

Progress Acceleration Workshop: Enhanced Quality Funding through Reduced Earmarking, Multi-Year Planning and Funding

Workshop Outcome Report

Building on the recommendations made at the Grand Bargain Annual Meeting in June 2019, the co-conveners of the Enhanced Quality Funding workstream, Canada, UNICEF, Sweden, ICRC, Norwegian Refugee Council (NRC) and UN OCHA, organised a one-day workshop on the 19th of September 2019 in Geneva. The purpose of this workshop was to agree on practical strategies and solutions in order to accelerate progress against the Grand Bargain multi-year and flexible funding commitments.

More than 50 attendees (58) participated in a full day of discussions that included presentations on two studies commissioned by the co-conveners to frame discussions.¹ Annex A provides a more detailed list of workshop attendees. Presentations during the workshop included:

- A background paper commissioned by NRC synthesising the latest available evidence on progress against the multi-year and unearmarked funding Grand Bargain commitments as well as on the impact of enhanced quality funding and multi-year planning in order to identify challenges, issues and opportunities; and
- A research study by Development Initiatives (DI), supported by Canada, to quantify levels of multi-year funding at the global level. In tandem with this study, NRC and Development Initiatives jointly carried out field case studies to better understand the operational impact of multi-year and flexible funding in Lebanon and Jordan.

Reference Documents

DI (2019). *Global Study on Multi-Year Funding: Presentation of Preliminary Results*.

NRC (2019). *Quality Funding Workstream: Workshop Background Paper*.

DI & NRC (2019). *Field Perspectives on Multi-Year Humanitarian Funding and Planning*.

Please note that all the reference documents will be available shortly on the Grand Bargain website. The co-conveners of workstream 7+8 will provide participants with these links as they become available.

Over the course of this workshop, workshop attendees participated in breakout discussions on the following topics:

- Donor representatives discussed the hard constraints, barriers, and opportunities for further progress to increasing multi-year funding and progressively reducing earmarking.
- Separate breakout groups consisting of UN agencies, field representatives, NGOs, ICRC, and IFRC discussed the barriers for first-level recipients to passing on or cascading quality funding to implementing partners.
- Three mixed breakout groups discussed:
 - Definitional issues in reporting multi-year and flexible funding;

¹ Including 17 representatives of 13 donors; 20 representatives of 12 multilateral organizations, including three representatives from crisis-affected countries (Jordan, Lebanon and Afghanistan); 15 representatives of 12 NGO and NGO network organizations, including two non-signatory NGOs; the IFRC and ICRC; and two representatives of the Grand Bargain Secretariat.

- The current status and workstream opportunities to advance multi-year planning; and
- Opportunities to increase funding quality outside of the steps envisaged in the commitments.

Highlights of the breakout sessions and proposals for solutions and opportunities were discussed in plenary. This document summarizes key themes, proposals, as well as outstanding gaps and challenges emerging from these discussions. The workstream co-conveners also provided additional commentary and a refinement of the proposed next steps.

Key message: There is a strong appetite to build on existing progress and to achieve a meaningful and lasting impact on improved quality funding within the remaining implementation period of the Grand Bargain. Signatories and co-conveners are motivated to apply creative solutions to continue to push this agenda.

The two background papers confirm that significant progress has been made against the core commitments, which are noted as underpinning the Grand Bargain quid pro quo. Multi-year funding has grown year on year and is reaching the level of a normative shift for many donors. DI's research 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 USD \$2.7 billion in 2016 (32% of total funds reported) to USD \$4.8 billion in 2018 (37% of funds reported). This represents a 75% increase between 2016 and 2018. Progress has also been made in increasing the supply of flexible funding in some areas – notably in the increase in contributions to country-based pooled funds – and donors participating in the workshop indicated their intention to continue to look for opportunities to increase flexible funding. However, the overall uplift in flexible funding does not appear to have kept pace with the growth in funding overall, and a number of barriers to further scale up were noted.

These challenges notwithstanding, signatories of all constituencies indicated a willingness to identify creative and practical solutions to achieving greater flexibility and predictability in humanitarian funding.

Key message: Signatories are committed to continue to strive for progress against the core commitments but also indicated an openness to seek out opportunities for alternative approaches to derive greater quality from existing funding arrangements at the same time.

It was not possible in the workshop setting to make a realistic assessment of exactly where and how much potential for growth remains. However, as noted in the Grand Bargain 2019 Annual Report and DI's global study, significant progress has been made in increasing the supply of multi-year funding. Donors present at the workshop indicated an interest and scope to further increase the supply of flexible funding. A number of shared constraints and potential opportunities were however outlined.

