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LIVING UP TO THE PROMISE OF **MULTI-YEAR HUMANITARIAN FINANCING**

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EXECUTIVE SUMMARY

Multi-year humanitarian financing (MYHF) is widely assumed to bring with it a variety of benefits. However, such benefits have rarely been tested beyond theoretical conjecture. This study explores when and where MYHF can have the greatest effect, as well as identifying the investments and enabling conditions required at the organisational and systemic levels for it to live up to its potential. The research also points towards the challenges that humanitarian actors now face in building a more predictable and responsive humanitarian system, as well as identifying a set of new and emerging challenges related to the Agenda 2030 commitments.

The longstanding demand from humanitarian organisations for MYHF has been endorsed in the Grand Bargain, but a new set of practical challenges must now be tackled. More progress has been made against the commitment to increase MYHF than on many other commitments included in the Grand Bargain (GPPI, 2017). However, having finally made the case for MYHF, donors and responding organisations are now beginning to grapple with a second generation of challenges. These centre on how MYHF can truly enable greater efficiency and effectiveness, and what investments and upgrades are needed for it to realise its full potential. Multi-year financing in its current form is necessary, but is not sufficient to secure the potential gains of longer-term approaches. And while it offers many potential benefits at the project and programme levels, a far more radical approach to financing is needed to drive substantial efficiency and effectiveness gains at the system level.

A further set of challenges for MYHF is emerging, posed by new global policy commitments and paradigms. The UN Secretary-General's 2015 Agenda for Humanity identifies multi-year planning and financing as an enabling condition to work towards "collective outcomes" designed to "end needs". Multi-year approaches have consequently been framed not simply as a means of making humanitarian response more efficient and more effective, but as a tool to help bring together actors across the humanitarian–development–peacebuilding nexus (HDPN) to work towards longer-term transformative change.

This new agenda poses a range of challenges above and beyond improving the efficiency and effectiveness of humanitarian response. In many cases the way forward is not yet clear, and it will require investments in evidence and dialogue to chart a path that protects and supports the comparative advantages of principled humanitarian action.

Key lessons emerging from this study include the following.

LESSON 1:

Predictable and flexible humanitarian financing enables early and rapid response, which delivers significant efficiency and effectiveness gains.

There is significant evidence confirming MYHF contributes to efficiency and effectiveness gains for early and rapid response, including in slow-onset crises where mobilising financing is otherwise notoriously difficult. Providing predictable and flexible financing to improve preparedness, along with early and rapid response, is an important and well-evidenced end in itself.

LESSON 2:

Cost-efficiency savings and value-for-money gains are not automatic: they need to be targeted with precision, designed, and managed for.

With the notable exception of reduced proposal development and administrative transaction costs, there is little evidence to indicate that MYHF alone has delivered significant cost savings, and cost inefficiencies are often in reality driven by multiple factors. Cost-efficiency savings are unlikely to happen by chance: inefficiencies should be clearly diagnosed and strategies developed to address them. Longer-term approaches can enable longer-term returns on investment, but identifying and targeting investments requires new approaches to assessing the returns on investment and a new level of discipline in response design.

LESSON 3:

Flexibility is key to reinforcing the gains of increased financing predictability, but balancing predictability and flexibility is a delicate art.

Managing multi-year financing in a way that allows flexibility is a clear and consistent priority for responding organisations. Humanitarian organisations and donors are only just beginning to get to grips with the need for a new and different approach to programme management to handle this. Meanwhile, donors face contradictory pressures in balancing predictability and flexibility at the global portfolio level.

LESSON 4:

Responding organisations and system-level tools are not yet engineered to deliver multi-year approaches.

Building a humanitarian system that can analyse, plan, respond and learn with a view to longer-term outcomes will require investments in skills, culture and institutional incentives as well as tools and systems. Organisations that already have development programmes and larger, better-resourced agencies in general are better equipped and able to invest. Smaller organisations and those with limited access to flexible and longer-term funding may need additional support from donors to invest in system upgrades.

LESSON 5:

MYHF has not yet reached the critical mass necessary to drive transformative system-level change, and the benefits are spread unevenly.

MYHF still represents a relatively small proportion of total humanitarian funding and has not yet reached the critical mass necessary to shift incentives and drive transformative change. The benefits of such funding also accrue unevenly across the humanitarian response system. In particular, recipients of MYHF are not routinely transferring the benefits of such funding negotiated at the global level to country programmes, and they rarely provide MYHF to their own implementing partners.

LESSON 6:

MYHF is an important step forward, but it does not address deeper structural financing challenges.

MYHF provides greater predictability primarily at the project and programme levels; it does not address challenges of system-level liquidity or business continuity. Creative approaches to analysing financing needs and designing financing instruments, including market-based instruments to mobilise private capital, could help to drive major transformative changes in business models and programming approaches, and bring substantial efficiency and effectiveness benefits. These approaches have yet to be seriously considered or tested at scale.

LESSON 7:

MYHF supports and enables a range of longer-term approaches, but evidence confirming the case for transformative outcomes is sparse.

A broad range of programming activities would benefit in principle from greater predictability and longer planning horizons – for example, strengthening systems and capacities or influencing behaviour change, and activities which span calendar years, such as seasonally sensitive programming. But while there are some promising indications, there is currently insufficient evidence to confirm that transformative outcomes are being achieved. There are clear indications that in the absence of additional supporting investments to address structural risk and vulnerability, and given the scale of the challenges, the impact of humanitarian investments on transforming underlying vulnerability is modest at best. In addition, measuring change in complex problems and attributing the contribution of international investments in low-resource, crisis-affected or insecure settings is immensely challenging and may require new approaches to measurement and the acceptance of new types of evidence.

LESSON 8:

In protracted and recurrent crises, planning for "collective outcomes" may offer new opportunities in longer-term planning, but it may also pose a range of challenges for existing humanitarian tools and approaches.

Experiments in collective multi-year planning have encountered a range of practical challenges, and on balance initiatives have yet to meet the expectations, or the information and coordination needs, of their primary users. Humanitarian Response Plans (HRPs) are constrained by legacy structures and tools, which act as a brake on their ability to work for longer-term outcomes. For instance, humanitarian response has been predicated on assessment, analysis and prioritisation of needs, whereas longer-term approaches also require an understanding of the root causes of vulnerability and risk. Working towards collective outcomes offers the promise of a clear conceptual framework and division of labour across the HDPN on a limited set of priority issues, but it will also further challenge existing planning, budgeting and fundraising approaches.

LESSON 9:

Financing tools and the financing architecture at the country level do not yet match aspirations to work towards collective outcomes across the HDPN.

Most MYHF is provided though bilateral agreements with UN and INGO partners, which are often negotiated at the headquarters level. Existing country-level humanitarian financing instruments, designed to incentivise a coordinated approach and rational coverage of financing needs, are not designed to accommodate multi-year approaches. Some hybrid instruments are emerging, but there is no clear strategy and no tools to focus MYHF towards priority financing needs as part of a coherent financing response at the crisis level.

LESSON 10:

Extending humanitarian action into the HDPN without commensurate effort from development financing actors risks creating a moral hazard and putting further pressure on scarce humanitarian resources.

The Sustainable Development Goals (SDGs) are driving a substantial scale-up in engagement of development financing actors in at-risk and crisis-affected settings. However, funding flows have yet to catch up with policy commitments and aspirations, and in many settings there is still a chronic lack of flexible and risk-tolerant development financing. Humanitarian actors have a critical role to play in advocating for and influencing the prioritisation and targeting of development financing, to ensure that the most vulnerable are not left behind and to protect scarce humanitarian resources from being stretched beyond the scope of their competence and remit.

RECOMMENDATIONS

The following is a summary of recommendations intended to address key emerging gaps and challenges. Expanded discussion of the recommendations is included in the main part of the report. Many more challenges and opportunities are yet to emerge, however, and thus the humanitarian and development community is likely to be on the brink of a dynamic and creative period of significant learning and innovation.

- **Recommendation 1:** Treat MYHF as an investment that is targeted, designed and managed to deliver the greatest returns.
- **Recommendation 2:** Invest in learning what works and in ways to loop this back into adaptive programming and building the case for MYHF.
- **Recommendation 3:** Invest in institutional capacities to analyse, plan, design and monitor on a multi-year basis and to manage activities flexibly.
- **Recommendation 4:** Apply greater scrutiny to current practices, issues and disincentives to conferring the benefits of MYHF through all levels of the response system.
- **Recommendation 5:** Design for and invest in building financing predictability at the system level.
- **Recommendation 6:** Design new financing tools and architecture at the country level which incentivise and enable layered, sequenced collaborative financing support across the HDPN in support of collective outcomes.
- **Recommendation 7:** Engage with other change processes across the HDPN to ensure a coherent financing response, while clearly articulating the comparative advantages and limits of action financed from humanitarian budgets.

INTRODUCTION

A compelling case for the numerous efficiency and effectiveness benefits of multi-year humanitarian financing (MYHF) had already been made and accepted by donors and responding organisations alike well before the World Humanitarian Summit (WHS) in Istanbul in May 2016. Progress towards meeting the Grand Bargain commitment to increase collaborative multi-year planning and funding was already well under way long before the WHS, supported by a growing body of advocacy and evidence (notably Cabot Venton, 2013). The Grand Bargain has undoubtedly added momentum to these efforts, and many donors are looking to scale up their efforts. However, in many ways this commitment area is one of the least contentious, since both parties to the bargain are already sold on the idea in principle. Responding organisations are in many cases already working across a broad scope of programming that extends well beyond classic humanitarian action, and they typically do not suffer the same level of 'bifurcation' across humanitarian and development action as institutional donors. Even the most archetypal Dunantist humanitarian organisations have for many years supported a variety of longer-term programming. In this respect, MYHF is simply catching up with the reality of a large tranche of existing programming in crisis-affected settings.

Purpose of this study: Multi-year financing fundamentally offers predictability, which in turn has significant potential benefits for business continuity for responding actors, enabling a range of potential efficiency and effectiveness gains and the possibility of planning and delivering activities with longer-range ambitions. The potential benefits of MYHF are many, but they are often expressed in general and theoretical terms. There is currently little analysis or evidence to suggest when and where MYHF would provide the greatest value, or how to derive the greatest benefits from it.

This study attempts to move the discussion forward, helping to differentiate when and where MYHF could be applied with the greatest effect, as well as identifying the investments and enabling conditions required at the organisational and systemic levels to enable humanitarian actors to extract the maximum benefits. It also points towards further challenges in building a more predictable and reliably responsive humanitarian system.

This study was commissioned by the Norwegian Refugee Council (NRC), the Food and Agriculture Organization of the United Nations (FAO) and the UN Office for the Coordination of Humanitarian Affairs (OCHA) as a contribution to the work plan of the Inter-Agency Standing Committee (IASC) Humanitarian Financing Task Team (HFTT) (Output 1, Activity 6: "Commission a study exploring the scope and implications of multi-year financing in the context of multi-year planning, including on work across the humanitarian – development nexus".) The study also contributes to the Grand Bargain commitment 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" – in particular the commitment to document the impact of multi-year financing on programme efficiency and effectiveness.

The study was led by a team of two consultants and focused on the implications of MYHF for organisations responding in crisis situations, including how it affects budgeting, resource mobilisation, relationships with donors, agreements between first-level funding recipients and implementing organisations, possibilities for innovative financing solutions, and operations in the field. Evidence informing the study was derived from a review of policy literature, evaluations and project documents, and from 54 semi-structured interviews and written responses to a list of structured questions, across a broad stakeholder group spanning donors, UN agencies, members of the Red Cross/Red Crescent Movement, non-governmental organisations (NGOs), researchers and subject matter experts (see Annex 1 for a list of organisations consulted).

1 WHAT IS MULTI-YEAR HUMANITARIAN FINANCING?

1.1 WHAT IS THE POLICY ARGUMENT FOR MYHF?

MYHF is a longstanding policy demand for humanitarian financing. Increasing the predictability of humanitarian financing has long been a high-level policy priority and was formally asserted as an element of good policy and practice in the 2003 Good Humanitarian Donorship (GHD) principles: "While stressing the importance of transparent and strategic priority-setting and financial planning by implementing organisations, explore the possibility of reducing, or enhancing the flexibility of, earmarking, and of *introducing longer-term funding arrangements*" (GHD, 2003) (emphasis added).

