

# Grand Bargain Quality Funding Caucus

## Revised Concept Note

### Introduction

This concept note by the International Rescue Committee (IRC) suggests how to pursue bold reforms on multi-year flexible funding<sup>1</sup> as part of the Grand Bargain (GB) high-level policy dialogue, or ‘caucus’, on quality funding. While improving the quality of humanitarian funding requires a broader set of interventions, such as focusing on the timeliness of funding disbursements, the caucus represents a promising opportunity to advance the Grand Bargain’s agenda on multi-year flexible funding with major donors, UN agencies, the Red Cross organisations, international and local NGOs in the coming months.

### Context

At the World Humanitarian Summit in 2016, donors, UN agencies, Red Cross organisations and NGOs came together to agree on the Grand Bargain around humanitarian aid. Commitments to more flexible, multi-year funding and greater financial transparency were adopted in hopes of making humanitarian aid more efficient, responsive, and equitable, in exchange for efficiency and effectiveness gains.

Five years on, Grand Bargain signatories have made progress in many aspects of quality funding. However, some of the more consequential commitments are more challenging to meet. Similarly, since 2016 several signatories have produced a considerable body of research on quality funding; less so on multi-year funding specifically. In May 2021, IRC published its vision for the second iteration of the Grand Bargain, or [Grand Bargain 2.0](#), with an explicit focus on enhancing quality funding by 1) increasing the volume of direct and pass-through funding to the frontlines 2) increasing flexible and multi-year funding, and 3) improving efficiency and effectiveness of delivery, including the transparency of funding flows to better hold actors accountable to their commitments.

### Problem statement

While we have seen progress in better-quality funding by several donors and UN agencies, there remain institutional barriers, regulatory challenges and little financial transparency in practice. This is particularly the case for multi-year flexible funding, for two reasons:

1. major donors (e.g. US and the EU/European Commission) have yet to provide multi-year funding at scale, though IRC can confidently produce [evidence](#) that multi-year flexible funding can improve both aid efficiency (administrative and staff costs) and aid effectiveness (programme delivery). On the other hand, smaller donors such as Sweden and the Netherlands do provide this kind of funding but cannot generate the critical mass needed for system-wide reforms. Despite a solid body of complementary [research](#) on multi-year flexible funding by other organisations, the evidence produced in the last five years has not been leveraged to bring about transformative reforms;
2. the largest UN agencies (UNHCR, UNICEF and WFP), which channel two-thirds of all humanitarian assistance, have not increased the volume of multi-year funding to their NGO partners. In some cases, such as with UNHCR, they have committed to multi-year planning, however that is distinct from multi-year funding and still does not guarantee predictability of incoming resources.

---

<sup>1</sup> Working definitions only, building on the technical work carried out by the Grand Bargain work stream on Enhanced Quality Funding, as well as the OECD definition of multi-year funding.

In addition, there are wide discrepancies in how some donors continue to report high volumes of funding (including multi-year) to the UN and how UN agencies pass it through to their implementing partners, who are not seeing the same volume of funding. Other donors report on contracted – versus actually disbursed – funds. Lack of consistent data on how quality funding cascades down the transaction chain undermines transparency and accountability efforts, fueling doubts on the effectiveness of humanitarian interventions.

### **Proposed way forward**

As lead of the quality funding caucus, IRC suggests taking a two-tier approach:

- a) **Elevating Grand Bargain discussions from technical conversations to a high-level dialogue among top decisionmakers.** By doing so, these stakeholders can reach an agreement on the most promising multi-year funding reforms and then instruct their respective organisations to follow up in the short to medium term. We can create a win-win situation by asking bilateral donors to increase multi-year funding to UN agencies and other organisations that work with implementing partners, with the explicit requirement that part of that increase will have to be passed through – in addition to supporting the stability of their own operations, in exchange for demonstrated efficiency and effectiveness gains of these actions, and more visibility and transparency.
- b) **Agreeing on other priority issues related to multi-year funding that require either more technical work or a longer timeframe.** Such priorities include, for example, setting a common target to increase the volume of funding cascaded to frontline implementers<sup>2</sup>; addressing the issue of risk and donor compliance requirements that impede an increase in pass-through funding; and better tracking financial flows to frontline implementers through timely reporting of pass-through to the Financial Tracking Service.

### **Objectives of the quality funding caucus**

Building on lessons learned from the first five years of the Grand Bargain, in its first iteration, the caucus would focus on multi-year flexible funding exclusively. This is mainly because, within the Grand Bargain, multi-year funding has received less attention than other components of quality funding to date, while its potential for transformative reforms remains high. Other components of quality funding would be considered to the extent possible in the first caucus and addressed more prominently at a later stage. Thus, the objectives of the quality funding caucus would be to:

1. **increase the number of multi-year (24 months or longer) funding agreements** from leading bilateral humanitarian aid donors (EU/European Commission, USAID BHA/PRM and other major donors) and the biggest UN agencies (such as UNHCR, UNICEF and WFP), plus OCHA as the main humanitarian coordinating agency;
2. in exchange for more multi-year flexible funding, **demonstrate the impacts/benefits of those agreements** to affected populations and donors, in terms of (a) aid effectiveness and (b) aid efficiency. NGOs would commit to measure the added value of multi-year flexible funding through established methodologies, such as the [Dioptra tool](#) and NEAR's [Local Performance Measurement Framework](#), as well as independent research (e.g. with Development Initiatives). UN agencies

---

<sup>2</sup> By 'frontline implementers' IRC means those actors who are best placed to intervene on the frontlines of humanitarian action, be they local civil society, international NGOs or a partnership of the two. For more information, please refer to IRC's position paper [Focus on the Frontlines: how the Grand Bargain can deliver on its promise to improve humanitarian aid](#) (2021).

receiving multi-year flexible funding from bilateral/multilateral donors would also commit to higher donor visibility.