In addition to the accountability, visibility, and transparency requirements, foreseen by the Grand Bargain drafters as key enablers of progressively reduced earmarked funding, participants noted that in some donor countries the political environment has become increasingly more challenging and support for aid budgets can no longer be taken for granted. Furthermore, concerns around fraud and corruption have intensified and safeguarding concerns have emerged as a major new area of potential risk. For some donors, protecting their existing levels of aid, and particularly their unearmarked funding, has become much more difficult. Scope for further progress in certain types of flexible funding in this context is realistically challenging.

Donors also noted that they needed to balance predictability and flexibility themselves so that they can commit to providing predictable funding for their partners, whilst at the same time retaining flexibility to respond to unforeseen needs. In practice, this means retaining some funding that is not pre-committed. In addition to donors' own internal incentives to earmark, there is also a range of incentives within the system that support earmarking, including annual funding appeals and pledging conferences.

UN agencies noted that earmarked funding accounts for upwards of 80% of their funding portfolios, sometimes far higher. Across all constituency groups, there was a strong level of interest and openness to looking for new opportunities to derive greater flexibility and predictability from earmarked funding at the same time as pursuing further progress against the core commitments. A range of practical examples were offered, including programme-based flexible funding earmarked to the country-level; drafting proposals and agreements phrased to allow scope for shifts in priorities and activities without having to formally modify agreements; and other practical improvements to donor practice including greater predictability of fund disbursements.

A mapping exercise of good practices in providing quality funding was proposed. Two suggestions proposed at the June 2019 Grand Bargain Annual Meeting were also revisited: one proposed by the OECD to convene auditors and legal departments to identify hard constraints and opportunities around compliance requirements, and the other put forward by the United States to catalogue risk language across donor institutions.

Key message: There is a consistent demand from donors for agencies to provide greater visibility, a better narrative, and stronger evidence on the added value of quality funding.

Given the increasingly challenging domestic political environment, donors expressed a strong and consistent demand for a range of evidence that would help them to build a convincing narrative to explain and justify the added value of quality funding.

For core funding, this includes greater transparency around how funding decisions are made; improved results reporting; transparency around management costs; and a better story around the added value of flexible funding. In order to help donors maintain and increase their provision of multi-year funding, they require evidence that multi-year funding helps to facilitate outcomes that are more effective for crisis-affected populations. Donors also require support from their partners to provide better visibility of their contributions to enable them to demonstrate to parliaments as well as their public how and where their governments have contributed.

A variety of suggestions was offered to capture better the benefits of quality funding such as mapping recipient organization best practices. However, in order to build a better narrative around the benefits of quality funding, and examples of effective visibility, a clear definition of the purpose and properties of quality funding is also necessary.

Key message: A clear statement of the purpose and properties of quality funding is necessary.

There is a strong demand for greater clarity in the purpose, properties and technical definitions of quality funding. In the early years of implementation of the commitments, the definitions of flexible funding provided in the Grand Bargain document, and the informal adoption of the OECD definition of multi-year funding were considered sufficient.² However, several years in and observing differences in perceptions of the uplift in quality funding between donors and recipients, as well as challenges in cascading funding to downstream delivery partners, it is clear that many different interpretations of quality funding and many restrictions and conditions are in effect.

There is still no objective measurement for the quantities of multi-year and flexible funding. Both multi-year and degrees of funding flexibility can now be reported to the OCHA FTS and IATI. The technical capability to track quality funding therefore exists. However, reporting against these fields is currently low.

There is consensus across the signatories that revisiting and refining the definitions of quality funding is an urgent priority. This will provide a common language and standards on the properties of quality funding. This is largely a technical exercise, including collecting existing definitions, establishing commonalities, and proposing good-enough working definitions.

Key message: Cascading quality funding from first-level recipients to implementing partners is flagged as a point of concern, but in practice a range of barriers exist and appetite for further work on this topic was not clearly established.

Many UN agencies in principle have the capacity to enter into multi-year partnership agreements. However, in practice the overwhelming majority of funding for both UN agencies and INGOs remains annual and earmarked and may arrive at different stages throughout the year on an unpredictable basis. They do not have predictability at the level of their overall country portfolios. Delays in payments from upstream donors can create liquidity problems for UN agencies when passing on funds to partners. First level recipients do not have sufficient visibility and predictability of funding to allow them to enter into longer-term financial commitments with downstream partners.