In the years after the GHD commitments were agreed, most humanitarian funding continued to be negotiated on an annual basis, though calls for longer-term funding remained high on the policy agenda. As it became increasingly evident that growing volumes and an increasing proportion of humanitarian funding were being spent in the same settings over many years,[1] the case for MYHF received renewed attention, notably in the UK Department for International Development (DFID)'s influential 2011 Humanitarian Emergency Response Review (HERR), which recommended that DFID seek to "change the funding model to achieve greater preparedness, pre-crisis arrangements, capacity, performance and coherence" including through "Increasing predictable multi-year funding, linked to performance, to major UN agencies, the Red Cross/Red Crescent Movement and NGOs; Increasing long-term support to international funds (the UN Central Emergency Response Fund (CERF)) and country-level pooled funds and to global-, regional- and country-level NGO consortia." (DFID, 2011).

Humanitarian crises in 2011 and 2012 added further weight to the growing policy case for MYHF. The late and inadequate response to the Horn of Africa food security crisis and famine in Somalia, as well as the regional Sahel food crisis, led to a period of intense reflection on the financing and response model, which added considerable impetus to the longstanding arguments for earlier, flexible and longer-term funding, particularly in slow-onset crises, and increasingly for building resilience against risk and shocks. The resilience agenda not only made the case for a shift in humanitarian programming approaches and funding models, but also called for a change in how development actors programmed and financed their responses in these settings (Hillier and Dempsey, 2012).[2]

Pragmatic responses to the Syria regional crisis have had a major influence on multi-year financing allocations, tools and approaches. The continuing escalation of the Syria crisis has put considerable strain on local, national and international responders, with humanitarian needs persistently exceeding the collective response capacity. The realisation that a typical kind of humanitarian response was insufficient in light of escalating and long-term humanitarian needs, as well as the devastating impact that conflict and displacement were having on the socio-economic conditions and social fabric of both those directly affected and hosting communities, spurred several donors to develop more long-term approaches to partners inside Syria and in neighbouring countries, including the use of MYHF (see Box 1). Responding to the Syria regional crisis has provided a stimulus to the thinking of both humanitarian and development actors, and was referenced extensively in the examples offered by donors and responding organisations interviewed for this study.

1 OCHA (2016) reports that 90% of humanitarian appeals last longer than three years and the average length of an appeal is seven years; 89% of humanitarian funding from OECD Development Assistance Committee (DAC) members goes to protracted crises.

2 An influential joint Oxfam/Save the Children policy study published in the wake of the response to the 2011 Horn of Africa food security crisis recommended: "provide more agile and flexible funding – by including crisis modifiers in multi-year development grants to build recurring-crisis response into development programming; and by ensuring that humanitarian funding can support pre-emptive or early response. Funding needs to be able to respond to uncertainty" (Hillier and Dempsey, 2012).

A need for multi-year planning and analysis to inform longer-term approaches has emerged alongside growing calls for MYHF. In 2011 the first multi-year humanitarian appeal was launched in Kenya, and in 2012 OCHA issued guidance on developing multi-year Humanitarian Response Plans (HRPs) as part of its resilience agenda (OCHA, 2016). The popularity of multi-year HRPs has grown such that, by 2016, ten humanitarian appeals were multi-year. As multi-year planning and financing arguments and practical experience have developed, the need for a third critical element of multi-year approaches has emerged: multi-year programming (OCHA, 2017a).

As MYHF has been increasingly accepted and has become more widespread, a new policy agenda linking it to the delivery of transformative collective outcomes has emerged. By 2015, the OECD reported that 16 out of 22 OECD Development Assistance Committee (DAC) donors were providing multi-year humanitarian financing (OECD, 2015). In the lead-up to the World Humanitarian Summit (WHS) in 2016, multi-year financing was a common policy recommendation emerging from multi-stakeholder dialogues and agency submissions to the WHS consultation process.[3] It also emerged as a major commitment area in the Grand Bargain launched at the WHS, which has now been signed by 22 humanitarian donors and 28 responding organisations.[4]

Following the agreement of the Sustainable Development Goals (SDGs) in 2015, the concept of shared responsibility for addressing the root causes of crises and an aspiration to reduce humanitarian caseloads and "end needs" has gained currency. The Agenda for Humanity, set out in the Secretary-General's report for the WHS and jointly agreed by major UN actors and the World Bank Group, for example, identifies multi-year planning and financing as enabling conditions to work towards these desired "collective outcomes".[5] This commitment is now being

BOX 1: THE CHALLENGES OF RESPONDING TO THE SYRIA REGIONAL CRISIS AS A DRIVER OF POLICY CHANGE

In the absence of long-term development perspectives, planning and funding, the humanitarian community needed to simultaneously respond to partners' needs for flexible and predictable funding, in order to enable them to respond to new and escalating needs in a timely manner, and also to promote adaptive programming which drew on the local capacities of municipalities and other local governance structures and on those of host communities, as well as of refugees, internally displaced persons (IDPs) and other conflict-affected populations. Resilience building emerged as a possible programming approach to strengthen and support the coping capacity of vulnerable communities. The resilience agenda was also seen as an opportunity to strengthen coherence with, and the relevance of, emerging development financing.

Multi-year financing has come to play an increasingly central part in donors' strategic plans for managing their responses, though approaches, volumes and timing have differed between donors. In 2015 two donors (the European Commission and Germany) made multi-year commitments during the International Humanitarian Pledging Conference for Syria. In 2016 that number increased to nineteen. In 2017, the number increased again to 26 donors, who pledged a total of USD 3.7 billion of humanitarian and development funding for the Syria crisis from 2018 to 2020.

A number of donors have provided multi-year funding to strengthen the humanitarian response. For example, DFID initiated results-based multi-year funding agreements with trusted partners early in the response, and it has continued to adapt its management of these over time, including progressively shifting to outcome-based monitoring. Although relief operations are still prioritised, resilience programming has been integrated into the overall programme portfolio.

Canada and Sweden provide examples of complementarity and coherence across humanitarian and development funding streams. In early 2016, the Canadian government announced a sizeable three-year funding commitment in response to the ongoing crises in Iraq and Syria. Approximately three-quarters of the package will be directed towards humanitarian assistance, while the remaining funds will be directed towards development programming, with the aim of strengthening local capacity to deliver services, maintain and rehabilitate public infrastructure, foster inclusive growth and employment, and advance inclusive and accountable governance. The programme is still being developed, but strong links between the two areas will be sought, including monitoring frameworks.

Although its humanitarian assistance remains under a separate strategy and allocation cycle, the Swedish government launched a new five-year development strategy for 2016–20 for the Syria regional crisis. The strategy aims to complement and relieve the ongoing humanitarian response by contributing to strengthening the resilience of vulnerable groups within Syria and in neighbouring countries, as well as contributing to strengthening democracy, gender equality, respect for human rights and civil society.

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3 The inter-agency F*uture Humanitarian Financing* study, based on extensive multi-stakeholder consultations, argued, for example: "There is growing evidence confirming that greater predictability and flexibility of funding enables more cost-effective management of resources and improved programming outcomes. Achieving more predictable and flexible humanitarian financing should be a major focus of advocacy on funding, with a range of options open for consideration." (Poole, 2015).

4 See: http://www.agendaforhumanity.org/initiatives/3861

5 "One resource mobilization framework should be put in place to support the multi-year plan and its collective outcomes, with each collective outcome presented with the overall cost of achieving it. Financing will need to be provided predictably, over several years, and directed to the actors identified in the multi-year plan as having the comparative advantage to achieve the collective outcomes." (UN, 2016)

rolled out through the New Way of Working.[6] The Comprehensive Refugee Response Framework (CCRF), which emerged from the 2016 New York Declaration for Refugees and Migrants, also identifies predictable and sustained financing support from both humanitarian and development sources as key to delivering comprehensive longer-term solutions (UNHCR, 2017).

Therefore, multi-year approaches have recently been framed not simply as a means of making humanitarian response more efficient and effective, but as a way to bring together humanitarian, development and other actors to work more effectively across the 'humanitarian–development–peacebuilding nexus' (HDPN) towards long-term transformative change (OCHA, 2017a).[7]

1.2 WHAT TYPES OF MULTI-YEAR FINANCING EXIST?

There is no standard definition of multi-year humanitarian financing, and in fact it exists in many different forms and across a range of timescales. This study follows the OECD definition of MYHF as funding given over two or more years.[8]

The terms and conditions attached to multi-year humanitarian financing differ considerably. The most common forms is grants which agree fixed amounts of funding, the schedule for disbursement and the duration of the agreement upfront. Another common form of agreement is a multi-year commitment that agrees a scope of activities and an implementation period, but where the actual sums involved are not fixed at the outset but are negotiated and agreed, usually on an annual basis and depending on a range of criteria, including the scope of proposed activities and the availability of donor funds. A third type of multi-year agreement includes a donor commitment 'envelope' earmarked to a particular crisis, within which there may be a variety of agreements, including multi-year and grants of shorter duration, enabling the donor to retain a degree of flexibility across the wider multi-year commitment.

Multi-year financing is also applied at a variety of levels across the humanitarian response system, with varying degrees of comparative advantage. Types of financing include the following:

- **Core unearmarked support at the organisational level.** This includes multi-year unearmarked contributions, such as the Netherlands' multi-year unearmarked contributions to the International Committee of the Red Cross (ICRC) or Canada's multi-year commitment to the CERF.
- **Agreements at headquarters level for multi-year thematic investments** or programmes which may or may not be earmarked at the country level. Examples include DFID's support to Building Resilience and Adaptation to Climate Extremes and Disasters (BRACED), Ready to Respond and the Disasters and Emergencies Preparedness Programme (DEPP) or the Netherlands' multi-year support to the Start Network.
- **Strategic partnerships at the organisational level**, earmarked towards an agreed set of priorities. Examples include Australia's and Denmark's strategic partnership agreements with NGO partners for humanitarian response, which may be lightly earmarked to the country level within a global agreement.
- **Multi-annual envelopes pledged or committed at the crisis or regional level**, within which a variety of agreements may be negotiated with partners – for example, Norway's pledge of USD 1.2 billion for the Syria regional crisis over four years, within which a set of partners will receive annual commitments and some partners will also receive multi-annual letters of intent to provide predictable funding support.
- **Multi-annual agreements earmarked to the country or regional level.** Examples include any number of multi-year agreements targeting country-level response, preparedness and resilience building, such as the DFID grant to Building Resilient Communities in Somalia (the BRCiS Consortium).

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6 See: http://www.agendaforhumanity.org/initiatives/5358

7 Latterly multi-year planning has also been framed as an approach to building stronger coherence between humanitarian, development and peacebuilding interventions, and contributing to breaking the cycle of humanitarian dependence (OCHA, 2017a).

8 The OECD uses the following definition: "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" (OECD, 2017a).

1.3 HOW COMMON IS MYHF?

Multi-year humanitarian financing is an established and growing donor practice. Tracking volumes of multi-year financing remains challenging, however. While the technical capability to do this exists within the OCHA Financial Tracking Service (FTS), information is still often only partially reported by humanitarian actors and it may take a considerable time for a critical mass of data to be reported (see Box 2).

However, while a full picture may not yet exist of the total volume of humanitarian financing provided on multi-year terms, nor of which level of the system such agreements target, it is clear that MYHF is already a widespread donor practice and that many donors expect to increase their multi-year financing in the next few years. The UK, for example, already provides around 85% of its humanitarian funding under multi-year agreements; in 2016 the Netherlands provided over 60% of its funding in this way; and half of Belgium's existing humanitarian budget lines are multi-year. Norway has made a multi-year commitment for a significant part of its humanitarian funding portfolio to the Syria regional crisis and Iraq, in addition to a range of existing multi-year agreements with UN, Red Cross/Red Crescent and INGO partners.

Other donors have indicated that they expect to significantly scale up their multi-year financing in line with their Grand Bargain and WHS commitments. Ireland, for example, has committed to provide 20% of its humanitarian funding via multi-year agreements by 2018, and ECHO has committed to provide 15–20% of its funding as multi-year agreements by the end of its next funding cycle in 2018.

Multi-year financing also appears to be on the increase for some recipient organisations. UNICEF, for example, saw its multi-year humanitarian grants grow by 10% between 2015 and 2016, to reach 26% of the total humanitarian funds received. FAO also experienced an increase in multi-year grants, from 32% of total humanitarian funds in 2015 to 42% in 2016.[9] The World Food Programme (WFP)'s multi-year financing peaked in volume terms in 2014 at USD 599 million, representing 11% of total contributions, and part of a longer-term upward trend (see Figure 1). It is worth noting that while volumes of MYHF received by WFP dipped in 2015 and 2016, the number of donors providing such financing continued to grow.

[9] Note, however, that these figures include no-cost extensions, which are not multi-year by design.

BOX 2: NEW DEVELOPMENTS IN REPORTING MYHF

The Financial Tracking Service (FTS), created in 1992 and managed by OCHA, leverages well-established relationships with donors and recipient parties built up over 25 years, with over 8,700 organisations and almost 160,000 contributions recorded. FTS supports the humanitarian system by tracking humanitarian contributions, allocations and use of funds and helping to mobilise resources and inform real-time decision making at both national and global levels, with continuously updated data across all humanitarian emergencies and actors.

