Implementing Partners

UNICEF policies are supportive of multi-year planning and financing²⁴

Each of UNICEF's 128 COs signs a Country Programme Document (CPD) with the Host Government, typically lasting for five years. The CPD outlines the planned outcomes and outputs to be achieved during the upcoming five years period of the UNICEF-Host Government cooperation. Therefore, UNICEF's planning and cooperation with government implementing partners is multi-year.

In many countries, partnerships with CSOs are outlined in the CPD as one of the modalities for programme implementation. At any point throughout the period of the CPD, UNICEF and a CSO may sign a Programme Cooperation Agreement (PCA), for the same period as the CPD. The PCA is a standard umbrella legal agreement that governs the relationship between UNICEF and a CSO and establishes the terms and conditions for the partnership. Thus, an agreement signed with a CSO at the start of the CPD cycle may be valid for the whole duration of the CPD, whereas a PCA signed with a CSO at the exact midpoint of the CPD cycle may be valid for up to 2.5 years. The PCA is the standard umbrella legal agreement that governs the relationship between UNICEF and a CSO and establishes the terms and conditions for the partnership.

A PCA is operationalized by one or more Programme Documents (PDs). Each PD contains a narrative, output-level results framework, and activity-level budgetary details of a programme intervention jointly developed by UNICEF and the CSO implementing partner. The duration of PDs varies. PDs with a duration of two or more years may be categorized as multi-year partnerships with civil society organizations and may or may not be funded by multi-year grants issued to UNICEF.

Some preconditions and requirements should be met to allow multi-year financing of implementing partners

- ***Programme interventions should be multi-year in nature:*** In order for a CSO partner holding a signed PCA with UNICEF to have a multi-year PD with UNICEF, the programme intervention itself must be multi-year in nature. For example, a PD that focuses on providing immediate relief and assistance to a drought-affected population would not be multi-year in nature.
- ***Funding must be available at the time of signature for the full duration of agreements:*** UNICEF's legal and risk management procedures require that funding must be available for the overall duration of the PD to allow a new agreement to be signed. This exact same requirement also applies to UNICEF's recruitment, contract for services and procurement processes. UNICEF's internal procedures do not allow, for example, for a three-year Programme Document to be signed, unless three years' worth of funding is available and can be reserved ("blocked") at the time of the signing. Similarly, UNICEF's internal procedures do not allow for a three-year staff contract to be signed, unless three years' worth of funding is available at the time of contract signing. UNICEF core funding is allocated to COs on a yearly basis and therefore cannot be leveraged to support the financing of multi-year agreements (beyond the first year of implementation). COs therefore rely on a limited envelope of multi-year funding available. Furthermore, the multi-year funding available generally is earmarked and cannot always be flexibly allocated towards multi-year agreements with implementing

²⁴ Analysis provided by UNICEF (DPAM, Programme Manager Frankie Chen, in contribution to the Grand Bargain 2020 report coordinated by the Overseas Development Institute (ODI)).

partners. In the case of the Lebanon CO, for example, a large portion of the multi-year funds received are tightly earmarked to be transferred to a single government partner.

- When discussing this challenge with UNHCR, UNICEF was interested to hear that the sister agency had decided in 2019 to leave it to the discretion of country representatives to enter into multi-year partnership agreements regardless of availability of multi-year funding. As a result, an increasing number of smaller operations opted to sign multi-year agreements, in specific contexts where small scale agreements of a multi-year nature would make a big difference, regardless of the availability of multi-year funds. This decision was partly guided by the limited availability of multi-year funds for the organization and that much of multi-year funding came earmarked (the concept of cascading multi-year funding was therefore irrelevant), and by a management decision to allow COs' representatives to sign multi-year agreements with trusted downstream partners without necessarily having the funding availability for future years. This new initiative resulted, at the time of the preparation of this report in 34 partnerships agreements signed, cumulating to US\$ 22 million transferred as multi-year grants. It has not yet been evaluated and UNICEF will be interested to follow it up in the future. This approach is promising as signing multi-year partnership agreements in contexts of small-scale programmes may allow a reduction of transaction costs as well as support innovative and adaptive programming. UNICEF however recognizes that UNHCR COs responding to major refugee crisis (e.g. Syria crisis countries) where each partnership agreement involves millions transferred in cash to the partner every year will continue signing agreements of a duration inferior to 24 months, for the time being. UNICEF is facing a situation where the largest humanitarian partners are seeking predictability and flexibility of funding to implement large-scale programmes and aims to identify solutions to enhance the quality of funds transferred in this context.
- UNHCR also provided the example of Solutions Capital Initiative that put forward multi-year planning for five UNHCR operations (Costa Rica, Ecuador, Ghana, Malawi and Kenya) for a three-year period, from 2019 to 2021. Although the initial intention was to solicit earmarked funding for this multi-year planning from donor governments, no such contribution was forthcoming. During the second quarter of 2019, UNHCR opted to allocate finances from unearmarked funding. All the countries were chosen for such allocation, with an exception of Ecuador -where the influx of refugees and migrants from Venezuela has fundamentally altered the protection environment. The countries were presented with an understanding that they would again receive an allocation of unearmarked funding in 2020, which they did. This created a situation equal to having received two years of funding upfront. Overall impact has been positive, starting with the mind set of these operations. Operations hired dedicated staffing for M&E in order to track indicators set upon at the beginning of the planning process.
- ***Risk-management and quality assurance should be given due consideration:*** Internally, UNICEF's Office of the Comptroller is rolling out an organization-wide Anti-Fraud Strategy. Externally, donors transferring funds to UNICEF rely on UNICEF's robust risk management and quality assurance policies to mitigate the risks of partnerships such as financial mismanagement. In accordance with UNICEF's rules and procedures to establish PCAs, while there is no have additional specific criteria for the "eligibility" to multi-year funding, COs may be more likely to sign multi-year funding with those CSOs considered as low risk partners. They might have with a long history of UNICEF collaboration, the most robust financial management systems, and well-documented programmatic results for children.
- ***The process of amending programme documents with implementing partners discourages signing multi-year programme documents:*** The interviewed UNICEF COs reported that yearly negotiations of PDs with implementing partners allowed for more flexibility to adjust programme strategies along the years, based on the needs, ensuring that programmes remain dynamic and improve constantly. While UNICEF regulations allow to

amend signed programme documents, the current internal procedure requires that all requests to modify PDs, which result in significant changes (with financial implications of more than 20 per cent of the total UNICEF financial commitment) must be re-submitted for review by the Country Office's Partnership Review Committee, with adequate justification and documentation. As a consequence, the workload involved in amending an existing PD, is perceived to be not significantly different from the workload involved in signing a new PD. On the other hand, the >20 per cent amendment of a multi-million-dollar PD has a financial implication of hundreds of thousands or millions of dollars entrusted to UNICEF, necessitating appropriate programmatic and financial oversight.

UNICEF procedure for implementing partnerships requires activity-level planning of funds transferred

The current UNICEF procedures on implementing partnerships requires that during the PD planning stage, an activity-level budget must be prepared for any funds intended to be transferred to partners and included as part of the signed PD. All costs to carry out activities are included in the PD work plan budget. 'Programme Costs' are costs that can be attributed to a specific activity implemented by the partner.²⁵

Furthermore, the Harmonized approach to cash transfers (HACT)²⁶ framework is a crucial policy element for UNICEF (and other UN agencies) and contributes to robust risk management and quality assurance capacity, which donors very much value in their decision to fund UNICEF. Under this framework, implementing partners are required to submit quarterly cash transfer requests using the FACE (Funding, Authorization and Certificate of Expenditure) form, with an accompanying itemized cost estimate, showing the activity-level budget further disaggregated to input level. Funds are transferred by UNICEF to partners on a quarterly basis after reviewing the activity-level FACE form and input-level itemized cost estimate.