² The OECD definition is as follows: “Multi-annual funding refers to funding given over two or more years for humanitarian assistance, including funding for multilateral organisations, national disaster management agencies, the Red Cross and Red Crescent Movement and local and international NGOs.” <http://www.oecd.org/development/humanitarian-donors/docs/multiyearfunding.pdf>. Definitions of flexible funding are included as an annex to the 2016 Grand Bargain, which describes and defines a range of modalities along a spectrum of unearmarked, softly earmarked, earmarked and tightly earmarked. https://www.agendaforhumanity.org/sites/default/files/resources/2018/Jan/Grand_Bargain_final_22_May_FINAL-2.pdf

First-level recipients are expected to provide a high level of risk assurance to donors and therefore apply relatively stringent controls with their partners. In reality, levels of compliance increase as you move down the transaction chain. This limits the ability to provide flexible terms to partners. Partners may also lack capacity; capacity strengthening is not funded; and in these circumstances, there is no incentive 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. The donor group also noted that, in certain cases, completely unearmarked funds are often provided to organizations where they sit on the board and as such, passing unearmarked funds to downstream partners could be a risk management concern.

Both UN agencies, NGOs, and field-level actors noted that the willingness to pass on flexible and predictable funding to implementing partners also comes down to a question of trust. Donors echoed this point separately. This is more than a matter of operational and compliance capacity; it is the product of relationships and reputation. This takes time and is difficult to create to order.

Longer-term partnerships would fall within a longer-term programmatic vision, which not all organizations have yet achieved, and which may not be appropriate in all response contexts. Furthermore, it would also require investments in capacity strengthening and partnership building, which are often unfunded.

Overall, there are currently many practical barriers and few incentives to pass on more multi-year and flexible funding to partners. All stakeholders are now interested to investigate this subject further as a means of improving the system of humanitarian financing. In particular, there is a need to include local and national actors in this discussion and connections with the localization workstream should be leveraged.³ Further discussion is required amongst donors to establish the extent and areas in which there is a demand on their part for their first-level recipient partners to pass on more multi-year and flexible funding to downstream partners.

Key message: The ability of this workstream to influence multi-year planning is not clear.

The Grand Bargain envisaged a clear link between multi-year planning, multi-year funding and longer-term collaborative approaches working across the nexus in order to reduce humanitarian needs. In practice, the first part of the commitment on multi-year planning was quickly met, with multi-year HRPs adopted in 12 countries by 2018.

However, collective-level multi-year planning has not incentivized multi-year funding. Appeals continue to be issued annually and where multi-year funding exists, it is more likely pegged to donor and recipient budget and programme cycles than to the cycles of collective plans. The added value and demand for collective-level multi-year plans is not always clear-cut. In some cases, host governments are not receptive to multi-year plans. Further, several countries with multi-year HRPs are expected to revert to annual HRPs in the near future.

³ There is a clear linkage with core commitment 2.1 to “Increase and support multi-year investment in the institutional capacities of local and national responders, including preparedness, response and coordination capacities, especially in fragile contexts and where communities are vulnerable to armed conflicts, disasters, recurrent outbreaks and the effects of climate change. We should achieve this through collaboration with development partners and incorporate capacity strengthening in partnership agreements.”

Moreover, in the intervening period, multi-year planning and the prioritization across the nexus has entered a period of active reform and experimentation: revised UNDAF guidelines are now in effect; Comprehensive Refugee Response Frameworks (CRRFs) are being rolled out in a growing number of countries; and experiments with prioritization against Collective Outcomes undertaken in a number of countries. There are also divergent opinions on the extent to which humanitarian programming should and can meaningfully influence structural problems. In light of this unfinished policy and practice debate therefore, it is not clear what the Workstream could usefully focus on in the remaining implementation period of the Grand Bargain.

Key message: It is not clear whether multi-year funding is a critical enabling factor for multi-year planning and programming.

Multi-year planning and programming has proved more difficult to achieve than initially anticipated. The tipping point for organizations to shift towards multi-year planning and programming is not clear. In some cases, particularly for multi-mandate organizations, multi-year funding does not prompt multi-year planning and programming. Rather, funding supports and slots into multi-year plans and programmes. Many project-based organizations meanwhile argue that they cannot make the shift without a critical mass of multi-year funding. This “chicken-and-egg” dilemma was noted, but it was not possible to identify practical next steps to help accelerate the upgrade of organizational capabilities to think, plan and programme longer-term.