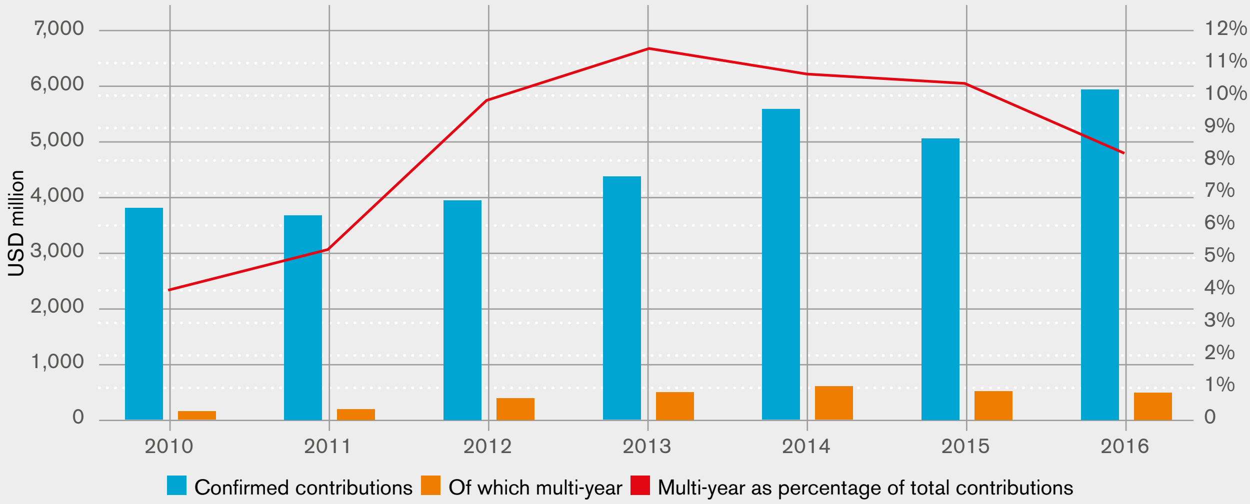
There is no other equivalent platform for this purpose. FTS creates a 'bigger picture' of globally comparable humanitarian funding flows that goes beyond a bare republishing of financial reports: it curates the data, analysing, verifying and cross-checking it to resolve discrepancies, and it stores the curated data in a single combined database and provides the end user with easy access to visualisation and analysis.

FTS has recently undergone a series of modifications and upgrades in response to changing information demands. In January 2017, OCHA launched the new FTS database and website, which have been developed to better reflect the increasingly complex and quickly evolving humanitarian aid landscape. FTS also responds to many of the commitments made at the World Humanitarian Summit and through the Grand Bargain. In addition to multi-year awards, it now has the capability to monitor localisation efforts by tracking pass-through funding to second- and third-level implementers, provide visibility on cash-based assistance and ingest data from organisations that have adopted the humanitarian extension of the International Aid Transparency Initiative (IATI) standard.

FTS is a voluntary reporting system: its efficacy is determined by timely, consistent and detailed reporting by donors and recipient organisations. In order for the service to provide a more accurate and comprehensive picture of humanitarian funds provided through multi-year awards, and to facilitate strategic and longer-term resource allocation decisions, when reporting multi-year contributions, donors should explicitly mention the breakdown of MYHF for each year, and for each portion of the multi-year contribution, an indication of the donor budget year.

Source: OCHA FTS. For further information, see fts.unocha.org or email fts@un.org.

Figure 1: Multi-year financing as a share of total contributions to WFP, 2010–16



Source: WFP. Note that some annual variation is the result of varying cut-off dates for reporting.

Donors face varying degrees of restriction in their abilities to commit to and contract multi-year agreements. Ministries and donor agencies often receive their budget allocations through annual budget allocation cycles, and in some cases there are also legal restrictions limiting the extent to which multi-year agreements can be entered into. Canada, for example, receives a predictable allocation of only around 30% of its annual budget upfront at the beginning of the year. The rest is received through later ad hoc allocations, limiting its ability to plan and develop multi-year frameworks. For ECHO, meanwhile, the maximum duration of a Specific Grant Agreement (SGA) is currently 24 months.

Custom, perception and experience all play significant roles in influencing donor appetites for MYHF. The US does not have any formal legal restriction on its ability to provide multi-year financing: funds allocated to the International Disaster Assistance (IDA) account, which funds the Office for Foreign Disaster Assistance (OFDA) and the Office of Food for Peace, and the Migration and Refugee Account (MRA), which funds the State Department's Bureau of Population, Refugees, and Migration, are 'no-year' and can be allocated across financial years. However, the stated purpose of the IDA account is to serve as a contingency fund, and therefore there is a risk that longer-term programming financed with contingency funds could be interpreted as overstepping its remit. And while ECHO can in principle fund for up to 24 months, the fact that its country and global planning cycles are developed for 12-month periods tends to influence a preference for grant durations that match the strategy period.

Although the majority of agreements are contracted on a short-term basis, in practice many are extended beyond 12 months. Negotiating cost extensions and no-cost extensions on short-term agreements is an extremely widespread practice. Both the US government and ECHO report that more than a third of their agreements are extended on this basis, and in some cases multiple extensions are issued. Funding practice has long been out of step with operational realities, with delays in negotiating and issuing contracts and unforeseen programming issues routinely challenging official funding rules and assumptions. Simply acknowledging and regularising this reality, and enabling responding organisations to benefit instead from the assurance of a longer-term planning timeframe upfront, could potentially deliver significant gains in efficiency and effectiveness.

Supply-side constraints are not the only limitations, however, and demand is variable. The US government has noted that, in contrast with claims made in many policy debates, it does not in fact receive a great deal of demand for multi-year agreements from partners, even when such agreements are available. Similarly, the Swedish International Development Cooperation Agency (Sida) has observed that during its 2017 allocation process few partner INGOs submitted proposals for multi-year programmes. This may relate in part to a lack of 'readiness' on the part of responding organisations to programme multi-year financing, an issue that is discussed in further detail below.

2 MULTI-YEAR HUMANITARIAN FINANCING: TEN LESSONS TO DATE

MYHF is gathering pace, but it is still relatively new. Having overcome the first hurdle of making the case for MYHF, both donors and responding organisations are now beginning to grapple with a second generation of challenges, learning by trial and error what works and where they are currently falling short in their aspirations to think, plan, programme and learn on a multi-year basis. The discussion that follows seeks to summarise some of the most commonly cited 'second-generation' challenges emerging from discussions with donors and responding organisations, which centre largely on how to use MYHF to enable and incentivise greater efficiency and effectiveness of humanitarian response at the project and system levels.

There is also, however, an emerging third generation of challenges posed by new global policy commitments and paradigms, notably in enabling programming that delivers transformative change and, at the system level, working towards collective outcomes across the HDPN. In many cases the way forward is as yet unclear, and it will require investments in evidence and dialogue to chart a way forward that protects and supports the comparative advantages of principled humanitarian action.

LESSON 1:

PREDICTABLE AND FLEXIBLE HUMANITARIAN FINANCING ENABLES EARLY AND RAPID RESPONSE, WHICH DELIVERS SIGNIFICANT EFFICIENCY AND EFFECTIVENESS GAINS.

Multi-year humanitarian financing enables timely response to shocks, which in turn returns significant efficiency and effectiveness gains. DFID has invested in building the evidence base to better understand the value for money offered by multi-year financing in protracted crises through a series of targeted research studies. To date, these studies have found relatively strong evidence that multi-year humanitarian programmes supported by DFID have enabled early response, which results in significant cost savings compared with a late response, particularly in avoided losses (Cabot Venton, 2016, Cabot Venton and Sida, 2017).

The substantial gains in averted suffering and losses, as well as cost savings enabled by this early response (see Box 3), essentially represent the return on a longer-term investment in maintaining the responsive capacity of strategically selected partners[10]. Simply being on the spot and ready to respond has a range of potential and proven benefits. In the 2015/16 El Niño-induced drought in Ethiopia, for example, DFID was the first bilateral donor to respond to the crisis by a margin of months, in July 2015, and it did this simply by topping up existing multi-year agreements. Even when DFID's business case ended, it was able to roll over and extend funding for the same organisations (Poole, 2017, forthcoming).[11] Organisations also report a range of qualitative benefits, particularly in insecure settings where continuity of operational presence enables greater community acceptance, which in turn may strengthen security, as well as buy-in to programmes and programme designs more tailored to the context.

Multi-year investments in preparedness and early action have also demonstrated significant efficiency and effectiveness gains. DFID-supported emergency preparedness programmes, for example, have also

[10] In fact at the level of the overall response to the 2016 crisis in Ethiopia, it could be argued that its success was in large part due to decades of investment in partnerships and the responsive capacities of national and international actors in the country. As stated by Poole (2017, forthcoming): "It is not only the scale of established humanitarian actors which makes Ethiopia a context in which you can easily 'pump a billion dollars', it is the long-term investments in relationships with governments and communities and local implementing partners (at least in the case of faith-based organisations and the Red Cross), the long-term investments in building the internationally led huge logistics supply chains, surveillance systems and analytical capacity. … Much of the efficiency of the system therefore is possible only because of historic investments."

[11] These findings are based on case study research conducted in Addis Ababa in February 2017 for a forthcoming study on the efficiency of humanitarian financing. It is worth noting however, that some donors, such as Sida, face restrictions in their ability to increase funding contributions to extended contracts, without undergoing a full proposal assessment.

BOX 3: EVIDENCE SUPPORTING THE COST-EFFICIENCY AND OUTCOME GAINS OF MYHF

In the 2015/16 response to the drought in Ethiopia, caused by the El Niño phenomenon, delayed funding and procurement led to a reliance on locally procured food. The estimated cost of local procurement added USD 127–271 million for food procurement across the collective humanitarian response. Using a unit cost of USD 90 per person for a food distribution lasting nine months, the cost savings made by an early response could have ensured food aid for an additional 1.4 million to 3 million people.

If the funding gap had not been filled at all and no response had been mobilised, the longer-term economic cost to those affected could have been in the order of USD 1.3 billion, more than twice the cost of a timely response (USD 629.5 million).

DFID provided USD 39.8 million in early funding for food and treatment of severe acute malnutrition (SAM). Timely procurement using DFID funding is estimated to have avoided an additional USD 6.3–7.4 million in costs that would have been incurred by later procurement, an overall saving of approximately 18%.

Source: Cabot Venton (2016).

demonstrated significant cost savings and shorter response times (see Box 4).

Investing in the standing capacity of responding actors therefore is an important strategic upfront investment, which can deliver significant improvements in response times, avoided suffering and losses for the affected population, and reduced operational costs through planned and early procurement and pre-positioning. WFP, for example, argues that multi-year investments and predictable donor support were critical to enabling it to respond rapidly to the Gaza crisis in July–August 2014, as they allowed it to refine and improve its electronic voucher system over a period of years, including building partnerships with other responding actors who used the same electronic card for their own responses.

There is a strong case then for providing predictable and flexible financing support to deliver improved preparedness and early and rapid response as important and well-evidenced goals in themselves. In addition, investing in the responsive capacity and preparedness of partners may also help to sidestep the thorny problem of when and how to trigger a funding response to early indicators of a crisis, by frontloading the financing decision in the case of preparedness investments and devolving decision making to partners, who are closest to the crisis.[12]

[12] Concern Worldwide BRCiS (2017a) describes the varying responses of actors to early warning information according to their proximity as follows: "Early warning information is only useful if kept in a relevant context of *who will be using the information and for what purpose*. For example, if coordinating actors or donors at a high level receive a flood warning a week before it happens, it will still take months to respond, and therefore provides little value-added to their flood response. However, if an NGO receives a flood warning one week in advance, depending on their crises modifiers and operational capacity, they can either use the information for disaster mitigation or use it to better prepare their response. At a household level, if the general public receives a few days of early warning, they can undertake decisive preparations before the flood takes place."

BOX 4: EVIDENCE SUPPORTING THE RETURN ON INVESTMENT OF MULTI-YEAR EMERGENCY PREPAREDNESS

A study of return on investment (RoI) in DFID-supported preparedness activities and investments across UNICEF, UNHCR, OCHA and WFP programmes demonstrated that every USD 1 invested early returned a median saving of USD 1.50 in the next emergency response, as well as saving 14 days in response time on average and making significant carbon savings. Across the 84 interventions studied, involving in total USD 11.1 million, USD 20.3 million in savings was generated in the following emergency alone, and savings continued to accrue across subsequent crises.