For all cash transfer modalities, the FACE form²⁷ contains requests at the activity level corresponding to the Programme Document/Small Scale Financial Agreement (SSFA) and is accompanied by an Itemized Cost Estimate (ICE) with a detailed budget breakdown listing the planned utilization of cash at the input level. The use and level of detail required for an ICE is detailed in UNICEF Guidance on Budgeting and Financial Management of CSO Partnerships and the UNGD HACT Framework.

Some flexibility in the implementation of funds is allowed through the signature of the UNICEF authorizing officer on the FACE form request, without requiring any additional documentation: (i) reallocation of UNICEF cash contribution across activities ($\leq 20\%$) with no change in the total UNICEF cash contribution; (ii) changes to activity expenditure reported on FACE form ($\leq 20\%$) compared to authorized amount with no change in total UNICEF cash contribution.

UNICEF procedure for country and regional office CSO implementing partnerships. Document Number: FRG/PROCEDURE/2019/001. February 2019.

²⁵ Programme Costs include:

- a. Costs for the actual time devoted by personnel to the management of the programme document implementation;
- b. Costs for the time of personnel whose specific inputs are required by the programme work plan;
- c. Goods and services purchased for the implementation of activities covered in the programme work plan;
- d. Premise costs that are directly related to achieving the results of the programme document;
- e. Other costs directly attributable to the implementation of programme document activities.

²⁶ HACT The Harmonized approach to cash transfers is an UN common operational framework for transferring cash to governments and non-governmental implementing partners.

²⁷ FACE forms are used by all implementing partners to request direct cash transfers; request authorization to incur expenditures for reimbursement or enter into commitments for direct payment; to certify and report expenditures or request reimbursement following completion of agreed upon activities; and request direct payment to third-party service providers upon delivery of agreed upon services on behalf of the implementing partner.

Below is an illustrative example of activity-level budget included in a Programme Document:

Output 1:	Community-based management of SAM introduced in 200 villages in 10 districts	Budget
Activity 1.1	Organise training of 500 health workers in community nutrition in 10 districts	100,000
Activity 1.2	Undertake community outreach activities & referral in 200 villages in 10 districts	50,000
Activity 1.3	Provide nutrition equipment & supplies in 50 health centres	200,000
Activity 1.4	Programme management and technical supervision	40,000
Subtotal	Programme costs	390,000

Under specific circumstances, UNICEF Offices may request to complement the PD work-plan budget (disaggregated at activity level) with a detailed budget (disaggregated at input level). Including an input-level budget in the PD allows UNICEF and partners to have more detailed discussions at the stage of programme design, including incorporation of any donor-specific requirements, but may subsequently introduce greater restrictions on partners to make adjustments during the implementation stage without additional UNICEF approval.

Detailed budgeting, specific circumstances:

- a. UNICEF has no prior partnership history with a partner and/or country with high threat or complex environment;
- b. Assessment or assurance activities have uncovered negative findings with regards to the partner's budgeting practices;
- c. UNICEF is transferring significant cash for the partner to procure services and/or supplies; and/or
- d. UNICEF is providing ongoing financial management capacity development support to local CSOs and is using detailed budgeting to help the CSO in budget management.

UNICEF Guidance on Budgeting and Financial Management of CSO Partnerships (INTERNAL).

- **Risk management considerations:** UNICEF COs are accountable for setting up an effective risk management system, including quality assurance and capacity building for all partners. Quality assurance activities include spot checks of implementing partners, programme monitoring visits and audits, which mitigate the risks of partnerships, mainly financial mismanagement, identifying capacity gaps as well as building the capacity of partner organizations in a largely collaborative approach. These robust systems are also important to donors, who are accountable for the sound utilization of funds transferred to UNICEF before their parliaments and taxpayers.
- Quality assurance and risk management activities implemented by COs are currently designed around the requirement to plan, at the activity level, any funds transferred to implementing partners. This allows to verify during the quality assurance and risk management activities that all financial resources transferred have been utilized in line with the results planned in the Programme Document, according to UNICEF's results-based management approach, which links outcomes to outputs and activities, according to a vertical logic.

- Providing unearmarked or softly earmarked funds to implementing partners would therefore require to re-design quality assurance and risk management activities and may present challenges in responding to situations of misuse of funds.
- While the above risk-management considerations may be weighted differently from one country office to another, and risk assessment will always have to be country and context-specific, in a context where an CSO has demonstrated the ability to reach quality results and utilise funds with the utmost accountability, UNICEF may then have the confidence to transfer more flexible funds. The modelling of quality assurance and risk management activities adjusted to softly earmarked cash transfers to partners is therefore recommended as a next step, alongside a small-scale piloting of softly earmarked funds transferred to partners, to allow the organization to test the robustness of quality assurance and risk management activities under more flexible transfers of funds to implementing partners. Donor agreement to such a small-scale pilot may be required.
- **Programmatic strategies:** While UNICEF programmatic strategies are country and context specific, in most situations, donors grant funding to UNICEF COs based on their strategic goals and outcomes (as reflected in the UNICEF Strategic Plan 2018-2021, and UNICEF COs' CPDs.²⁸

For the purpose of this assessment, the following COs' approaches are highlighted:

- **UNICEF's evidence-based planning and programming, to ensure high impact for the most vulnerable children:** UNICEF generates high quality evidence that informs its own programming as well as sector-level planning in Health, Nutrition, WASH, Education, Child Protection, Social Protection, in both development and humanitarian settings. This allows UNICEF to provide evidence-based advocacy for policy formulation, equity-focused programming and leveraging resources for children.
- **UNICEF's capacity to work at scale and support policy reforms:** UNICEF COs – in most situations – aim to work at scale and have sustainable impact through policy reforms. Given its mandate of the custodian of the Convention on the Rights of the Child, UNICEF is uniquely placed to work with host governments in monitoring the progressive realization of child rights, to lead the advocacy dialogue and place child rights priorities high on the agenda. and to reform policies and systems in order to prevent and respond to violations of children and women rights.
- **UNICEF's integrated programming, for a comprehensive response to the needs of vulnerable children, across sectors:** integrated approaches support efficient response to multidimensional vulnerabilities of children and cost-effectiveness of services through economies of scale. In many contexts, UNICEF is integrating programmes targeting young children (under 5 years old) and adolescents (10-18 years old).
- **UNICEF's capacity to bridge the humanitarian-development nexus:** given its dual mandate, UNICEF is uniquely positioned to bridge the humanitarian-development nexus by supporting the resilience of crisis-affected populations and host communities and enhancing the capacity of government systems stretched by refugees' influx, internally-displaced populations, as well as population growth and other internal development factors.

²⁸ Source: UNICEF Strategic Plan, 2018–2021.

The above-mentioned programme strategies may often differ from implementing partners specific strategies. However, through the Project Cooperation Agreements and subsequent Programme Documents developed and signed with implementing partners in a largely collaborative approach, UNICEF aims to establish joint goals, outcomes and outputs that will support these overall strategies.

In case UNICEF was to provide unearmarked funding to implementing partners, the organization would run the risk that implementing partners' actions may not be aligned with these programme strategies and that the funds transferred would not contribute to the UNICEF Country Programme Document and related targets. The provision of flexible funding may then only be possible in a context where implementing partners' and UNICEF's strategic goals and programme strategies are already fully aligned.

Enhanced flexibility of implementing partnerships for the emergency response to COVID-19

The emergency response to the COVID-19 global pandemic has led UNICEF and other UN agencies to take steps towards providing more flexibility to partners, in line with the March 2020 IASC Results Group 5 on Humanitarian Financing²⁹.