Recommended Next Steps for the Enhanced Quality Funding Workstream

The discussions put forward a range of potential recommendations, which were discussed in plenary. Based on these discussions and further discussion among the co-conveners, the following next steps were identified:

- **Definitions:** Considering the urgency and centrality of this issue as well as the limited timeframe, the workstream proposes to undertake an exercise to gather, compare and propose common definitions and to develop a *Definitions Guidance Document* by the end of December 2019.
- **Reporting:** The workstream needs to undertake further consultations and information gathering to identify a way forward to develop a better narrative to justify quality funding, building on the agreed definitions. The workstream will also consult with the Facilitation Group to discuss how to use the annual reporting process to better demonstrate best practices.
- **Identifying opportunities to improve quality funding beyond the commitments:** The workstream will develop a *Collection of Best Practices Picnic Basket*, which will include the following:
 - Overall objectives of quality funding for all humanitarian actors;
 - A “mapping exercise” that catalogues and categorizes how donors provide and recipients use quality funding;
 - A compilation of best practices with respect to unearmarked funding; and
 - A toolbox of concrete examples on how to use earmarked funding in a more flexible way.
- **Identifying risk and compliance constraints:** The co-conveners will support the Grand Bargain Secretariat in following up on the suggestions made at the June 2019 Grand Bargain Annual Meeting from the OECD as well as other opportunities to identify risk management and other compliance barriers across the transaction chain that impede scale-up and cascading.

- **Cascading funding:** The co-conveners will continue to explore other bottlenecks to passing down quality funding through the Enhanced Quality Funding workstream and to work with other Grand Bargain workstreams in identifying links and potential solutions.
- **Multi-year planning:** The workstream co-conveners will liaise with the IASC Results Group 5 on Humanitarian Financing to assess their capacity and willingness to lead the work on gathering evidence on the impact and effectiveness of multi-year planning, as well as the linkages between multi-year planning and multi-year funding.

The Workstream Priority Action Plan has been duly updated with these proposed actions.

ANNEX A

List of Participants at the Progress Acceleration Workshop (September 19, 2019)

No.	First Name	Last Name	Institution/State
1	Lobna	Hadji	World Bank
2	Bjoern	Hofmann	The Netherlands
3	Doris	Voorbraak	The Netherlands
4	Corinna	Kreidler	Humanitarian Outcomes
5	Petra	Demarin	International Federation of the Red Cross
6	Rasmus	Egental	WFP
7	Marie-Hélène	Kyprianou	WFP
8	Dylan	Winder	United Kingdom
9	Hiroko	Araki	UNHCR
10	Emilie	Irwin	UNHCR
11	Agnes	Dhur	UN OCHA
12	Mark	Schanck	European Union (ECHO)
13	Gareth	Price-Jones	Steering Committee for Humanitarian Response
14	Jeremy	Rempel	ICVA
15	Kathrin	Bergmann	Germany
16	Rekha	Das	UNDP
17	Sofie	Kallehauge	Denmark
18	Kristina	Olsen	Denmark
19	Lindsay	Hamsik	InterAction
20	Farida	Bena	International Rescue Committee
21	Magda	Cavanna-Highams	International Rescue Committee
22	Michiel	De Wolf	Belgium
23	Marta	Collu	Italy
24	Oriol	Escalas Nolla	Spain
25	Nik	Rieger	Development Initiatives
26	Angus	Urquhart	Development Initiatives
27	Hiba	Qasas	UN Women
28	Elizabeth	Bellardo	USAID
29	Rodrigue	Vinet	FAO
30	Berit	Tvete	Norway
31	Gianmaria	Pinto	Grand Bargain Secretariat
32	Tamara	Kajtazovic	Grand Bargain Secretariat
33	Linda	Öhman	Sweden (SIDA)
34	Howard	Mollet	CAFOD
35	Ingo	Piegeler	UNFPA
36	Lene	Aggernaes	UNFPA
37	Charlotte	Stemmer	OXFAM
38	Marcy	Vigoda	UN OCHA
39	Tanja	Schuemer	UN OCHA
40	Zola	Dowell	UN OCHA (Jordan)
41	Baptiste	Hanquart	Jordan INGO Forum
42	Kate	Norton	NRC (Lebanon)
43	Anne-France	White	UN OCHA (Lebanon)

44	Rajendra	Aryal	FAO (Afghanistan)
45	Maria	Karadenizli	UN Women
46	Coree	Steadman	International Federation of the Red Cross
47	Claire	Clement	Australia
48	Christopher	Demerse	Canada
49	Hong-Won	Yu	Canada
50	Jelena	Jovanovic	UNICEF
51	Marilena	Vivani	UNICEF
52	Karin	Seydlitz	Sweden
53	Samar	Al-Attar	International Committee of the Red Cross
54	Adib	Nahas	International Committee of the Red Cross
55	Cecilia	Roselli	NRC
56	Robert	Smith	UN OCHA
57	Ariane	Waldvogel	ProVictims Foundation
58	Nelly	Staderini	Médécins Sans Frontières