The latter objective would allow bilateral donors to gain higher visibility on how their funding is spent down the transaction chain.

### **Desired outcomes**

At the launch meeting of the quality funding caucus, IRC President and CEO David Miliband will propose the following target for negotiation:

***By June 2023, donors and UN agencies increase the multi-year (24+ months) and flexible funding they provide by a percentage to be agreed, compared to the previous year, and cascade it to frontline responders (international, national and local NGOs). Receiving actors, including UN agencies, commit to demonstrate the efficiency and effectiveness of the multi-year flexible funding they receive using established assessment methodologies.***

Below is a rationale for the proposed target:

***By June 2023*** – this timeline takes into account the duration of the Grand Bargain 2.0’s mandate, which will expire in June 2023.

***Multi-year (24+ months) and flexible funding*** – this is a working definition building on the original definition by the OECD and the technical guidance by the Grand Bargain work stream on Enhanced Quality Funding<sup>3</sup>.

***By a percentage to be agreed*** – This proposal builds on the original Grand Bargain commitment on unearmarked funding (*Donors commit to progressively reduce the earmarking of their humanitarian contributions. The aim is to aspire to achieve a global target of 30 per cent of humanitarian contributions that is nonearmarked or softly earmarked*), as well as the original commitment on multi-year funding (*Aid organisations and donors commit to increase multi-year, collaborative and flexible planning and multi-year funding instruments and document the impacts on programme efficiency and effectiveness, ensuring that recipients apply the same funding arrangements with their implementing partners*).

***Frontline responders*** – By ‘frontline responders’ IRC means those actors who are best placed to intervene on the frontlines of humanitarian action, be they local civil society, international NGOs or a partnership of the two. Working definition.

***Receiving actors*** – this group includes all stakeholders receiving funding from bilateral or multilateral donors, either directly (first-level recipients) or indirectly (second and third-level recipients). As such, this working definition refers to NGOs, Red Cross/Red Crescent organisations and UN agencies.

***Using established assessment methodologies*** – for example, the [Dioptre tool](#) developed by IRC in collaboration with Acción contra el Hambre, CARE, Mercy Corps and Save the Children; or the [Local Performance Measurement Framework](#) developed by NEAR; or equivalent tools used by UN agencies and Red Cross/Red Crescent organisations.

---

<sup>3</sup> For more information, please refer to the Enhanced Quality Funding work stream’s [Definitions Guidance Summary](#).

### **Format and timeline of the caucus**

Unlike previous Grand Bargain groups, this caucus will not focus on technical discussions but prioritise a higher-level negotiation among the heads of donor and UN agencies. The format and timeline of the caucus comply with the criteria agreed by the Grand Bargain Facilitation Group for establishing caucuses. As the co-convenor of the caucus, IRC would need to identify common ground around the shared benefits of predictability of multi-year agreements, the political and bureaucratic constraints that remain for donors and intermediaries, and ways to best meet the needs of humanitarian actors.

**The caucus is intended as a five-month process from March until July 2022.** Preliminary meetings with DG ECHO have confirmed their interest in engaging with the caucus. European Commissioner for Crisis Management Janez Lenarčič has committed to co-host the launch and closing of the caucus with IRC President and CEO David Miliband in the spirit of *quid pro quo*. The negotiation itself would take place through two-three virtual meetings with Principals from the key stakeholders listed below. Preparatory roundtables would be held at Sherpa/senior level to inform the agenda of each high-level meeting and follow up on specific action points ahead of the final high-level meeting, which would likely take place after the Grand Bargain Annual Meeting in July.

IRC would also rely on the Grand Bargain Eminent Person, NRC's Secretary-General Jan Egeland, to hold bilateral negotiations with key members of the caucus as needed.

### **Stakeholders involved**

A prerequisite of Grand Bargain caucuses is to ensure the right balance between inclusiveness and effectiveness. The stakeholders listed below are suggested based on IRC's current power analysis and in consideration of either their relevance to, or influence on, the issue of multi-year flexible funding.

**Major bilateral donors: EU/European Commission, USAID/PRM, US/BHA and other major donors.** Other supportive donors, such as Canada and the Netherlands, would be invited to join an informal advisory group while the focus of the negotiations remains on the largest donors.

**UN family:** major UN agencies such as **UNHCR, UNICEF, WFP and OCHA.**

**Red Cross and Red Crescent organisations: ICRC.**

**Civil society: Interaction**, representing INGOs, and **NEAR**, representing local actors.

**Convener: IRC.** The launch and closing of the caucus will be convened by IRC President and CEO David Miliband with EC Commissioner for Crisis Management Janez Lenarčič.

### **Indicative timeline:**

- February 2022: preliminary conversations between IRC's Principal, President and CEO David Miliband, Eminent Person Jan Egeland and EC Commissioner Lenarčič
- 11 March: launch of the caucus – first Principal-level meeting
- 24 March: follow-up roundtable at Sherpa level, post European Humanitarian Forum
- April: roundtable at Sherpa level – may be followed by a second Principal-level meeting if needed
- May: roundtable at Sherpa level
- June: side conversations in the margins of the Grand Bargain annual meeting
- July 2022: preparatory Sherpa-level roundtable and final Principal-level meeting.