Due to the circumstances and the restrictions on movements imposed by Governments to contain the impact of the pandemic, UNICEF has been exploring with partners all possible modalities for programme delivery, while supporting the safety and security of both partners and communities through proactive and open dialogue on pragmatic and flexible measures. To this end, UNICEF reviewed its existing procedures related to partnerships management, including emergency procedures and issued additional internal guidance for further simplification and flexibility. Beyond the procedures already in place UNICEF Country Offices have been engaging with implementing partners to exploit all available simplifications and to exercise flexibility to realign programming and resources, expedite response and better address emerging needs and vulnerabilities.

UNICEF has aimed to operationalize the principles of budget flexibility, adaptive programming, meaningful partner interaction, and UN harmonization, through the following measures:

- **Budget flexibility:** UNICEF has allowed partners to adjust all activity-level budgets by up to 20 per cent without any additional documentation or prior UNICEF approval, so long as there is no increase in the overall budget of the Programme Document. This flexibility extends to all activities, including "effective and efficient programme management" activities: in-country management and support staff; operational costs; planning, monitoring, evaluation and communication.
- **Reprogramming:** Recognizing the COVID-19 pandemic as a situation of "force majeure" as defined in the General Terms and Conditions of partnership, UNICEF Country Offices have been encouraged to amend timelines (e.g., provide a no-cost extension) and interventions (i.e. reprogramming) to minimize impact on CSOs personnel, maximizing relevance of programme activities, and ensuring judicious use of funds. Reprogramming of unspent budget for activities cancelled due to the COVID-19 outbreak for other COVID-related activities was permitted for the next three months and; where Programme Documents should be amended, UNICEF and

²⁹ Flexible funding for humanitarian response and COVID-19. IASC Results Group 5 on Humanitarian Financing. March 2020.

partners were able to discuss and process Programme Document Amendments through a light amendment process.³⁰

- **Partner interaction:** UNICEF Country Offices have posted new partnership opportunities on the UN Partner Portal.³¹ CSOs are also encouraged to use the UN Partner Portal to submit unsolicited concept notes.
- **Harmonized UN due diligence:** Partners who have created profiles on the UN Partner Portal and have signed partnerships with UNHCR or WFP are exempt from additional UNICEF due diligence verification.

Additionally, UNICEF has leveraged existing partnership simplifications in emergency contexts:

- **Simpler documentation:** New partnerships for up to a 12-months period may be processed using the Humanitarian Programme Document template, which is a simplified version of the standard Programme Document template.
- **Faster budget development:** UNICEF and partners may establish a flat rate to calculate “effective and efficient programme management costs” in lieu of itemizing programme management costs.
- **Faster internal review:** Both new Programme Documents and amendments to existing Programme Documents undergo an expedited UNICEF desk review, instead of a Partnership Review Committee process.
- **Activation of contingency Programme Documents:** UNICEF offices may activate, via e-mail, any contingency Programme Documents earlier signed with partners as part of emergency preparedness.

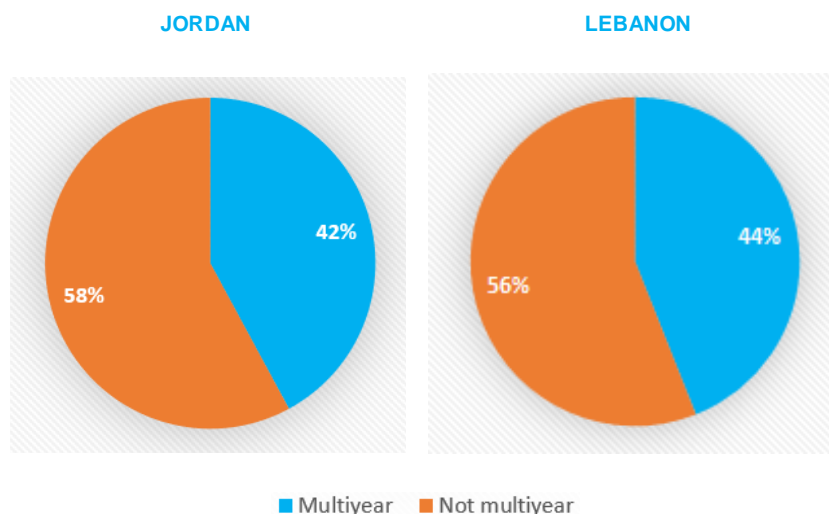
³⁰ Programme Document amendments related to the COVID-19 pandemic undergo review by the Deputy Representative (or Chief of Field Office if applicable), and approval by the Representative, without the need of an assessment by the Partnership Review Committee (which is usually required for all amendments).

³¹ The UN Partner Portal, developed by UNHCR, UNICEF and WFP, is a platform for Civil Society Organizations to engage with the UN on partnerships opportunities.

Perspective of UNICEF Country Offices in Jordan and Lebanon on the Commitment to Cascade Quality Funding to Implementing Partners

Proportion of multi-year funding received in 2019, Jordan & Lebanon Country Offices

(Source: UNICEF Insight, FI Financial Reporting Cube)

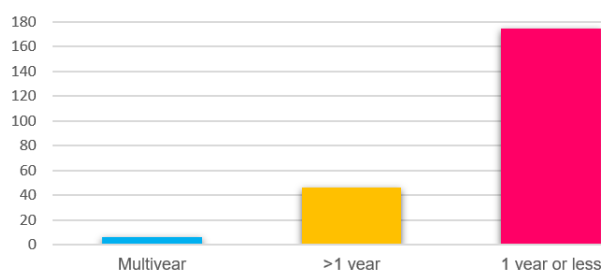


In 2019, UNICEF Jordan received US\$ 28.65 million humanitarian multi-year funding, or 42 per cent of all humanitarian (OR-E) funding received. UNICEF Lebanon received US\$ 85.5 million humanitarian multi-year funding, or 44 per cent of all humanitarian (OR-E) funding that year. In the case of the Jordan Country Office, UK (US\$ 17.5 million), Canada (US\$ 3.8 million) and Germany (US\$ 2.2 million) provided the majority of humanitarian multi-year funding, while in the case of the Lebanon Country Office, it was provided by Germany (US\$ 35.9 million), UK (US\$ 31.5 million), Australia (US\$ 8.4 million), and Canada (US\$ 6.8 million).

At the same time, the two COs only had six active PCAs with implementing partners for a duration of more than two years (3 per cent of total), 46 active PCAs with implementing partners for a duration of less than two years (20 per cent of total), and 174 active PCAs (77 per cent) for a duration of one year or less (Source: UNICEF *eTools*). Active multi-year agreements, lasting for over 2 years, were signed with academic institutions (2), national NGOs (2) and international NGOs (2).

Duration of agreements with partners, active in 2019

	Jordan	Lebanon
>2 years	5	1
>1 year	9	37
1 year or less	47	127
Total	61	165



The two COs have strongly highlighted the importance of providing multi-year funding to partners the benefits of multi-year agreements: implementing partners would be able to offer longer

contracts to their employees, therefore attracting and retaining quality staff and keeping them motivated to achieve results; they would have more visibility on their operations running costs over time and would therefore be able to better negotiate contracts with their vendors, achieving economies of scale and cost-efficiencies. The higher staff retention rate would also mean that UNICEF's investment in training partners' employees would be more impactful.