The RoI analysis was carried out by the Boston Consulting Group and PwC, who have developed a methodology for conducting such analyses and plan to make it publicly available.

Source: Information provided by DFID, based on UNICEF analysis presented at ECOSOC 2017.

BOX 5: FAO'S EARLY WARNING – EARLY ACTION (EWEA) SYSTEM

FAO's Early Warning – Early Action (EWEA) System translates warnings into anticipatory actions to reduce the impact of specific disaster events. At a global level, the agency's EWEA team uses both FAO and external early warning sources to monitor major risks to agriculture and food security, publishing the findings in its quarterly Global EWEA report. This forward-looking report complements early warning analysis with tangible recommendations for early actions that could be taken to mitigate or prevent the impact of an event. Risks are divided into 'high' and 'on watch', depending on the level of likelihood and their potential impact.

Source: FAO

LESSON 2:

COST-EFFICIENCY SAVINGS AND VALUE-FOR-MONEY GAINS ARE NOT AUTOMATIC: THEY NEED TO BE TARGETED WITH PRECISION, DESIGNED, AND MANAGED FOR.

Although the theoretical case for efficiency savings is compelling, there is very little evidence to confirm that this is in fact happening. Predictable financing in principle enables a more timely response, as well as increased business continuity, which in turn supports a range of efficiency and effectiveness benefits for humanitarian response. There is convincing evidence that early action financed through multi-year approaches brings significant cost savings when compared with a late response (Cabot Venton, 2013; Cabot Venton, 2016 Cabot Venton and Sida, 2017) (see Box 3 above). However, evidence to confirm various potential operational cost savings is extremely scant (Cabot Venton and Sida, 2017; La Guardia and Poole, 2016; and research interviews). Cabot Venton and Sida (2017) argue that "there is a major gap in terms of data to prove the value case, meaning the hypothesis that MYHF can lead to more efficient aid is only partly proven". In one of the very few examples cited during research for this study, WFP describes being able to pursue a longer-term procurement plan in its multi-year Purchase for Progress (P4P) programme in Nicaragua, which included piloting different procurement modalities such as forward contracts, and to increase purchases from farmer organisations over time.

One area where both donors and recipient organisations can agree that MYHF has delivered significant efficiency savings is in reduced administrative costs associated with developing proposals and contract agreements. While the upfront investments involved in developing a multi-year agreement may be somewhat higher, over the life-cycle of the agreement significant time savings were widely noted.[13]

Levels of multi-year funding may not have reached a critical mass at the organisational level to enable a shift from short-term approaches shedding financial liability. In most cases, however, responding organisations were not able to provide evidence of efficiencies or cost savings. This lack of evidence is in part a simple consequence of them not having been asked to record or report on this information, and it is in any case a difficult undertaking. However, there is also a range of prosaic organisational barriers to realising hoped-for theoretical cost savings, which indicates that unpredictable funding is far from being the only determinant of cost inefficiencies. For instance, there may be no significant impact on staff turnover at the country level where positions are financed from a patchwork of sources, most of which will be short-term; in such cases, even when some MYHF is received at the country level, contracts may continue to be issued on a short-term basis. In some cases too, staff turnover is influenced far more by the difficulty of the operating environment than by contractual terms.[14] It may also make operational sense to reserve the right to issue short-term agreements, irrespective of potential cost savings. Without the option of simply allowing a contract to expire, it may be extremely difficult in some settings to terminate contracts with high-risk or corrupt staff or suppliers, for example.

In short, without a robust and realistic understanding of the sources and causes of operational cost inefficiencies, and carefully targeted strategies to address these, cost efficiency savings are unlikely to materialise automatically in the context of a multi-year funding agreement.

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13 For example, a 'lessons learned' report commissioned by FAO on its multi-year funding agreements with Sida notes the reduced administrative burden as a significant gain (Renaudin, 2016). Almost all responding organisations and the majority of donors with experience of MYHF also agreed that a reduced administrative burden was an early and obvious benefit of MYHF.

14 Cabot Venton and Sida (2017) found that "specific evidence to show that staff contract duration and/or retention of staff was improved was not available from partner organisations. Further, due to relatively high levels of insecurity in Sudan and DRC in particular, staff turnover seems to remain high regardless."

The nature of multi-year agreements has an impact on the risk appetite of responding organisations and therefore on their scope to enact cost savings, and many agreements may not yet provide sufficient levels of confidence and predictability. In many cases agreements constitute a multi-year framework or a partnership agreement, but the actual volumes of funding and in some cases even the countries covered by the agreement are negotiated annually. Sida's framework agreements with partners, for instance, are negotiated annually based on assessments of need and activities proposed. Risk-sensitive organisations may be reluctant to undertake capital investments, issue longer-term staff contracts or enter into procurement agreements if financing is not assured beyond the first year of an agreement.

Longer-term approaches should enable a shift from spending to investing, but this shift also requires the ability to evaluate returns on investment rather than simply the 'cheapness' of project spending in order to assess value. When RoIs are calculated over a longer period, investments in more durable technology, infrastructure and approaches will in many cases prove to be more cost-effective overall and will ensure more effective and sustainable outcomes, but these may not appear to be 'cheap'. Projects involving capital-heavy investments but which deliver greater long-term returns on investment may appear costly, particularly when short-term activities run alongside them in the initial stages of a response. For example, water trucking may be required in the short term while boreholes and water systems are developed but, over the lifetime of the project, investment in durable infrastructure with low running costs will prove cheaper than repeated short-term water trucking. Shifting from funding expenditure to investing will require a significant change in mind-set and will also require new budgeting and analysis tools, including tools which enable the assessment of returns on investment over longer periods of time. As noted above in Box 4, the DFID-funded Ready to Respond programme will provide an open-source RoI tool that can be applied to assess investments for any programme.

LESSON 3:

FLEXIBILITY IS KEY TO REINFORCING THE GAINS OF INCREASED PREDICTABILITY OF FINANCING, BUT BALANCING PREDICTABILITY AND FLEXIBILITY IS A DELICATE ART.

As well as predictability, responding organisations repeatedly stress the critical importance of flexibility in enabling them to adapt and respond at speed in inherently unpredictable environments, where shocks (and sometimes unforeseen opportunities) are the norm. Flexibility may be achieved in a variety of ways, including by simply allowing responding organisations to shift funds around within existing programme agreements, where possible, avoiding the need for labour-intensive and time-consuming official grant modifications. Some donors are beginning to build in flexibility across their wider portfolios, and in recent instances donors have successfully 'pivoted' development financing into humanitarian programmes when spikes in need have occurred. For example, in the 2015/16 El Niño drought response in Ethiopia, DFID, Sida and USAID all successfully reallocated development funding to ongoing humanitarian responses.

Donors have also invested in mechanisms to enable partners to access supplementary funding to respond to unforeseen crises within the scope of existing multi-year agreements. Sida, for example, has built a Rapid Response Mechanism (RRM) into its global-level framework agreements with partners. Recipients can draw down RRM funds relatively quickly to scale up in response to unforeseen crises and deteriorating situations (Mowjee et al., 2016). DFID Somalia meanwhile has a Risk Facility which retains up to GBP 10 million annually and which can be accessed by existing partners, who are all recipients of multi-year funding agreements, to respond to early indicators of crisis (La Guardia and Poole, 2016).

From the perspective of donors, there are tensions and trade-offs between predictability and flexibility, and these require careful management. It is well known that humanitarian funds are spent repeatedly on the same types of programme in the same places for many years, and that to do this on a short-term basis involves many losses in terms of efficiency and effectiveness. However, while it is perfectly logical at the programme level to simply shift this dynamic by providing more predictable funding, at the macro level locking funding into fixed multi-year commitments incurs a loss of flexibility which requires management.

When evaluating claims for funding, humanitarian donors face practical and ethical dilemmas – do they prioritise acute needs which exist now (and acute needs routinely outstrip the existing supply of funds) or do they make a strategic investment in preventing and responding to needs in the future? This problem is characterised by OCHA in its recent evaluation of multi-year planning as a "prioritisation dilemma", where "the drive to prioritise scarce humanitarian funding means that short-term work can displace resilience programmes and other work to tackle longer-term, structural issues" (OCHA, 2017a).[15]

However, multi-year financing approaches add another dimension to this dilemma. In locking up their funds in future commitments, donors reduce their ability to prioritise on the basis of needs when unforeseen spikes in need occur or budgets fall. This problem was described by one donor as the "mortgaging problem". In addition, one donor found that it was no longer sure that the INGO partners selected for multi-annual framework agreements several years earlier still provided it with the right number and type of partners in light of changes in policy priorities and global humanitarian crises, particularly the escalation of the Syria regional crisis (Mowjee et al., 2016).

At the system level, there is insufficient contingent capacity to balance the demands of predictability and flexibility at times of peak demand. From the perspective of a donor, there is a balance to be struck between responsiveness and predictability, in an industry where many crises are protracted but not always predictable.[16] Ring-fencing a proportion of funds at the country or global level for longer-term approaches at the beginning of planning cycles, so that they are simply not on the table when such prioritisation dilemmas arise, can help to manage this tension to some extent.[17] Some donors are able to draw on other budget lines and contingency funds when they need to address peaks in need. The EU, for example, has a large central reserve, and can draw on development budget lines and other regional funds to scale up response at times of peak need. Canada is able to draw on its internal crisis pool. But drawing on wider institutional reserves and budget lines is not always possible or sufficient. One donor interviewed for this study described the difficult choice it faced in 2016 when a large proportion of its funds were tied up in multi-year commitments and it experienced budget cuts – its only option was to cut its remaining discretionary funding to country-based pooled funds. Moreover, at the system level, there is limited redundancy or contingent capacity to respond flexibly to substantial increases in needs. Without mitigating actions, this tension is likely to become more pressing if a growing proportion of total humanitarian financing is committed to multi-year agreements focused on specific crises.

LESSON 4:

RESPONDING ORGANISATIONS AND COLLECTIVE SYSTEM-LEVEL TOOLS ARE NOT YET ENGINEERED TO DELIVER MULTI-YEAR APPROACHES.

Multi-year financing is a necessary but not a sufficient condition to achieve the many potential benefits attributed to longer-term approaches. As donor and recipient organisations build up their experience with multi-year financing, it has become increasingly apparent that financing alone cannot deliver the hoped-for effectiveness and efficiency gains. Tools, approaches, partnerships and ways of working across the whole programme management cycle, as well as internal organisational approaches and tools for managing and monitoring funding agreements, need to be adapted and upgraded.

Responding organisations vary greatly in their set-up. Organisations experienced in development programming may already have established planning, budgeting and monitoring systems and tools and programme design models and approaches. In countries where World Vision runs child sponsorship programmes, for instance, which may run alongside humanitarian programming, country teams typically work to a 15-year planning horizon, broken into five-year planning cycles.

[15] See also Poole (2015): "At times of peak demand, in a competitive global funding environment, funding may be diverted to meet the most visible and acute needs. Funding for chronic crises is particularly vulnerable to 'funding flight' in competition with acute needs. In 2010, for example, many chronic crises experienced a marked reduction in the proportion of appeal funding requirements met as donors committed large volumes of funds to the response to the Haiti earthquake early in the year."

[16] There are similarities with the dilemmas that national governments face in fragile and crisis-affected states, where revenues may be unpredictable and shocks relatively difficult to predict, and yet highly likely. Long and Welham (2016) argue that in such contexts planning ahead and making major resource commitments may not in fact be a rational strategy.

[17] According to OCHA, in the planning process "'it is advisable to separate the fundraising plan from the planning framework, in order to avoid the 'prioritisation dilemma' where needed longer term investments to build resilience and address the root causes to humanitarian needs are displaced due to the need to address pressing needs first" (OCHA, 2017a: 8).

BOX 6: WFP'S COUNTRY STRATEGIC PLANS

Following a succession of internal reviews and evaluations, WFP has introduced a new Country Strategic Plan (CSP) process to bring greater internal coherence across humanitarian and development programme planning, to align activities and resources under a limited set of over-arching strategic objectives and to support improved transition and exit planning.

The new CSP approach will coordinate all programmes and projects at the country level under a series of agreed five-year strategic outcomes, which will be informed by a country-led Zero Hunger Strategic Review, which helps to orient WFP's contribution to SDG 2,* and country-level priorities derived from national priorities and plans, assessments, evaluations and consultations.

The CSP process is also expected to provide an opportunity to align interventions with sister agencies FAO and the International Fund for Agricultural Development (IFAD), as well as UNICEF and other donors and partners. In addition, the CSP process is expected to provide opportunities for more substantive engagement and dialogue with NGO and civil society implementing partners.

