

## Donors roundtable on Multi Year Financing models

### BEST PRACTICES

#### Introduction

On September 27<sup>th</sup>, 2022, a roundtable co-organized by DG ECHO, Save the Children and International Rescue Committee on multi-year financing (MYF) models took place virtually.

The roundtable reunited representatives from Danida, DG ECHO, Dutch Relief Alliance, Irish Aid, Sida and several of their NGO partners. The objective was both to increase the mutual understanding and knowledge of the different MY partnerships as well as the differences and communalities between them. The discussion originated a number of interesting suggestions and practices to improve the MYF frameworks and, with that, the efficiency of the funded programmes. Some of these are presented below, with the hope that donors and partners can draw inspiration for their respective models.

For every topic below, the document first briefly summarizes the current state of play for the five donors that joined the roundtable. From those practices, a best practice from an NGO perspective is selected.

#### Best practices from the roundtable

##### Proposal format

- **State of play:** The application process for MYF overall has some similarities – partners are first assessed on their administrative and financial capacities and then they submit a proposal for the programme using a predefined template. A Theory of Change and results framework are common requests.
- **Identified best practice:** Aligning with the reporting modalities (see paragraph below) could be easier for partners. For instance, the DRA uses a fixed proposal format that follows the “8+3” template: this consists of a simplified narrative reporting, composed by a list of questions from which donor can select a maximum of 8 core and 3 additional questions, based on their information needs.

##### Budget predictability

- **State of play:** Despite the different duration of partnership agreements and of programmes, almost all the presented models have a budget which duration is either 12 months or it is revised every 12 months. The only exception is the model proposed by the DRA, which signs two-year contracts with its partners for protracted crisis joint responses.
- **Identified best practice:** NGOs sometimes experience that the annual budget commitments lead to issues with approvals from local authorities. Thus, one of the benefits of a multiyear agreement is lost when seeking annual approval from local and/or national authorities. Hence, a model offering a longer budget duration, like the one suggested by DRA, would be more convenient to the partners.

## Flexibility

- **State of play:** In terms of budget flexibility, the approach is not unified in the presented models. Some donors allow annual flexibility (e.g., DG ECHO, Danida), whilst others do not prefer budget under or overspend across years (e.g., Irish Aid, Sida). Flexibility also varies in geographic terms, with some donors allowing the carry of funds from one country to another, while others do not.
- **Identified best practice:** Overall, DG ECHO's model is the most preferred by the partners from all five models. In fact, annual under and overspending is possible, and, as of 2023, the possibility for the partners to move budget from one country to another in case of multi country programmes could be considered. This would allow partners to better respond to crisis. Moreover, anticipatory action such as the establishment of Early Warning Systems, is allowed.

## Crisis modifier

- **State of play:** With the exception of DG ECHO, which proposes a different system, all the partners include the crisis modifier in their model. With Danida, the partner organisation can have up to 33% of the annual humanitarian funding as flexible funds, and additional top-up calls are available for Strategic Partners. With DG ECHO, a crisis modifier is not proposed per se, but a contingency/adaptability budget line can be used to accommodate a reduced budget.
- **Identified best practice:** This last option allows the partner to adapt the programming based on the changing environment, without administrative procedures with the donors. Moreover, it is accessible without a modification request.

## Localisation

- **State of play:** When it comes to localisation, the modalities are very different among the donors. The DRA aims at allocating 35% of its funds to the local partners, while DG ECHO prioritises proposals where 25% of the funds are spent in activities implemented by the local partners, as part of its Grand Bargain commitment<sup>1</sup>. The other donors have either no requirements in place or limit themselves to recommend a participative and inclusive approach.
- **Identified best practice:** In this framework, an alignment of the donors to the threshold of 25% of funds to local partners agreed during the Grand Bargain would be desirable. An absence of targets, although it may guarantee greater flexibility, does not, on the other hand, entice partners to improve their performance in terms of localisation. Nevertheless, the implementation of a threshold should not turn into a "tick box exercise" with additional pressure for local actors.

## Reporting modalities and frequency

- **State of play:** Concerning the reporting modalities, the narrative and financial annual reports are the most widespread modality, with some light changes among the donors. They focus on elements such as key achievements, lessons learned or main changes. Danida nevertheless proposes an approach based on informal and formal dialogues throughout the year in which reports are approved together with budget and plans for the upcoming year. In addition, the donor often requires reporting on some additional information. For instance, Danida requires for a biannual budget submission, and DRA a biannual reporting on risk. Moreover, in addition to

---

<sup>1</sup> This commitment is part of the DG ECHO's recently published localisation guidance (March 2023). When the Roundtable took place in September 2022, DG ECHO still didn't have any threshold for localisation.

these are the reports on partnership, the frequency of which varies according to the donor: from once per year (DG ECHO, Irish Aid), to once per partnership (Sida).

This often sums up in creating a rather complex reporting system, in which partners have to report several times a year.

- **Identified best practice:** Despite recognizing the need for annual narrative and financial reports, for all other information streamlined reporting could be a more efficient approach. In this framework, partners showed interest in the “8+3” template. If used since the proposal stage (as the DRA does), this could significantly simplify the reporting procedure. DG ECHO also gives the possibility to base the reporting on the 8+3 template for its Programmatic Partnership.

### Risk Management

- **State of play:** When looking at the audit requirements, no donor has a specific level of detail or frequency dedicated to their MYF model, but rather use their standard auditing modalities. DRA, Irish Aid, Sida and Danida have annual audit requirements. Whilst DG ECHO makes a selection of programmes to be audited and it can happen anytime five years after the end of the implementation.
- **Identified best practice:** The DRA model grants higher flexibility to partners. In fact, DRA relies on DG ECHO partners assessment as part of which DG ECHO assesses their policies and procedures. Therefore, the Dutch MFA doesn't apply additional compliance requirements, reducing the auditing burden for its partners. However, the DRA partners report two times a year on risk and update IATI on a quarterly basis.

### Learning

- **State of play:** Several donors organize learning events with the partners. For instance, DG ECHO organises learning days and staff perception workshops, the DRA is conducting Real-Time-Reviews in each response for learning purposes and Danida carries out thematic reviews across all partnership organisations.
- **Identified best practice:** The partners welcome all the initiatives that allow to create learning and exchange environments. For instance, Irish Aid allows partners to allocate 6% of their grant for programme quality cost for monitoring and evaluation, organisational development and research and learning.

### Evaluation

- **State of play:** In terms of evaluation, the donors propose different modalities. If evaluations are not mandatory for DG ECHO, Sida and Danida, the Dutch MFA requests DRA several evaluations, including mid-strategic funding period.
- **Identified best practice:** As already mentioned above, Irish Aid gives to the partners the possibility to allocate 6% of their grant for activities such as monitoring and evaluation. This allows the partner not only a higher budget than is usually allocated for evaluations, but also more flexibility on how to use it.