However, the two COs mentioned significant challenges to signing multi-year financing agreements:

- Earmarking of multi-year grants:** The multi-year funding received is mainly earmarked for specific programme priorities. Therefore, when this funding is received, it is clear how it should be committed. Unless multi-year partnerships have already been foreseen at proposal stage, it may then be difficult to prioritize those when allocating the newly received grants. Whenever flexible multi-year funds are received, these are allocated towards meeting humanitarian obligations first and foremost, and then prioritized for other underfunded programme outputs. This results in a situation where the amount of multi-year funds available at output level at any given time is generally too small to cover the overall requirements of multi-year agreements with partners.
- Validity of flexible funding:** The flexible funding received is usually valid for up to 12 months, and given the limited time available for implementation, is allocated against short term commitments, to cover the most urgent funding gaps, since many donors contribute toward UNICEF's Humanitarian Action for Children (HAC) Appeal, which in most of the cases is for duration of 12 months.
- Delay between the signing of new agreements with implementing partners and receipt of multi-year funds:** The timing of receipt of new multi-year contributions rarely aligns perfectly with the start of new agreements with implementing partners. Negotiations of contributions with donors generally take time and depend upon donors' fiscal calendars and political commitments. Waiting for the receipt of multi-year grants to sign new agreements or renew expiring agreements with implementing partners is not always feasible as it may result in interruptions of services provision on the ground. UNICEF COs tend to prefer signing short term agreements with implementing partners (aligned with the funds available at the time) rather than waiting for new multi-year funding to be received. In most cases, this situation does not allow UNICEF COs to leverage multi-year contributions from donors to sign multi-year agreements with implementing partners.
- Lack of guidance on the use of multi-year funds:** In the context where UNICEF's mandate requires UNICEF COs to meet humanitarian obligations and programme imperatives despite decreasing levels of financial resources, the two COs have not been able to focus on maximizing the added value of multi-year funds received. Furthermore, at present there is no guidance available at organizational level on the specific issues, opportunities and risks associated with the use of multi-year funds for any purpose, including cascading of multi-year grants to implementing partners. This point will be addressed in the recommendations of this assessment.



Photo Credit: © UNICEF/UNI315252/Choufany

- **Importance to adjust programme strategies on a yearly basis:** Beyond funding availability, a key consideration when deciding on the duration of a new agreement with an implementing partner is the rapidly evolving situation on the ground. Even in the context of the protracted refugee crisis in Jordan and Lebanon, programme strategies need to evolve over time to meet the changing needs of refugees and vulnerable host communities. The two COs have confirmed that one or two-year documents were giving them more flexibility than multi-year programme documents, to adjust programme strategies based on the needs, and avoid early termination of agreements. The flexibility of one-year PDs comes from the fact that every year UNICEF and partners review the situation, needs of children, beneficiary feedback received from the previous year, etc. and develop a new programme document to address them. This annual exercise offers an opportunity to adapt programme strategies, develop a new budget



Photo Credit:© UNICEF/UNI317998/Choufany

with cost savings considerations, etc. Amending a PD is a different exercise that does not entail a complete review of programme strategies and budgets, but only involves a few key adjustments (e.g., expanding the geographical coverage, or adding an activity). This process is time-consuming and labour-intensive in the case of programme amendments as it entails an assessment from the country office's Partnership Review Committee and is perceived as comparable in workload to developing new Programme Documents.

- **Investing in national partners to sustain programmes over the years:** Despite the scale of the Syria refugee crisis, in the specific context of Jordan, UNICEF no longer requires multi-year engagement with international NGOs since a solid pool of national partners have now developed the capacity to respond to the needs across sectors on the ground.. The added value of international NGOs persists in niche areas, where smaller-scale support is required to build the capacity of national partners. In this context, UNICEF Jordan international would like to sign multi-year agreements with national partners, with whom a strong partnership has developed over time, with a strong emphasis on retention of partners' staff for the duration of the programme.
- **Opportunity to increase value for money through yearly negotiations:** Annual reviews and negotiations of new agreements with implementing partners allow to reduce implementation costs from one year to another, while improving programme approaches. This is especially true for multi-year programmes (e.g., Makani programme, in Jordan)³² which remain dynamic and are meant to constantly evolve based on the needs of beneficiaries, on the fluctuation of populations, etc.
- **Added value of diversifying partnerships:** The Jordan Country Office is conscious that creating a situation of monopoly when engaging with only one NGO partner for the implementation of a programme (e.g. for the provision of water services in Syria refugee camps) may not be the most effective and efficient approach. The Country Office's experience

³² Launched in Jordan in 2015, the Makani programme provides a multi-sectorial, coherent and consistent response to the needs of children and youth affected by the Syria refugee crisis. Grounded in a strategic partnership among different local stakeholders, the Makani integrated approach includes child protection, education, and youth engagement services provided under one roof, in community-based Makani centres, to tackle the complex needs of conflict-affected children and young people and empower them to develop their full potential.

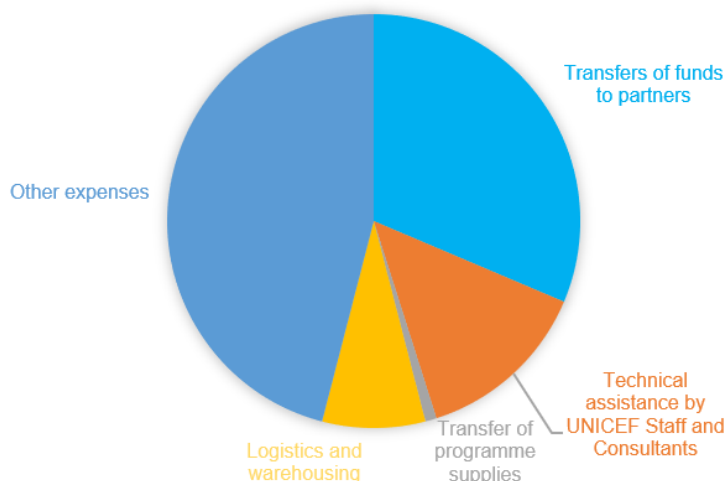
has shown that such situations are not beneficial to the quality and cost-efficiency of services. The Country Office has therefore decided to keep several partners involved in water service provision in refugee camps over the next year, even though engaging multiple partners further limits their availability of funds for the signing of multi-year agreements.

- **Requirements for government approval for multi-year agreements with NGOs:** In the case of Jordan, the Government requires that all Programme Documents are reviewed by technical ministries (e.g. Ministry of Education, Ministry of Social Development, etc.) and approved by the Ministry of Planning and International Cooperation before implementation. A specific justification is required to demonstrate why UNICEF is transferring funds to CSOs partners, and this is more complex in the context of getting an approval for multi-year PDs.

The following Box illustrates the utilization of multi-year humanitarian funding by the Jordan Country Office in 2019 and the related workflow in place for the utilization of new multi-year grants received.