CSPs are expected to provide a "line of sight of how resources deployed translate into results achieved", according to WFP, providing a stronger basis to advocate for funding, including more flexible and predictable funding. CSPs are also supported by other corporate-level policy frameworks and systems upgrades, including a new Strategic Plan, the Corporate Results Framework and a revamped financial framework.

The CSP process will provide a much clearer picture of the total effort and aspirations of WFP's work at country level and will significantly reduce transaction costs for oversight bodies, notably the WFP Executive Board, which previously had to review individual projects.

Source: WFP (2016a).

* Sustainable Development Goal 2: "End hunger, achieve food security and improved nutrition, and promote sustainable agriculture."

A number of larger responding organisations, with an eye to the future and the ability to call on internal financing reserves, are making serious investments in their ability to plan for the longer term. And they are careful to point out that, while the existence of multi-year planning can help to build donor confidence, thereby attracting more flexible and predictable funding, money is not the driver. Multi-year planning is seen by responding organisations as being fundamental to enabling them to do things differently, to change their programming approaches and, in the case of UN agencies in particular, to meet their organisational commitments to the SDGs and, more recently, the Agenda for Humanity and the New Way of Working.

Among the organisations consulted for this study, larger and multi-mandate organisations in many cases already have internal planning and budgeting approaches which support longer-term planning. UNICEF, whose country programmes span humanitarian and development programming, also already undertakes multi-year planning and budgeting at the country level, though in practice the humanitarian elements have tended to be planned and budgeted on annual cycles within the longer-term planning framework. UNICEF is currently working to develop a new budget formulation tool and to revise work-planning procedures in order to shift towards a more integrated approach across humanitarian and development planning and to budgeting at the country level.[18] WFP too has approved a new five-year country-level planning process (see Box 6) and is upgrading its internal planning and budgeting processes to better support planning for longer-term results and outcomes. UNHCR has launched a six-country pilot to test multi-year planning approaches, which it expects to roll out to 23 countries in 2018. UNHCR also plans to shift to a new results-based management system by 2020. IOM is rolling out strategic planning processes based on their Migration Crisis Operational Framework (MCOF) and which are often two to three years in duration. FAO's Country Programming Framework (CPF) model meanwhile comprises a five-year plan across all strategic objectives – including humanitarian and resilience programming – and which is agreed upon with the host government and informs FAO's contributions to national development frameworks and to the UN Development Assistance Framework (UNDAF).

ICRC is also undertaking a major investment programme in new systems and approaches to planning, budgeting, monitoring and reporting that will enable it to work with several timelines simultaneously in a given context – from short-term response to deeper,

[18] For example, in 2017 UNICEF launched four multi-year appeals (Syria refugee response, DRC, Mali and Niger), compared with two in 2016, each of which contains multi-year analysis of needs and strategy. The Syrian refugee and Mali appeals also have multi-year budgets.

BOX 7: THE REFINE AND IMPLEMENT APPROACH OF USAID'S FOOD FOR PEACE PROGRAMME

In 2016 USAID's Food for Peace (FFP) programme introduced a new pilot approach that allowed implementing partners to carry out formative research and community consultation in the first year of implementation of a programme. This new approach emerged from extensive consultations with partners, and is a response to the recognition that programme design often takes place at a remove from operational realities and that considerable learning and adjustment often happens 'on the job', as organisations begin to implement activities in environments that are often unpredictable and where the challenges addressed by programmes are complex and have multiple causes.

FFP has required implementing partners to develop theories of change (ToCs) to help strengthen the logic of strategies to address underlying causes of hunger and malnutrition. The addition of the Refine and Implement (R&I) element allows partners to adjust these theories and assumptions to programming realities.

At the end of year one, partners present the results of their learning, along with a revised ToC, partnership plan and updated implementation schedule to be reviewed with FFP. Implementation is expected to begin in earnest from year two onwards, over a possible five-year implementation period. In the fourth year, the programme undergoes an evaluation, on the basis of which the programme may be wound up in year five, or extended for a further 3–5 years.

FFP anticipates that the R&I approach will ultimately result in programmes that are more closely tailored to the operating environment and will create space for innovation and iterative learning, and will strengthen partnerships and coordination with local stakeholders. R&I was piloted in the Democratic Republic of the Congo (DRC) and Liberia in 2016 and will be further expanded in USAID's financial year 2017 awards.

Source: Whelan (2016).

multi-year interventions. This will allow for an institutional shift towards outcome-based programming, as well as greater visibility and predictability of resource requirements. ICRC is rolling out the first phase of these reforms in 2017.

However, many other responding organisations are not yet well set up to deliver multi-year approaches. For organisations that receive upwards of 80% of their funds on a short-term basis, incentives are overwhelmingly towards continuing to develop and market short-term responses. Organisations with the least predictable and flexible funding base, including local and national organisations, have the least incentives and capacity to invest in building organisational capabilities to think and work longer-term. Currently there is a risk therefore that organisations will develop their capacities to think, plan and manage on a multi-year basis at different speeds. There is currently no evidence of any appetite from donors to support organisational-level investments, however, and some donors indicated they consider such investments to be outside the scope of their funding remit.

Longer-term planning and programming, including programming with transformative aspirations, requires a very different level of investment in programme design and different approaches to management. Working towards delivering outcomes requires a very different approach to understanding the nature of the problem and designing a theory of change and strategies to fix it. This is unfamiliar ground for many humanitarian actors, though experiences vary, particularly for multi-mandate organisations. Accounting for outputs is far less challenging than measuring the "impact on people's lives" (OCHA, 2016) or changes in capacities or resilience. Moreover, these outcomes are also likely to be highly context- and programme-specific (OCHA, 2017a). Not only are these things difficult to measure, it is also very difficult to establish the contribution of specific actions to what are often complex systems with many contingent factors.

Humanitarian donors may not be well set up to work with partners to agree and monitor against outcome-level targets, or to manage for change over time.[19] In addition to the complexity of managing flexible and adaptive outcome-level programming, a continued tension exists between programmes seeking to deliver outcomes, which are reported over the longer term, and the official and customary obligations that donors face to report outputs, including to account for what their government is 'doing' in response to a particular crisis.

[19] An evaluation of Australia's NGO Humanitarian Partnership Agreements, for instance, found that monitoring of the disaster risk reduction (DRR) and disaster risk management (DRM) outcomes of the agreements was minimal (Mander-Jones et al., 2015).

Humanitarian actors looking to deliver longer-term programmes, including those with transformative aspirations, could draw lessons from actors in development financing, who have been grappling with adapting linear planning and monitoring approaches to fragile settings where outcomes are not predictable and where risks (including fiduciary, political and security risks, and risk of failure) are high. Lessons include the need to invest in understanding the political economy, along with drivers of risk and sources of resilience, as well as investing in adaptive programming approaches, including the ability to learn and use evidence and the flexibility to change course (OECD, 2016). The experimental Refine and Implement approach adopted by USAID in its Food for Peace programme demonstrates emerging new thinking and practice on developing adaptive programming tools and approaches (see Box 7).

LESSON 5:

MYHF HAS NOT YET REACHED THE CRITICAL MASS NECESSARY TO DRIVE TRANSFORMATIVE SYSTEM-LEVEL CHANGE, AND THE BENEFITS ARE SPREAD UNEVENLY.

Absolute and relative volumes of MYHF alter organisational incentives and the impact of potential efficiency and effectiveness gains. Responding organisations report variable levels of MYHF across their humanitarian portfolios. Longer implementation timeframes in principle enable a range of potentially transformative activities within a project, including systems and capacity strengthening, resilience building and behaviour change. But at the country programme and organisational levels, current levels of MYHF do not appear to be providing sufficiently strong incentives to drive organisation- and system-level changes in the management of resources or the planning and design of programmes. In addition, the benefits are currently being felt unevenly across different levels of the response system and different types of responding actor.

Responding organisations benefit to varying extents depending on their financing structure – there may be a case for tailoring support to partner needs. Organisations delivering humanitarian programming in crisis-affected settings vary widely in nature, including in their financing structure, which has powerful effects on the degree to which they are vulnerable to unpredictable funding. As a consequence, the degree to which they might benefit from an increased level of predictable financing also varies. Mixed-mandate organisations are more likely to have a more diverse funding base, including development financing (which is far more likely to be multi-year). They therefore also have increased funding predictability at the organisational and country programme levels. UNICEF, for example, has a mixed humanitarian and development financing base, and in 2016 multi-year grants for development activities represented 71% of the agency's earmarked funding contributions. Welthungerhilfe (WHH) also has a mixed portfolio, of which between 50% and 80% was development financing between 2013 and 2016. WHH's development-financed portfolio includes many multi-year agreements, and at the country programme level integrated programmes are funded from both development and humanitarian financing sources. Even without MYHF, therefore, WHH derives a degree of predictability at the country programme and organisational levels, which in turn enables it to layer its programming responses across a range of peacebuilding, development and crisis response activities, with varying timeframes for implementation.

Organisations specialising in activities often considered to be short-term in nature are structurally disadvantaged in their ability to build mixed portfolios across the humanitarian and development divide. Anecdotally, INGOs focused on refugee response and nutrition noted that they faced significant challenges in building diversified portfolios that include development financing.

There is often a correlation between the size of an organisation and financial stability. The more diversified its funding portfolio, the more scope an organisation has to leverage working capital and to weather shocks and gaps in funding. However, the proportion of flexible funding that an organisation receives is more important than size. There are some large organisations with relatively small amounts of unearmarked funding (including private flexible funding), which limits their ability to bridge and smooth financing gaps. In contrast, organisations with significant unearmarked funding have in many cases developed instruments enabling them to advance capital for rapid response, for advance procurement at optimal market terms and for meeting critical gaps. World Vision, for example, has developed an internal fund held at the global level which is designed to smooth gaps in funding for staff contracts at the country level. FAO created the Special Fund for Emergency and Rehabilitation Activities (SFERA) in 2004, which contains a reimbursable working capital window that permits advance funding against donor commitments to enable rapid

BOX 8: WFP'S ADVANCE FINANCING MECHANISMS

WFP's advance financing mechanisms include the following facilities.

INTERNAL PROJECT LENDING (IPL): The IPL facility allows capital advances to projects that can demonstrate a strong likelihood of future funding. WFP's Executive Board has approved a ceiling of USD 570 million for this facility. When the anticipated contribution is received, the advance is repaid. In 2016 the IPL advanced more than USD 1 billion in 179 transactions across 68 operations, a 38% increase in volume terms from 2015.

MACRO ADVANCE FINANCING (MAF): Advances are made on the basis of existing collateral rather than forecast revenue. This facility was used for the first time in 2016 through seven pilot projects in five countries. The MAF allows earlier spending than the IPL, and in 2016 helped to reduce pipeline breaks and ration cuts. In Ethiopia, use of the MAF allowed time savings of up to two months compared with the IPL, while in Mali earlier procurement allowed cost savings of USD 900,000 compared with the procurement timing expected under the IPL.

IMMEDIATE RESPONSE ACCOUNT (IRA): The IRA was established in 1990 and is a multi-year and multilateral funding facility replenished by donors; it provides immediate access to funds even in the absence of forecast revenue or collateral. Allocations may be revolved back to the fund when funds are subsequently received from a donor, otherwise the allocation is converted to a grant. The IRA target level was increased from USD 70 million to USD 200 million from 2015; however, contributions received in 2016 were well below this target, at USD 46.7 million.

Source: WFP (2017).

response. SFERA also includes windows through which FAO directs donor contributions and interest and unspent balances from closed projects to meet gaps in response funding, including funding needs assessment and deployment of experts and resilience-building and recovery activities.[20] Similarly, WFP has developed an array of internal financing instruments which attract donor contributions or leverage working capital to enable it to respond to financing demands in a more timely and efficient manner (see Box 8).

In addition to considering the programming benefits of MYHF, therefore, there may be a valid argument for considering organisational needs when considering where more flexible financing support, including MYHF, could be directed to achieve significant change at the organisational level. Linking financing commitments to increased levels of unearmarked funding could also be considered in cases where organisations lack flexible financing, alongside MYHF support to organisations in order to provide optimal blends of financing that enable flexibility and responsiveness at the organisational level.[21]

The benefits of multi-year financing are not often transferred down the line to frontline implementers, which limits the potential impact of MYHF. The extent to which multi-year financing is in fact transferred through funding recipients down to their final implementing partners is a contentious point. It was rare for any of the responding organisations consulted to offer multi-year financing terms within their partner agreements, even when they were in receipt of multi-year financing themselves. This was noted as a point of concern by most of the donors consulted.