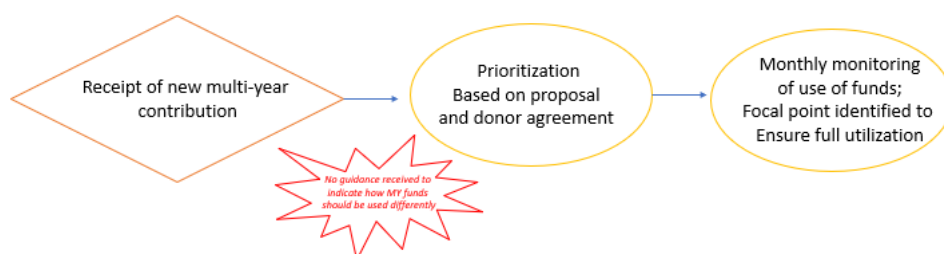
Utilization of multi-year funding in 2019, Jordan Country Office

(Source: UNICEF Insight, FI Financial Reporting Cube)



Workflow of the utilization of multi-year funds received, Jordan Country Office

(Source: Interview with UNICEF Jordan Country Office)



- **Earmarking at activity level:** The two COs confirmed that all programme documents signed with implementing partners include budgeting at activity-level, with 20 per cent flexibility allowed between activities. Then, when implementing partners submit quarterly requests for funds transfers, they also need to submit an input-level budget (the idea is that implementing partners will be in a better position to accurately predict their expenses on a quarterly basis than on a yearly basis). The relative flexibility of funds is however ensured by not including the input-level budget in the body of the programme document signed with an implementing partner, so that this input-level budgeting is not binding. While UNICEF COs do focus on programmatic results, and as such allow input costs variation (e.g. changing composition of a training kit), they do not allow changes at activity level beyond the 20 per cent threshold without going through an amendment of the PD.
- **Earmarking to meet risk management requirements:** All funds transferred to implementing partners are currently planned at activity level. This is not only because of donor earmarking, but also for risk management purposes. Donors due diligence requirements are met through a robust risk management exercise which trickles down to the level of implementing partners, requiring UNICEF to know exactly where the funds are going. Beyond donor requirements, considering their respective contexts and the conditionalities related to funds transfers, UNICEF CO in Jordan and Lebanon did not think that providing more flexible funds to partners would allow them to meet their commitment to risk management.³³



Photo Credit: © UNICEF/UNI331353/Knowles-Coursin

³³ This is capturing the perspective of the two country offices interviewed, and a slightly different point of view was shared by HQ Divisions, as captured under previous sections. Risk management activities could potentially be adjusted to a softer level of earmarking, although it would require some policy-level and procedure-level changes.

Opportunities for Enhancing the Tracking of Quality Funding Transferred to Partners

The current financial management system (VISION, a SAP-based ERP tool, which includes a reporting and performance management platform, *Insight*) has allowed since 2018 the tracking of multi-year funds received by UNICEF, which are then transferred to implementing partners. This information is available at region, country, and implementing partner levels, thanks to the “FI financial reporting cube”. This report can be downloaded by any UNICEF staff member or consultant.

In 2018, a multi-year funding indicator for annual and other external reporting purposes, was introduced, with an automated classification added in grants creation and amendment processes. Effective 2018, DFAM has set up multi-year funding for voluntary contributions agreements with donors (regardless of the funding source) as follows:

- a. *New Grants* - funding provided for two or more years (valid from or to dates result in grant that is longer than two years in duration);
- b. *Amendment* – (i) If the grant has already been classified as “multi-year” or “amd multi-year”, it will retain the status irrespective of current amendment and changes in the validity dates - exception are made for grants, whose duration is amended to less than 2 years; (ii) an amendment results in grant validity equal to or more than 2 years (“amd multi-year”).

The current set up allows any users of the Financial Reporting Cube, when working with earmarked funds, to identify 1. voluntary contributions derived from multi-year funds during the financial reporting period; 2. expenses recorded against voluntary contributions that have been designated as “multi-year” in the current year.

Source: UNICEF Division of Financial and Administrative Management, February 2020

The system allows the tracking of flexible funds (i.e. regular resources and thematic resources) received by UNICEF, which are then transferred to implementing partners. The information can be displayed at region, country, and implementing partner levels.

Every donor contribution to UNICEF is accompanied by creating a grant in the UNICEF Grants Management module (SAP ERP system). The information submitted into the ERP system at the time of grant creation is used to track the various types of funds, including unearmarked, earmarked regular, earmarked emergency, and other.

The following terminology is currently used for the tracking of flexible funds received and transferred:

- **Regular (Core) Resources (RR)** – untied and flexible resources, the use of which use has not been restricted by donors. RR help UNICEF support programmatic and geographic areas that are not covered by earmarked resources, but that are a core part of the organization’s mandate. RR support the global work of the organization, enabling UNICEF to be more responsive in more countries than any other organization working for children.
- **Thematic funding** - complement to RR (i.e. the next best funding category after RR). Thematic funds are soft-earmarked pooled funds categorized as Other Resources (OR) that directly support the achievement of key results aligned with the Strategic Plan. These funds allow for long-term planning, sustainability and savings in transaction costs for both UNICEF and its Resource Partners.

Source: UNICEF DFAM, February 2020

With the recent introduction of the new UNICEF corporate software platform called eTools, an improved tracking and analysis of multi-year agreements with partners is becoming possible. In turn, this will guide more supportive policies and systems. At the moment, dashboards in eTools allow Country Office staff to track the duration of agreements signed with implementing partners, and amounts transferred.

However, since UNICEF is a decentralized organization, UNICEF Country Offices do not consult with or report to HQ or Regional Offices when developing new implementing partnerships. Similarly, the eTools dashboard is developed for country-level management and does not offer a global overview of multi-year grants used to fund multi-year partnership agreements.

While the overall UNICEF system enables the tracking of multi-year and flexible funds received, and their utilization including transfers to implementing partners, Insight, and eTools are not yet providing all required information on the cascading of quality funding, in order to guide UNICEF's global efforts to materialize the Grand Bargain Core commitment 7.1a.³⁴ This appears to be an important area for improvement that will allow UNICEF to confirm whether the benefits of multi-year humanitarian funding received from donors are being cascaded to partners.



Photo Credit: © UNICEF/UNI311422/Ryeng

³⁴ Grand Bargain Core commitment: 7.1a. "Signatories increase multi-year, collaborative and flexible planning and multi-year funding. Aid organisations ensure that the same terms of multi-year funding agreements are applied with their implementing partners".

Key Enablers for Multi-year and Flexible Financing of Implementing Partners



Photo Credit: © UNICEF/UNI339775

Beyond UNICEF's policy and systems, some key enablers have been identified and could be enhanced to support multi-year and flexible financing of implementing partners.

- The added-value of providing multi-year funds should be clearly demonstrated and documented within UNICEF, to provide evidence-based guidance to COs in maximizing the impact of multi-year funds:** Multi-year humanitarian funds remain scarce, substantially the majority of humanitarian grants received by UNICEF COs last less than one-year. In a context of scarce resources and competing humanitarian priorities, where multi-year funds may be useful for a number of purposes, the decision to block funds for several years, to allow the signature of a multi-year partnership agreement, is a complex one. In order to justify prioritising multi-year financial agreements with an implementing partner, including women-led local partnerships, the added value of providing multi-year funds in terms of enhanced results for children should be better documented. This documentation should form the basis for the development of a guidance note to support UNICEF Regional and Country offices in utilizing multi-year funds in ways that will maximize the impact of these funds for more efficient humanitarian responses, including (but not limited to) the cascading of multi-year funding to implementing partners.
- Strengthen the multi-year vision and planning of COs on implementation modalities (in contexts of protracted or recurrent crises):** Whenever multi-year planning processes are in place, UNICEF COs should 1. be sensitized on the pros and cons of multi-year commitments with implementing partners, as an inclusive part of the multi-year planning processes; 2. be guided through the identification of implementing partners with whom to engage on a multi-year basis ahead of time, and to actively fundraise for these multi-year partnerships, to ensure that earmarked funds can then be prioritized towards this implementation modality. In parallel, substantial investment in partners capacity building should continue taking place ahead of

agreements signature, and throughout the agreement implementation to maximize the benefits of the multi-year commitment.

- **Enhance the responsiveness of multi-year programme documents:** UNICEF should investigate the best modalities to cascade multi-year funds to implementing partners, while keeping multi-year programme documents closely aligned with the evolving needs on the ground and allowing for cost efficiencies to be made along the years. More flexible arrangements should be built into programme documents to allow for this to happen. This is an area where HQ guidance and operational support may be required, to enhance capacity of COs.



Photo Credit: © UNICEF/UN070180/Rich

Implementing Partners Perspectives

Implementing partners of UNICEF in Jordan and Lebanon, including Jordan River Foundation (national NGO) and Mercy Corps (international NGO) in Jordan, and Lebanese Relief Council (national NGO) and World Vision (international NGO) in Lebanon have shared their perspectives on the added value of multi-year and flexible funding for enhanced programme results as part of this assessment.³⁵ UNICEF also had conversations with Grand Bargain focal points from the International Rescue Committee (IRC) and the Norwegian Refugee Council (NRC), and with NGO platforms for Jordan and Lebanon (Catholic International Development Charity, CAFOD; Jordan international NGO Forum, JIF).

It should be noted that UNICEF did not aim through this assessment to select a representative sample of all implementing partners³⁶, but rather to brainstorm with a few key partners on the topic under assessment. It is anticipated that conversations with implementing partners will continue beyond the limited timeframe available for this assessment, to further document the added value of multi-year and flexible transfers of funds to implementing partners, including local women's organizations.

The four NGOs interviewed in Jordan and Lebanon all had multiple Programme Documents ongoing with UNICEF, with the funds transferred earmarked at activity level. The partners had signed agreements with UNICEF for an initial duration of less than two years (16 months, 12 months, 8 months, 6 months) for interventions in multiple sectors (Education, Protection, WASH); and benefited from multi-year and/or flexible funding from other donors and partners at the same time. In several cases, agreements had been extended (cost extensions) to last for over twenty-four months.

Implementing partners highlighted different practices between partners and donors in Jordan and Lebanon, including the following examples:

- WFP is able to sign two-year financing agreements with NGO partners, while only having funding availability for the first year, thanks to a clause conditioning the disbursement of the second-year amount to funding availability. It should be noted that this is a practice which UNICEF also used in the past but has stopped encouraging since 2019 and the publication of the new CSO procedure,³⁷ as part of risk mitigation enhancements, to avoid making commitments not supported by funds on the ground. Also, the use of this conditioning clause may not result in transferring the true benefits of multi-year funding to implementing partners, and it would be important to clarify whether such agreements qualify as multi-year funding;
- US PRM, a top humanitarian donor to UNICEF, which extends one-year grants to UNICEF, is providing two-year grants to NGO partners in Jordan and Lebanon, through competitive calls for proposals;
- Other UN agencies (UNHCR was cited as an example) and government donors support a higher percentage of indirect costs of implementing partners than UNICEF (in the case of international NGOs, UNICEF supports up to 7 per cent of indirect costs, while in the case of

³⁵ More UNICEF implementing partners in Jordan and Lebanon have been contacted but those interviewed are the only one to have confirmed their availability for an interview.

³⁶ In 2019, UNICEF had active Programme Documents with a total of 3,718 CSO partners.

³⁷ This refers to page 3, points 16 and 17 of the 2019 UNICEF CSO procedure, which specifies that offices can only sign a multi-year Programme Documents to the extent that funding is available:

16. Only programme documents/SSFA where funding is available are signed by UNICEF authorized officer.

17. Upon signature by both parties, a Funds Reservation (FR) obligating the total cash contribution or one dollar in the case of programme documents/SSFAs with a supply-only contribution from UNICEF for the entire duration of the programme document/SSFA is created in VISION. The currency of the FR is the same currency as the currency of the programme document/SSFA. For countries where eTools is mandatory, the FR is recorded in the Partnership Management Portal (PMP).

national partners, UNICEF does not cover any indirect costs. Partners are aware of that and know that UNICEF will only cover direct costs, while they will leverage other donors' contributions to support overheads).

- ***Implementing partners have designed or adjusted their financial systems to allow implementation of tightly earmarked funds:*** All partners interviewed explained that their financial systems had been developed or adjusted to the activity-level earmarking of funds received from donors and partners. The earmarked nature of funds received was not presented as a major constraint for them, because the NGOs still have the capacity to implement their programme strategies thanks to a strong alignment of UNICEF and partners' strategies and logical frameworks. Constraints emerging from the tightly earmarked nature of funds received mainly involved 1. the limited percentage available for overheads / administrative support costs (which may not allow to support institutional capacity building of NGO partners, beyond the scope of the UNICEF-supported programmes); 2. the need to amend Programme Documents in case of variations between budget lines beyond the 20 per cent flexibility allowed. While partners appreciated UNICEF's trust and flexibility to adjust activities (with UNICEF generally allowing reallocation of funds, and showing understanding in case of implementation delays), they regretted that the Programme Document amendment process generally took a long time (often exceeding one month)³⁸ and therefore did not always allow them to immediately respond to changes in the needs of target beneficiaries.
- ***Annualized Programme Documents come with high transaction costs and may lead to implementation delays:*** Yearly negotiations of new Programme Documents, experienced by two of the four implementing partners interviewed in Jordan and Lebanon, have been described as time consuming. In one case presented by an implementing partner, the negotiation of the new PD took more time than anticipated due to several rounds of assessment and questions, leading to a one month interruption in services provided to beneficiaries, as well as to the loss of experienced staff who had previously been working on a UNICEF-supported programme.
- ***Multi-year agreements have multiple benefits for NGO partners:*** Multi-year agreements result in better planning as NGO partners are able to pursue longer-term goals and develop incremental plans which build on achievements over the years, instead of waiting for confirmation of new funding every year to decide on the next steps for their programmes. In certain cases, NGOs operate within long-term frameworks developed by governments with UNICEF and other partners' support (such as the 10-Year Strategy for Inclusive Education, launched by the Ministry of Education and the Higher Council for the Rights of Persons with Disabilities in Jordan), but as recipient of short-term funds, the contributions of NGOs to such national plans is constrained. Despite their strategic thinking and long-term vision, they tend to continue working on projects with short-term goals, instead of playing a more active role in transferring capacities to government institutions to support multi-year national strategies.
 - Multi-year agreements also allow partner to measure the impact of their interventions over time through a more robust monitoring and evaluation framework.
 - Furthermore, multi-year agreements allow UNICEF partners to innovate in their programme strategies to better serve communities and is an incentive for NGO partners to increase their own contributions to Programme Documents.
 - Multi-year agreements allow to recruit and retain qualified and experienced staff through offering longer-term contracts and promotion opportunities. NGOs are

³⁸ CSO partners have explained that they are only required to submit a short form to request an amendment, but have complained that it then takes a long time for UNICEF to process the request received, due to the required steps on UNICEF's side, including the review process led by the Partnership Review Committee (PRC).

generally constrained by their own regulations and limited availability of core resources to award contracts to their staff according to the duration of Programme Documents or financing agreements signed with partners and donors; multi-year agreements are required to offer longer-term contracts to employees and retain qualified and experienced staff. In the context of Jordan and Lebanon, the employee turnover among NGO staff is very high and two out of the four partners interviewed have expressed challenges to recruit and retain quality staff due to the short-term contracts they offer.