A number of INGOs consulted acknowledged that they do not routinely provide multi-annual support to their partners, though they seek it for themselves. INGOs that did provide multi-annual agreements to their partners were more likely to be those with a mixed portfolio of development and humanitarian programming. Among UN agencies, some can in principle provide multi-annual financing, and in fact they often already sign multi-year framework agreements with their partners. UNICEF, for example, establishes cooperation agreements with partners that match the span of its five-year country planning cycles, and funding agreements can be issued to match. Similarly, WFP can issue multi-year cooperation agreements, but within these it currently tends to issue shorter-term funding agreements. Both UNICEF and WFP note that they are open to issuing multi-year agreements to partners when they are themselves in receipt of MYHF.[22]

20 http://www.fao.org/emergencies/about/funding/sfera/en/

21 The Grand Bargain includes a series of commitments on the theme of reducing the earmarking levels of humanitarian funding, notably the following: "Donors progressively reduce the degree of earmarking of funds, aiming to achieve a global target of 30 per cent of humanitarian contributions that is unearmarked or softly earmarked by 2020."

22 For instance, Cabot Venton and Sida (2017) confirm that a DFID-supported UNICEF programme in DRC in receipt of MYHF provides partners with funding agreements over a period of 12 months, and WHH confirmed that it had received an 18-month agreement from WFP in Darfur.

The availability of MYHF is a clear constraint, but the nature of the tasks and partnerships should also be taken into account. In many cases, partnership agreements may cover relatively instrumental implementing tasks, which may not in fact require long-term engagement.[23] In some cases the nature of the partnership is sufficiently stable and predictable, even with annual funding agreements, to enable a relatively high degree of financing predictability – this is notably the case for partnerships between IFRC and national Red Cross and Red Crescent Societies. There are nuances to this debate, therefore, and far greater transparency and dialogue are needed to reach a realistic understanding of the barriers to transferring the benefits of multi-annual funding to implementing partners, as well as realistic expectations around when it is operationally desirable and necessary to issue short- and longer-term funding agreements.

MYHF has not materialised at the country level, which is a disincentive for further investments in multi-year planning (OCHA, 2015; OCHA, 2017a). Although donors are increasingly providing MYHF, it is often in the form of global-level unearmarked contributions or through multi-year framework agreements within which actual allocations may be negotiated on an annual basis. There is little evidence that these global-level agreements are being translated into multi-year programming at the country level. Among actors at the country level there is a strong perception that very little has changed, despite efforts to increase the use of MYHF. Responding organisations noted that, despite internal efforts to design projects and country-level programmes with longer-term planning horizons, the persistence of annual humanitarian funding cycles creates powerful counter-incentives to continue to plan and market short-term projects (OCHA, 2017a).[24]

LESSON 6:

MYHF IS AN IMPORTANT STEP FORWARD, BUT IT DOES NOT ADDRESS THE DEEPER STRUCTURAL FINANCING CHALLENGES INVOLVED IN BUILDING A MORE PREDICTABLE AND RESPONSIVE SYSTEM FOR THE FUTURE.

MYHF provides greater predictability at the project and programme levels, but it does not address macro- or system-level liquidity or business continuity challenges. Current policy proposals represent incremental changes to improve existing response models. They are largely conceived at the level of project and organisation and are therefore likely to result in small-scale and dispersed impacts: they do not address structural, system-level challenges that currently exist or that the system can reasonably expect to face in the near future. A more fundamental assessment of the financing challenges faced by the response system, including likely future challenges, has yet to be tabled. However, creative approaches to designing financing instruments and modifying financing behaviour have the potential to help drive major transformative change in business models, programming approaches and partnerships that could deliver efficiency and effectiveness benefits in the system on a far larger scale.

Solutions delivering greater efficiency derived from financing predictability and business continuity will not necessarily be designed for at the country level and may require a deeper value chain analysis. As noted above, the efficiency savings anticipated from MYHF do not appear to have materialised in practice, and in any case they target small-scale efficiencies within individual projects. Achieving system-level procurement and operational efficiencies, which could be enabled by more predictable and flexible financing, requires looking above and beyond the project level. One of the clearest examples of large-scale efficiency savings is WFP's Global Commodity Management Facility, which provides liquidity at moments of optimal market conditions across the agency's global supply chain (see Box 9).

23 UNHCR currently is not able to issue multi-year agreements to its implementing partners, but it is exploring what changes would be required to its financial rules in order to potentially accommodate this.

24 Mowjee et al.'s 2015 evaluation of Denmark's humanitarian assistance, for instance, "found little evidence that partners had moved away from the humanitarian mind-set of annual planning and taken advantage of the predictability offered by Danida's approach. This may be because Danida provides annual funding within the framework of a multi-annual partnership arrangement; but since it strives to provide predictable levels of funding year-on-year, this should not be a major barrier" (Mowjee et al., 2015).

Building a responsive system that is fit to meet contemporary humanitarian challenges requires the ability to provide liquidity at times of peak demand, without compromising ongoing responses. The humanitarian response system, which is already heavily leveraged to meet the existing caseload of needs, struggles to mobilise adequate funds at moments of peak demand. Locking funding into multi-year commitments and potentially extending further into the HDPN exacerbates this tension. At the system level, it has yet to be considered how to build greater levels of contingent financing into the system to cope with periods of peak demand.

Risk-informed investments, such as investments in preparedness and early action, which offer significant downstream cost savings and improved response times, struggle to attract sufficient levels of investment. Humanitarian spending remains strongly reactive, despite a wide acceptance that emergencies are often predictable, protracted and cyclical and a growing body of evidence that supports the case for strategic, risk-informed, longer-term investments. Instruments that would permit significant frontloading of investments could in principle deliver large-scale efficiency savings and a more predictably responsive system (UNICEF and WFP, 2015), yet there is currently little appetite for investing in preparedness, responsive capacity or early action on a significant and sustained scale. Responding organisations, including UNICEF, have considered the potential application of a range of financing instruments that could be applied to these system-level challenges (see Box 10).

LESSON 7: MYHF SUPPORTS AND ENABLES A RANGE OF LONGER-TERM APPROACHES, WHICH CONTRIBUTE TO IMPROVED PROGRAMME QUALITY, BUT EVIDENCE CONFIRMING THE CASE FOR TRANSFORMATIVE OUTCOMES IS SPARSE.

The evidence supporting many proposed quality and effectiveness gains of MYHF is sparse and anecdotal, but there are promising indications. While the organisations consulted were quick to list the theoretical programming benefits of funding continuity on a multi-year basis, they found it much more difficult to provide practical examples of improved programme quality, and even harder to provide evidence of improved programme outcomes. It is clear that certain types of activity will benefit from greater predictability and longer planning

BOX 9: WFP'S GLOBAL COMMODITY MANAGEMENT FACILITY

WFP's Global Commodity Management Facility (GCMF) has transformed the agency's approach to food procurement, creatively redeploying financing within the organisation to enable the procurement of food at moments of optimal market conditions and enabling a more streamlined and efficient supply of commodities in response to demand.

The GCMF (formerly known as the Forward Purchase Facility) was developed as a pilot in 2008, operating as a window within WFP's advance financing mechanism the Working Capital Financing Facility (WCFF). The objectives of the GCMF are to:

- reduce supply lead times to accelerate food deliveries;
- enable procurement of food at advantageous times, and in developing countries where possible;
- support emergency responses with strategically located food inventories that are rapidly accessible for delivery;
- help farmers to maximise production by upgrading their equipment and their capacity to deliver processed foods such as vegetable oil, corn-soya blends and ready-to-use supplementary food; and
- explore cost savings through economies of scale.

Commodities purchased through the GCMF are typically sold to projects while the food is in transit to ports. Once it is sold on to a project, funding is revolved to enable another purchase. The GCMF also enables WFP to stockpile nutritional products that are often subject to supply bottlenecks when procured direct from suppliers at times of peak demand.

WFP estimates that the use of the GCMF in combination with advance financing has reduced the standard 106-day lead time for food procurement by 85 percent. In 2015 the GCMF purchased food worth USD 372 million, supplying 41 country offices with an average lead time saving of 37 days.

Source: WFP (2014); WFP (2016b).

BOX 10: PROPOSED FINANCING SOLUTIONS TO SYSTEM-LEVEL FINANCING CHALLENGES

Similar to existing internal working capital funds, such as UNICEF's Emergency Programme Fund (EPF) and WFP's Internal Project Lending (IPL) and Macro Advance Financing (MAF) funds, an inter-agency humanitarian working capital fund could unlock funds for prevention and could help to solve liquidity problems in the early stages of a response. Loans could be advanced to a range of pre-qualified investments or to bridge financing gaps between donor pledges and the receipt of funds by agencies. Agencies would apply for loans based on business cases and would report on outcomes. Funds could be repaid when new donor contributions are received, based on a pre-agreed repayment rate.

BLENDED FINANCE MECHANISMS

A capital market debt financing instrument (bonds) could help to mobilise funds for preparedness, prevention and early response. Modelled on the International Finance Facility for Immunisation (IFFIm), which has received donor contributions of more than USD 6.5 billion since its creation in 2006, long-term financial commitments from donors could be used to issue bonds on capital markets, rapidly mobilising larger volumes of funds in the short term. When such funds are invested in interventions proven to deliver long-term cost savings compared with late response, donors would receive a long-term return on their investment, while bond holders would receive market returns with the added benefit of a verifiable social and environmental impact.

Humanitarian impact bonds could be used to mobilise capital from private investors and to incentivise delivery of results. Private sector investors would fund pre-qualified humanitarian investments generating cost-efficiencies and would receive dividends from donors if targets are met or exceeded. If targets are not met, the principal would be returned to investors without interest.

A trigger-based security mechanism (insurance/capital market hybrid) would involve a high-yield debt arrangement similar to a catastrophe bond in which certificate holders assume the risk of a disaster event occurring. Debt is issued, with cash proceeds going to preparedness and prevention measures aimed at mitigating the disaster. If an objective threshold is triggered (e.g. a certain wind speed or magnitude on the Richter scale), investors stand to lose a portion (or all) of their principal. If no disaster occurs, the investors' principal is repayable by the donors/issuers with interest.

This instrument would be most appropriate for 'tail risk' emergency events, where the risk of a disaster occurring is small but the resulting devastation would be massive. Since the preparedness initiatives facilitated by the instrument reduce response costs, donors are exposed to reduced risk and have the added benefit of risk sharing with the private sector. Similar trigger-based catastrophe bonds have already been tried and tested for a range of natural disaster risks and commodity price risks where risks can be quantified and modelled and objective trigger points can be defined.

Source: UNICEF (direct correspondence).

horizons (these are described below). In addition, there are a range of potential 'soft benefits' which are much harder to quantify, and which stem from continuity of presence and relationships. Simply being able to commit to 'being there' was felt by a number of agencies to strengthen their ability to build relationships and trust with partners and communities; this improved programme buy-in and community acceptance, which in turn was felt to support operational security.[25]

Financing which extends across calendar years can be particularly beneficial for programmes that are dependent on seasonal windows of opportunity, including agricultural programmes which need to be synchronised with planting seasons and with population and livestock movements.

Significant efficiency and effectiveness gains can also be derived from procuring and transporting commodities at times of optimal market opportunity and when roads are accessible. Education programmes where school years extend across calendar years will also benefit from longer-term funding.

Programmes seeking to build capacity and to change behaviour benefit from longer-term programming periods. Examples include changing sanitation practices or embedding changes in agricultural practice, which may require several cropping cycles to demonstrate benefits (Cabot Venton and Sida, 2017). One INGO described having supported a national partner over a period of years to the point where it was now able to access funding from WFP directly and no longer required an INGO intermediary.

[25] WFP's multi-year support from the Government of Australia, for instance, enabled it to engage in strategic planning and in building stable relationships with governments and communities in the Asia-Pacific region for a range of resilience-building activities.

BOX 11: ITERATIVE LEARNING IN THE BRCIS PROGRAMME

The BRCiS Consortium was formed by five international NGOs – Cooperazione e Sviluppo (CESVI), Concern Worldwide (CWW), the Norwegian Refugee Council (NRC), the International Rescue Committee (IRC) and Save the Children International (SCI) – each with long operational experience in Somalia, to address long-term exposure to risk at the community level. BRCiS received a four-year grant from DFID in 2013 and a three-year grant from EU DEVCO in 2015.

The BRCiS project encompasses humanitarian, longer-term rehabilitation and development activities, with the aim of transforming cyclically vulnerable communities through supporting their capacities to withstand and respond to shocks and stresses.

Communities taking part in the BRCiS Consortium programme requested support for tree-planting activities as part of their community activity plans. In the first year, BRCiS paid private contractors to supply seedlings, which were distributed by community elders. However, since the trees in effect belonged to no one, they suffered a classic 'tragedy of the commons', with many dying for lack of water or being cut down for firewood. Only 55% of the 3,500 trees survived.