- Multi-year agreements allow NGOs to better negotiate procurement contracts with suppliers and allow reductions in transaction costs. In the current situation, UNICEF partners interviewed are only able to commit to short-term contracts with suppliers and other vendors, and have to re-issue tenders every year, which is time consuming.
- Multi-year agreements also allow NGOs to purchase some specific equipment which would not be available for local procurement (an example shared included highly specialized equipment for visual tests for children) and would need to be purchased overseas and imported and would take a certain time to be cleared by the local customs, before being deployed for the programme. Because of the long duration required to carry out the entire process, NGOs would not be able to include such procurement activities in one-year (or shorter) agreements signed with UNICEF.
- Multi-year agreements also allow NGOs to have a stronger position, alongside UNICEF, when engaging with government counterparts at policy level, and therefore allow NGOs to be more ambitious about their role to support national governments.
- **However, multi-year agreements should offer enough flexibility to allow responsiveness to beneficiaries needs in volatile contexts:** Several partners raised the importance for multi-year agreements to offer enough flexibility to adjust outputs and activities on a regular basis, to address the needs of communities in more agile manner, and have the capacity to respond to beneficiary feedback. Otherwise, tightly earmarked funds contributed on a multi-year basis would not allow the NGO to provide responsive services in conflict-affected areas of Lebanon, where the situation is rapidly changing. One NGO expressed their appreciation for the short-term agreements signed with UNICEF, because these agreements were well tailored to the needs of conflict-affected populations and allowed them to respond to the latest developments on the ground. While multi-year agreements signed with other donors or partners had many benefits (such as those reported above), the earmarked nature of funds transferred through multi-year agreements would generally not allow much responsiveness.
- **Beyond multi-year and flexible funds, integration may be another crucial element of added value in partnership agreements:** A CSO partner of UNICEF in multiple sectors (Education, WASH...) suggested that beyond the flexible and multi-year nature of funds transferred, another element of added value that could be further enhanced is the multi-sectoral nature of agreements signed with UNICEF. While it is often the case that partners would sign one Programme Document with UNICEF per sector, moving towards integrated Programme Documents covering all joint objectives would bring both a programmatic added value (for instance, young people trained in life skills and technical skills, would then be referred to a WASH project to benefit from meaningful employment opportunities) and an administrative added value (one Programme Document only would need to be developed and assessed, instead of two, thereby resulting in lower transaction costs).
- **Ongoing efforts from NGOs to document the added value of multi-year funds:** NGOs are aware of the need to document the added value of multi-year and flexible funds to make a strong case for donors and partners. IRC is currently producing a case study on the benefits of multi-year funding and is planning to conduct more research in the future. Going further, it

would be important to get donors and partners' perspectives to assess which further evidence may be required. Since 2017, NRC has been implementing a Programme Based Approach (PBA) in the 32 countries where they operate, with the financial support of the Swedish International Development Cooperation Agency (Sida) and the Norwegian Ministry of Foreign Affairs. The two donors provide flexible funding at programme level rather than supporting specific projects, with such funding allocated flexibly for implementation of NRC's country strategy. So far, this approach has contributed to a reduction in management costs, and a simplification and harmonization of reporting requirements. It has made NRC a more agile and adaptive humanitarian responder and has increased their ability to respond in emergency contexts. The flexible funding received has helped NRC implement its programme strategy based on needs and gaps identified in each context and support the NGO in testing innovative approaches and branch into new programming areas. As self-reported by the NGO, PBA has also facilitated increased community engagement, trust and ownership.

NGOs interviewed are raising the question regarding what would constitute sufficient evidence to persuade UNICEF and other humanitarian partners and donors that it is time for a change in partnerships modalities, in line with their Grand Bargain commitments.



Photo Credit: © UNICEF/UN0339504/Frank Dejongh

Donors Perspectives

- Divergence between donors' policies and practices:*** Interviews with key informants within top humanitarian donor agencies and UNICEF Divisions and COs receiving donor agencies' requests revealed a divergence of priorities between donors' global commitments to advance the Grand Bargain work, and country-level practices within donor agencies. While humanitarian donor representatives in Grand Bargain fora are expecting UNICEF to deliver on the commitment to cascade quality funding to downstream partners, the same donor agencies are still imposing on UNICEF COs a set of measures which may constrain their ability to deliver on this commitment. These measures may range from donors imposing strict conditionality or tight earmarking in funding agreements, to donors increasing demands on due diligence and risk-management activities regarding UNICEF implementing partners, contractors and end-recipient of funds, to donors attempting to negotiate exceptional audit requests, etc. Furthermore, some of the interviewed donors reiterated that they rely on their partners (Public International Organizations and Non-Governmental Organizations) to have sufficient policies, systems, and internal controls in place to prevent and mitigate potential issues of cascading funding downstream.
- Required clarification on funding types expected to be cascaded in a multi-year and flexible manner:*** Some donors have emphasized the fact that they would not necessarily expect UN agencies to cascade core funding contributions in a flexible way. This point may need to be further clarified through a collegial discussion between donors and UN agencies, to agree on the type of contributions that should be prioritized for the cascading of flexible funds to implementing partners.
- Expectation that donors' trust in UNICEF will be cascaded until end recipients:*** Several donors have reiterated their commitment to trust UNICEF and their implementing partners to allocate resources where most required, with the assumption that this will allow to respond to the needs whenever and wherever they come up. In this spirit, it is expected that the same amount of trust should then be extended to UNICEF implementing partners. This requires changing the mindset and giving priority to maximizing the use of funding by reaching better results through maximum flexibility to respond to the needs on the ground. However, far from relying on blind trust, this cascading of flexible funding should rely on solid basis of mutual trust built over time (e.g. high levels of transparency and accountability, and mutual commitment to efficiency, demonstrated by both parties), to ensure that flexible funding arrangements will in fact maximize the impact of the funding on the ground.
- Expectation that the cascading of quality funding will reach local partners (Ref. Grand Bargain Workstream 2: Localization):*** The localization agenda remains more than ever a priority for donors, who would encourage UNICEF to provide multi-year and flexible resources to local partners whenever possible. Beyond the specific commitment of cascading of quality funding, it is especially important to have local partners involved in the quid pro quo between donors and aid organizations. Multi-year funding is especially important to strengthen the capacity of national and local partners over time, strengthen local partners role in coordination of the response in a sustainable way.
- Strong focus on adaptive management, and expectation that the cascading of quality funding will not limit the responsiveness to evolving needs on the ground:*** Several donors insisted on the importance for UNICEF to demonstrate that it can cascade quality funding to implementing partners while retaining the capacity to ensure that humanitarian funds are allocated to respond to the evolving needs on the ground. It is assumed that allowing flexibility to make decisions as close to the beneficiary as possible (such as at the implementing partners' level) should favour adaptive management and the achievement of

better results. But such considerations should be context and partner specific, depending on the competency and capacity of partners.

- **Risk management considerations:** It was noted that UNICEF could soften its current risk management system to allow ‘the trust to flow down the transaction chain’, and provide more flexible funding to implementing partners, while documenting the potential of this trust-based management of risks to assess its pros and cons. However, this process should be slow and gradual. In general terms, UNICEF will be expected to monitor the use of funds on the ground and ensure that funds disbursed by donors can be traced with precision. An option could be that decisions on risk management systems should not be discussed at global level only but would need to be discussed with donor missions at country level and should remain context specific.

It remains more than ever a priority for donors to demonstrate to their taxpayers that the funding disbursed to aid organizations is being spent appropriately, with exemplary fiduciary responsibility. The goal of increasing efficiencies and effectiveness through improving our business model remains important but should not solely focus on transferring flexible funds to implementing partners. A variety of opportunities to gain in efficiency should be identified beyond that, starting with efficiency gains in the planning of humanitarian responses, ensuring that humanitarian appeals are well laid out. In case UNICEF cannot overcome system requirements for earmarking of funds transferred to partners, it should then focus on other aspects of implementing partnerships that could be unlocked to overcome challenges. Some donors interviewed would therefore be interested in a more nuanced interpretation of the Grand Bargain commitment to improve the efficiency and effectiveness of funds implementation, beyond the multi-year and earmarking aspects of the funds transferred.