In the second year, participating communities and BRCiS devised a new approach which involved shifting incentives so that, rather than just contractors benefiting financially, small-scale farmers' groups were commissioned to cultivate trees and were paid on the basis of their survival rates. The survival rates improved dramatically, with more than 97% of 34,200 trees surviving; the total cost per tree to the programme fell significantly, and 350 households benefited from additional income and skills. The BRCiS Consortium argues that, in a one-year programme, it would not have been able to refine and develop a much more successful programme approach.

Source: Concern Worldwide BRCiS (2017b, forthcoming); NRC (2016).

Programmes which address complex problems with multiple causal factors are likely to benefit substantially from longer-term implementation timeframes, which permit learning, iteration and adjustment. The ability to develop new programming approaches, tools and technology may deliver significant downstream efficiency and effectiveness gains. Longer-term and flexible financing is considered by actors working in the field of humanitarian action to be a key enabling pre-condition, enabling programme developers to work to a timescale that allows for the evolution of ideas and technology, rather than being constrained by artificial external deadlines (Obrecht and Warner, 2016). Programmes which explicitly set out to develop new tools, technologies and approaches similarly benefit from longer-term timeframes in which they can test, pilot, learn and iterate.[26] The Building Resilient Communities in Somalia (BRCiS) programme, now in its fourth year, has developed and refined its programming approaches organically through learning and iteration, which its partner members argue would have been unlikely to have occurred if programming had been implemented on shorter-term horizons (see Box 11). FAO's Caisses de résilience approach meanwhile has been refined over a period of more than a decade and continues to experiment and add new elements and approaches (see Box 12).

Programmes which require a significant upfront investment, including prevention and preparedness activities that will pay off over a longer time period, benefit from multi-year planning timeframes. Analysis of efficiencies over a multi-year period allows for identification of where the greatest cost savings and the most significant returns on investment lie, and over what time period they can be expected to deliver cost savings.[27] Such analysis can help to build a risk-based investment strategy for a range of investments which might otherwise struggle to attract support, but which can be assessed to deliver significant efficiency and effectiveness gains. The DFID-funded multi-year Ready to Respond emergency preparedness programme,[28] for example quantified the RoI of a range of preparedness investments, and found that capacity building had the highest rate of RoI while infrastructure investments

26 Assessing the innovation process, ALNAP recommends the following approach: "Working in innovation requires flexibility to deal with the unknown, and this is particularly so with an innovation in the humanitarian sector. Budgets and resource plans therefore need to be suitably flexible to accommodate several possible outcomes (e.g. the need for further trials) as well as likely deviations from the original plan" (Obrecht, 2015).

27 Cabot Venton and Sida (2017) observe, for example, that their study of emergency preparedness in Ethiopia indicated that investing in longer-term and more sustainable water supply is more cost-effective overall compared with emergency water trucking, but that it may require months to come online. Cash-based programming benefits from upfront investments in market assessments and registration systems.

28 The Ready to Respond programme is an extension of the DFID-funded multi-country emergency preparedness programme with partners UNICEF and WFP, which in its current iteration also includes OCHA and UNHCR. See: http://www.humanitarian-preparedness.org/

BOX 12: FAO'S MULTI-DIMENSIONAL CAISSES DE RÉSILIENCE (CDR) PROGRAMMING APPROACH

FAO has developed a multi-dimensional programming approach to build the resilience of vulnerable and risk-exposed subsistence farmers and pastoralists which has been tested, refined and adapted in several country contexts over a period of almost ten years. The CdR approach was first developed in Uganda in 2008 and has been replicated in Guatemala and Honduras since 2013 and in CAR, Chad, Liberia, Malawi and Mali since 2014.

The approach aims to strengthen and diversify community assets and knowledge as a route to building resilience. Programme activities typically include three linked and mutually reinforcing elements: a productive/technical dimension, such as increasing long-term productivity; an economic or financial dimension, such as increasing access to credit; and a social dimension, such as strengthening social cohesion through farmers' groups and women's associations. In situations of acute need or very high levels of poverty, these three pillars may be supplemented with conditional cash transfers. In DRC, FAO is working increasingly closely with WFP's Purchase for Progress (P4P) programme to provide farmers with access to markets, providing them with greater incentives to invest.

The model is flexible, and FAO has adapted it to both the needs of the context and the availability of funding and combines both development and humanitarian contributions to build up financing support for the various pillars of the programme. The CdR approach stresses that implementation requires a minimum of two years for good practices to be sustained beyond the lifetime of the project.

Sources: Direct correspondence with FAO (2016).

delivered the highest RoI in terms of absolute cash-flow (UNICEF and WFP, 2015).[29]

Predictable funding can provide effective support for the delivery of evidence development, policy influencing and normative work. The UN Population Fund (UNFPA), for example, credits multi-annual funding from Denmark with helping it to develop normative work on reproductive health and gender-based violence (GBV) (Mowjee et al., 2015). UNICEF credits multi-year thematic support from Sida to WASH programming with having enabled it to develop a range of normative work and regional- and global-level initiatives.[30] The Regional Development and Protection Programme for Refugees and Host Communities in Lebanon, Jordan and Iraq (RDDP) similarly credits predictable multi-year financing as a key enabling factor in generating evidence and policy to guide response models, approaches and strategies for political dialogue (see Box 13).

MYHF can in principle enable programming seeking to deliver transformative outcomes, but there is currently insufficient evidence to confirm that these outcomes are being achieved in practice. It has been argued that MYHF is a key enabling condition for programmes seeking to deliver transformative outcomes, including building resilience, addressing underlying vulnerabilities and minimising the impact of recurring shocks (DFID, 2015; McElhinney; GHA, 2016; CARE, 2016). There are many examples of projects and programmes that receive MYHF and are designed with such transformative aspirations. WFP, for example, credits multi-year financing with enabling it to design and deliver transformative programming, such as its newly initiated programme promoting refugee self-reliance in Mozambique (see Box 14).

Currently, financing predictability can be said to be an enabling but not a sufficient contributing factor to achieving transformative outcomes, and it is not known in fact if these programmes are succeeding in delivering change. That is not to say that they do not work, rather that currently, we struggle to prove it. This may be a function of the limited ability of actors to measure change, a situation compounded by

29 The UNICEF and WFP (2015) analysis of RoI on emergency preparedness investments found that infrastructure investments delivered an RoI of greater than one. While the RoI ratio was not the highest among the various categories of preparedness actions or cases, and considering the relatively large outlays, the cost-efficiency returns on these investments were therefore in large orders of magnitude. Cost savings from USD 2.6 million in infrastructure investments were estimated to be USD 7.5 million in total.

30 Note that these funding contributions are from Sida's development financing budget and not from its humanitarian allocation. They include developing innovative financing models for the WASH sector in West and Central Africa; enabling UNICEF to develop its engagement with the private sector, including developing the WASH4Work initiative; developing a strategic framework for climate-resilient WASH with the Global Water Partnership; and developing guidance with the Stockholm International Water Institute to improve accountability and governance of WASH services (direct correspondence with UNICEF).

BOX 13: THE REGIONAL DEVELOPMENT AND PROTECTION PROGRAMME FOR REFUGEES AND HOST COMMUNITIES IN LEBANON, JORDAN AND IRAQ

The joint European RDPP programme for the Middle East combines humanitarian and development funds from a range of donors, including the European Union, the Czech Republic, Denmark, Ireland, the Netherlands, Norway, Switzerland and the United Kingdom. The programme provides strategic investments in a range of activities and new approaches to supporting governments, host communities and international actors in Lebanon, Jordan and Iraq to provide more appropriate longer-term approaches to supporting Syrian refugees in the region.

The RDPP brings investment and engagement from a broad group of actors to policy research focusing on underlying causes of protracted crisis and key shared areas of concern for policy influencing and programme design. For example, the programme has partnered with UNDP to bring together humanitarian and development solutions within the region in a research analysis and consultation process with crisis-affected governments, in order to identify policy options and new response models to respond to rapid demographic change, notably influxes of refugees.

The RDPP credits its multi-year approach with enabling the development of partnerships, the building of trust and facilitating dialogue; allowing for longer-range trend analysis; and facilitating more tailored, targeted and complementary research design.

Source: UNDP and Denmark, direct correspondence.

limited appetite from donors for this kind of evidence.[31] The preliminary findings from DFID's study on the value for money of MYHF were that, across the programmes studied in Ethiopia, DRC, Sudan and Pakistan: "Very few partners could specifically demonstrate how project design had been improved, nor what the actual impact of that was" (Cabot Venton and Sida, 2017). Similarly, responding organisations consulted for this study struggled to provide evidence that MYHF had enabled them to achieve the transformative outcomes they aspired to deliver in their multi-year programme designs. When agencies did offer examples, they were often descriptive and did not draw on rigorous and objective evidence. The most compelling example came from the BRCiS programme in Somalia, where in the 2016 El Niño-induced drought, inhabitants of participating villages – selected because of their vulnerability to shocks – did not move during the drought as they normally would, and then also became havens for drought-displaced communities from surrounding villages (Concern Worldwide BRCiS, 2017a). Notably, other

[31] Renaudin (2016) notes, for example, in a 'lessons learned' study on Sida's multi-year financing support to FAO programmes: "The Sida/FAO agreement did not include a systematic baseline measurement ex-ante as well as ex-post of the projects, except in Colombia; therefore no evidence-based results exist to show to what extent this programme has supported resilience building in total."

BOX 14: INVESTING IN REFUGEE SELF-RELIANCE

The US Bureau of Population, Refugees, and Migration (PRM) has pledged USD 4.1 million over three years to support a joint WFP, UNHCR and UN-Habitat programme to support 11,000 refugees to build their self-reliance and integrate themselves, as well as the existing refugee camps, into the local community.

This approach is consistent with the new UNHCR/WFP Joint Strategy on Enhancing Self-Reliance in Food Security and Nutrition in Protracted Refugee Situations, which calls for UNHCR and WFP to promote refugee self-reliance in partnership with other agencies in pursuit of collective outcomes supported by multi-year financing, potentially from a range of humanitarian and development sources.

The Mozambique project will test new ways of addressing protracted refugee displacement, providing new evidence and fresh insights on this subject that will strengthen the global advocacy efforts of WFP, UNHCR and UN-Habitat and feed into global-level policy forums, including the Global Alliance for Urban Crises.

Source: Direct correspondence with WFP.

examples cited by responding agencies were from more stable operational settings.[32]

Measuring change in complex problems and attributing the contribution of international investments in low-resource, crisis-affected and often insecure settings is immensely challenging and may require new approaches to the measurement and acceptance of new types of evidence. Understanding the impact of investments is critical to improving programme strategy and design, but an ability to demonstrate a return on investment may also influence the likelihood of attracting MYHF funding. FAO, for example, has found it far easier to secure MYHF for its programmes addressing zoonotic diseases, where it is relatively easy to demonstrate a reduction in disease prevalence over time, including a reduction in the incidence of outbreaks, than for other types of programming where outcomes are not currently easy to measure. However, not everything is simple to measure and account for, particularly when addressing complex, multi-causal challenges. Measuring change in resilience, for example, is extremely challenging, particularly in settings that may be periodically inaccessible and where secondary sources of data may be few and far between. Baselines and targets may not be easy to establish at the outset, and measurement of progress may be better suited to iterative learning and monitoring of a few select indicators and proxy indicators. Moreover, a dose of realism may be needed in the scale of transformation that it is possible to achieve with limited humanitarian resources targeted at the community level in settings with deep structural developmental problems and profound security problems.

The duration of support is likely to have a significant effect, but this is currently not widely considered. One untouched area of the discussion on multi-year financing is whether the duration of financing agreements really matches the needs of programming activities. Currently, in the best-case scenario funding is provided for three or four years, but capacity and systems strengthening work and developing innovation may take considerably longer than this to deliver meaningful RoI. Responding organisations noted that the time required to build effectively functioning consortia and to design programmes to respond to complex problems is seldom factored in to programme agreements, and in practice many of the resilience consortia now in existence are entering their second or third multi-year cycles. Similarly, DFID's multi-year resilience programmes in Sudan were found to require longer than anticipated to carry out operational research, establish effective ways of working across its consortia and operationalise programme designs and strategies to address complex problems in a challenging operational setting. Some of the benefits described by WFP in its P4P programme in Nicaragua, such as longer-term procurement planning, were realised in the second multi-year phase of intervention, following on from a pilot stage (2009–13). As such, the first multi-year cycle may be better thought of as the foundational stage in addressing complex multi-causal problems (Cabot Venton and Sida, 2017).[33] As experiences and evidence grow on what works, donors may need to adjust their agreements to synchronise them with different types of programming and planning horizons.