- **Donors systems may require earmarking at output level:** In case of funds provided to agencies’ country programmes, with a detailed log frame and, any discussion on the transfer of flexible funding to agencies’ implementing partners should be preconditioned on meeting them
- **UN agencies and implementing partners systems are not built for flexibility:** It was also noted that UN agencies and implementing partners systems are built to implement earmarked funding and may not yet be able to use flexible funding in the most effective and efficient way. System changes are therefore required at all levels.
- **Building the evidence base on the impact of multi-year and flexible funding:** Some donors requested UNICEF’s support to better document the added value of multi-year and flexible contributions, in order to build a strong case for their government. Some donors also flagged their interest to see greater transparency and accountability, along with quantifiable savings due to efficiencies, from first-level recipients as well as throughout the financing chain.
- **UNICEF should not fear that donors’ appreciation of its role and added value will be affected by the cascading of flexible resources:** Donors interviewed value their partnership with UNICEF COs for a number of reasons beyond implementation modalities. For instance, they rely on UNICEF to ensure that humanitarian responses are well coordinated at the sector level, and resources allocated wherever the needs are the greatest, especially in volatile humanitarian contexts requiring real-time reallocation of resources and operations when crisis evolves. Most donors would not have the capacity to perform this coordination and constant adjustments of response at the country level and would therefore continue to rely on UNICEF to take on this role.

Conclusions and Recommendations

Multi-year and flexible humanitarian funding plays a vital role in UNICEF's capacity to respond to humanitarian crises in effective and timely ways.

While acknowledging the efforts of a number of humanitarian donors to provide more flexible and multi-year funds, UNICEF recognizes that more progress is required on the mobilization of both, to allow a substantial increase in quality funding transferred to implementing partners.

Furthermore, UNICEF recognizes that it will continue to rely on quality humanitarian funding received from donors for a number of implementation modalities beyond cash transfers to CSO implementing partners in the future, in line with the organization's business model. As such, it is not foreseen that the proportion of quality funds received from donors which are transferred to partners will drastically increase in the future, beyond the current level.

Rather than limiting itself to the narrow goal of "cascading" a currently limited envelope of multi-year and flexible funds received from humanitarian donors to implementing partners, UNICEF has identified several areas for improvement in its own systems and practices to create more opportunities to transfer quality funding to implementing partners. This involves advancing quality funding transferred to partners through alternate means not directly captured in the Grand Bargain Workstream 7+8 Core Commitment 7.1, such as the following:

- Strengthen UNICEF COs planning of implementation modalities (especially in contexts of protracted or recurrent crises, where multi-year planning processes are in place), to favour multi-year over single-year engagement with CSO partners;
- Strengthen the adaptive management of multi-year programme documents signed with CSO partners, to allow more responsiveness to the changing needs of beneficiaries, through periodic adjustments of programme strategies and budgets executed through a light review process;
- Facilitate the signing of multi-year agreements with partners by adjusting the design of UNICEF financial system, to allow the commitment of Regular Resources (RR) available in future fiscal years in compensation of the funding gap in Other Resources - Emergency (ORE), and actively promote the use of this arrangement with COs, to encourage them to issue future year commitments against indicative commitment planning levels for RR;
- Consider revising the current UNICEF CSO Procedure to allow the transfer of softly earmarked funds to partners, including women's led organizations, whenever the country context, risk level and donor conditions allows it.

UNICEF will also aim to provide an enabling environment for the implementation of these measures, by enhancing its financial system to allow a better tracking of the quality of funds transferred to implementing partners, as well as by strengthening the evidence-base on the impact of quality funding on more effective and efficient humanitarian responses.

Furthermore, all efforts deployed to enhance quality funding cascaded to CSO implementing partners will be closely linked to parallel efforts to implement core commitments relevant to the localization agenda, including strengthening partnerships with national and local governments, with capacity building.

The following key recommendations have been adopted to achieve the desired changes at organizational level and are grouped under two objectives: (1) maximizing the impact of multi-year humanitarian funding and (2) enhancing UNICEF's systems to support the cascading of quality funding.

1. Maximizing the impact of multi-year humanitarian funding:

- Galvanize UNICEF and partners' efforts to provide more evidence-based documentation on the impact of quality funding on effective and efficient humanitarian responses, as a way to show better results and mobilize more multi-year and flexible funding from donors.
- Strengthen the multi-year vision and planning of COs on implementation modalities (in contexts of protracted or recurrent crises). In particular, whenever multi-year planning processes are in place, UNICEF COs could (1) be sensitized on the benefits of multi-year commitments with implementing partners, including women's led organizations as an inclusive part of the multi-year planning process; (2) be encouraged to identify implementing partners with whom to engage on a multi-year basis ahead of time, and to actively fundraise for these multi-year partnerships, to ensure that earmarked funds can then be prioritized towards this implementation modality. In parallel, substantial investment in partners capacity building should take place ahead of time to maximize the benefits of this multi-year commitment of funds.
- Ensure the responsiveness of multi-year programme documents. UNICEF should investigate the best modalities to cascade multi-year funds to implementing partners, while keeping multi-year programme documents closely aligned with the evolving needs on the ground and allowing for cost efficiencies to be made along the years. More flexible arrangements may need to be built into programme documents to allow for this to happen. This is an area where HQ guidance and operational support is required, to enhance capacities of COs and enhance the global expertise of UNICEF on adaptive management of programmes.

2. Enhancing UNICEF's systems to support the cascading of quality funding:

- Develop new system indicators in the UNICEF's reporting and performance management platform Insight, for assessing the efficiency and effectiveness of quality funding implemented by UNICEF offices.
- Encourage UNICEF COs to use the dashboard available under eTools - which provides for real-time information on the duration of agreements signed with implementing partners, and amounts transferred to partners under these – to monitor extent of operationalization of multi-year funding to implementing partners, with a view to increase.
- Simplify COs' procedures or introduce digital collaboration tools (electronic development of Programme Documents) to streamline amendment of signed Programme Documents with partners, as an incentive to the signature of more multi-year agreements with partners.
- Enhance UNICEF financial system design and relevant policies to allow Country Offices to sign multi-year Programme Documents with the understanding that the related funding requirements will be met through available and projected Other resources as well as from Regular (Core) Resources (RR) in the future (leveraging the amount of RR planned for futures years in the Country Programme Document).

- Engage a small group of COs in piloting the transfer of flexible funds (at the output or outcome/sector level) to trusted implementing partners, including women-led organizations, with HQ support on the modelling of an adjusted risk management approach for these partnerships, to help demonstrate if UNICEF could in the future amend its CSO procedure to allow the planning of programmatic interventions and flexible transfer of funds at a higher level of the results chain.

As UNICEF progresses through the implementation of the recommendations and enhances its systems and practices, the organization will also aim to strengthen the dialogue with humanitarian donors, to encourage a stronger alignment of global commitments to promote a more enabling environment for the realization of Grand Bargain commitments.



Photo Credit: © UNICEF/UN0327674/Ralaivita

References

- WFP, Enhancing Quality Funding: WFP Reflection Paper for the Grand Bargain Co-Conveners, December 2019.
- Development Initiatives, NRC. Field perspectives on MYHFP: Jordan and Lebanon, 2019.
- ODI, Grand Bargain Annual Independent Report 2019, 2019.
- UNICEF DAPM, Guidance for Civil Society Organizations on Partnership with UNICEF, February 2020.
- UNICEF, Multi-Year Flexible Funding: Best Practices, Opportunities and Examples, UNICEF Jordan and Lebanon, 2018.
- Simon Levine, Lewis Sida, Bill Gray and Courtenay Cabot Venton, Multi-year humanitarian funding. A thematic evaluation, July 2019.
- UNICEF, UNICEF procedure on harmonized approach to cash transfers to implementing partners, FRG/PROCEDURE/2018/001. August 2018.
- UNICEF, UNICEF procedure for country and regional office CSO implementing partnerships, FRG/PROCEDURE/2019/001, February 2019.
- UNICEF, UNICEF Strategic Plan, 2018–2021, January 2018.