LESSON 8:

AT THE CRISIS LEVEL, PLANNING FOR "COLLECTIVE OUTCOMES" MAY OFFER NEW OPPORTUNITIES IN LONGER-TERM PLANNING, BUT ALSO A RANGE OF CHALLENGES FOR EXISTING HUMANITARIAN TOOLS AND APPROACHES.

Humanitarian Response Plans (HRPs) are supported by legacy technologies, which act as a brake on their ability to prioritise and design for longer-term outcomes. Approaches to needs assessment, cluster-based prioritisation and funding incentives and tracking are all still heavily geared towards supporting short-term response. However, these legacy technologies in some cases support principled humanitarian action, and any drive towards coherence would need to consider very carefully how to preserve space for independent humanitarian decision making and financing support for independent humanitarian action.

Longer-term approaches fundamentally require a better understanding of the root causes of humanitarian problems and the ability to identify outcomes

32 For example, WFP cited examples in Gaza, the Asia-Pacific region, Mozambique and Nicaragua.

33 Cabot Venton and Sida (2017) observe of the joint WFP, FAO and UNICEF Joint Resilience Programme in Sudan, funded by DFID: "Critically, there is a realisation that reducing stunting in under 2 year olds is a long-term effort, and that a three year programme is more of a beginning. MYF has allowed the three agencies to establish a complex and ambitious programme, albeit imperfectly at this stage."

and a theory of change to move towards those desired outcomes. Whereas humanitarian response has been predicated on assessment, analysis and prioritisation of needs, a longer-term approach also requires understanding of the root causes of vulnerability and risk. This requires an assessment of quantitative and qualitative data from a range of sources, including humanitarian, development and peacebuilding, to build an analysis of the distribution and drivers of vulnerability and the probability and impact of risk (OCHA, 2016; OCHA, 2017a). It also requires the ability to define outcome-level goals and supporting theories of change. And since many of the key elements of transformative outcomes are not in fact within the scope of influence of humanitarian actors, defining contributions to longer-term outcomes also requires links with actors who can influence change where humanitarians cannot – notably governments and development actors. Currently, humanitarian planning processes are often not sufficiently cognisant of the planning processes of development and peacebuilding actors (OCHA, 2017a; OECD, 2017 forthcoming).[34]

Multi-year HRPs are not appropriate or desirable in all cases, even when there are valid reasons to plan and programme on a longer-term basis. In some settings, a longer-term humanitarian plan would not be politically acceptable to the host government. OCHA's evaluation of multi-year planning puts forward the pragmatic recommendation that all protracted humanitarian responses "should have, at the very least, a multi-year high-level strategic plan that sets out a vision for moving beyond the crisis. However… the evaluation finds that one-size-fits-all approaches do not work, and that the planning process needs to be tailored to context" (OCHA, 2017a). Therefore, while multi-year planning is an important element of multi-year approaches in crisis-affected settings, it should not be expected that the existing HRP system will readily adapt to provide a neat solution to the need for a strategic framework, prioritisation and monitoring tool at the collective level.

Working towards collective outcomes offers the promise of a clear conceptual framework and division of labour across the HDPN on a limited set of issues, but it will also further challenge existing planning and financing approaches. Working towards collective outcomes is expected to provide a convening stimulus across the HDPN, focused around a prioritised set of challenges. There are certain programmes which lend themselves to coordinated efforts to reach forward into the nexus from humanitarian action and to reach across it with shock-resilient, adaptive development programming. These opportunities include durable solutions for displaced populations; cash-based programming designed to mesh with and transition to government-led social safety nets; shock-resilient livelihoods programming; and multi-sectoral nutrition/hunger approaches.

As noted above, programmatic efforts to find solutions often tend to lead to multi-sectoral and or geographically focused programme design. Currently, however, the cluster system is the building block of in-country humanitarian planning and prioritisation processes. Yet clusters tend to function relatively autonomously, and in practice they are in competition with one another for funding, reinforcing the tendency to analyse, plan and prioritise in isolation rather than taking a more problem-driven approach to finding longer-term solutions. Problem-driven solutions to analysis, prioritisation and coordination may emerge in future from efforts to identify and organise to deliver against collective outcomes.[35] However, the critical accountability function that the clusters were designed to ensure, namely to act as the provider of last resort, would need to be assured or provided for in other ways.

Collective budgeting exercises, which in many cases rely on compiling and aggregating project costs by sector, may also be at odds with multi-sectoral or geographically focused response planning. Notably, in DRC the recent multi-year HRP process was able to navigate this budgeting problem, and was able to budget over a number of years, because actors in DRC had already invested in activity-based costing that could be readily adapted to multi-sectoral and multi-year response costing. In addition, multi-year planning timeframes also offer opportunities to

[34] OCHA's (2017) evaluation of multi-year planning argues: "In every case-study country, there was a plethora of joint and individual agency planning frames and only in a few cases a conscious alignment of planning frames. Development actors can struggle to align planning milestones with those of the humanitarian MYP where they consider them too short to engage in sustainable development activities with true ownership by the Government. Longer-term strategic planning processes may need to make specific reference to event horizons such as harvests, elections, etc rather than one or even several years. Especially in the case of transitional plans, these could mirror the cycle of development plans or political cycles."

[35] In DRC, for example, the recent multi-year HRP process found multi-sectoral planning to be the most challenging aspect of the process, and it only managed to navigate tensions by starting from a point of considering particular groups of vulnerable people and designing a package of assistance to meet their needs.

BOX 15: THE BÊKOU TRUST FUND IN THE CENTRAL AFRICAN REPUBLIC

The Bêkou Trust Fund for CAR sought from the design stage to avoid the classic transitional pitfall of a rapid drop-off in humanitarian funding followed by a gradual scale-up of inflexible development financing. The fund sought to attract financing when the visibility of the crisis was still high and to deploy this over an implementation timeframe that spanned relief and recovery needs. It also sought to attract contributions from both humanitarian and development donors, and it receives contributions from a variety of EU development and migration budget lines and funds and humanitarian funds from ECHO, as well as contributions from other EU member states, including Italy, the Netherlands, France and Germany.

Anticipating continued spikes in humanitarian needs, the Bêkou Trust Fund is designed to respond flexibly. EU trust funds operate under a flexible arrangement and have greater flexibility and speed than funds contracted directly from the European Development Fund (EDF). The trust fund is able to issue contracts of up to three years in duration. In addition, the likelihood of regional impacts caused by the crisis were also anticipated in the design of the fund, which can programme money for responses outside of CAR, including support to neighbouring countries hosting refugees.

ECHO is consulted in funding allocation decisions and it sits on the operational committee, which helps to build operational coherence in decision making across funding streams. The CAR government is also represented on the trust fund board, ensuring alignment with strategic national priorities and helping to break down silos between funding sources.

Source: OECD, 2016; interview with EU.

consider financing for longer-term investments, including strategic investments at the collective level. Currently these public goods are not captured within the sum of project-based planning and budgeting and would require risk-informed assessment of potential investments, coupled with assessment of returns on investment over the planning period.

The prospect of layering and sequencing different types of finance and financing tools to meet short-, medium- and long-term financing needs has gained currency in development financing policy and, more recently, the idea of developing coherent country-level financing strategies to support collectively agreed outcomes has been gaining traction at the global policy level. However, these tools have rarely been applied to fragile and crisis-affected settings and, as with humanitarian collective planning exercises, the ability to identify and prioritise investments on the basis of risk and longer-term returns is notably lacking from collective planning, prioritisation and budgeting exercises among development financing actors (OECD, 2017b forthcoming).

LESSON 9: FINANCING TOOLS AND THE FINANCING ARCHITECTURE AT THE COUNTRY LEVEL DO NOT YET MATCH ASPIRATIONS TO WORK TOWARDS COLLECTIVE OUTCOMES ACROSS THE HDPN.

Current humanitarian financing tools at the global and country levels support more coordinated and timely financing response, but they have yet to address the challenge of providing more predictable financing at the crisis level. The majority of MYHF is provided via bilateral transactions between donors and recipients, many of which are negotiated at headquarters level. Many bilateral donors are themselves far more bifurcated into institutional silos than their partners, reducing the scope for flexible financing approaches across the HDPN. This poses a significant challenge to ensuring alignment with and coherence across country-level prioritisation, and at the global level it is likely to mean that multi-year financing is distributed unevenly across crises. Meanwhile, there is currently no coordinated approach to providing MYHF, and there may therefore be a case for exploring the potential advantages and disadvantages of country-level instruments or coordinated agreements to provide flexible multi-annual financing for a range of priority actions supporting collective outcomes and for actors working across the HDPN.

The country-based pooled funds (CBPFs) managed by OCHA potentially have a role to play in supporting a more coherent response to MYHF. The DRC CBPF has been providing two-year funding agreements for a number of years. The DRC experience can also be read as being somewhat cautionary, however, and while the programmatic logic of multi-year financing is straightforward, the realities of the wider funding context challenge the operational value of its multi-year aspirations. Contributions to the fund have been on a downward trajectory for several years and, faced with a "prioritisation dilemma", the balance between the standard allocation and reserve

BOX 16: THE MYANMAR HUMANITARIAN ASSISTANCE AND RESILIENCE PROGRAMME (HARP)

DFID established the HARP facility in Myanmar in an effort to create greater coherence across its humanitarian programming in the country and for Burmese refugees in Thailand and to enable the provision of tailored support to the range of needs across a protracted and complex crisis environment, including multi-year commitments to more flexible and adaptive funding for building resilience and reducing vulnerability. The HARP is expected to administer funds of GBP 60 million and will be managed by a consortium led by Crown Agents and including Integrity International and the Asian Disaster Preparedness Center (ADPC). This will be the first instance of DFID using a commercial contractor to manage a humanitarian financing facility. The HARP also includes a separate funding allocation to generate evidence on effective programming.

Source: DFID (2016).

allocation windows has shifted, with the majority of funds now used for responding to unforeseen crises and acute needs coming from the reserve allocation window. The availability of funds for multi-year programming through the standard allocation window, therefore, is really very small considering the magnitude of the demand.

Hybrid and flexible financing instruments are beginning to emerge which are aligned with country-level priorities and which can respond to shocks. The Bêkou Trust Fund for the Central African Republic (CAR) provides a useful example of a transitional mechanism working on recovery priorities with flexibility built in from the design stage (see Box 15). DFID's proposed Humanitarian Assistance and Resilience Programme (HARP) Facility, which is expected to become operational in 2017, may also provide an instructive model of flexible financing options across a range of humanitarian, resilience and vulnerability reduction programming (see Box 16).

Many organisations are already working across the HDPN, and the provision of more flexible and predictable support to their wider programming can help to build continuity and responsiveness across the nexus. At the country programme level, programme design often flows from a problem-solving logic with communities as the unit of analysis, and therefore programmes are far less likely to be conceptually bifurcated. Responding organisations often naturally operate across humanitarian, resilience, development and sometimes peacebuilding and climate change adaption fields of intervention. Supporting country programmes in ways that allow them to work flexibly across programming areas could therefore help to enable greater coherence of response within organisations. In some cases, donors have provided flexible contributions to country strategies developed by responding organisations, which in principle allows them greater flexibility to prioritise resources and adapt responses across a spectrum of potential programming activities. For instance, FAO has developed a multi-year resilience country programme to which both Sida and the Government of Canada have contributed on a multi-year, predictable basis (Renaudin, 2016). Norway, meanwhile, is in the early stages of trialling multi-year flexible contributions to NRC country programmes.

There are also practical ways in which development financing actors have adapted their approaches to allow more flexible responses to shocks, through specially designed instruments, increased flexibility across budgets and joint portfolio investment approaches. USAID and the Government of Canada build crisis modifiers into a range of development financing agreements, which allows a pre-agreed proportion of funds to be redeployed for crisis response. Development financing actors are also becoming more experienced with and tolerant of 'pivoting' development funding into humanitarian crisis response in deteriorating situations or following shocks. In some crises too donors are applying joint approaches across their humanitarian and development portfolios. For example, as noted earlier in Box 1, Canada announced a three-year joint humanitarian and development financing package for the regional crisis in Syria and Iraq in 2016, and Norway has recently announced combined humanitarian and development financing pledges over a period of three years for Nigeria and the Lake Chad Basin. Sweden's five-year development strategy for the Syria regional crisis is designed to complement humanitarian funding through a series of targeted resilience-strengthening investments. However, these flexible and complementary financing instruments, packages and approaches, while extremely promising, are yet to become widespread.

LESSON 10:

EXTENDING INTO THE HDPN WITHOUT COMMENSURATE EFFORT FROM DEVELOPMENT FINANCING ACTORS RISKS CREATING A MORAL HAZARD AND PUTTING FURTHER PRESSURE ON SCARCE HUMANITARIAN RESOURCES.

The challenges that need to be addressed in order to "end needs" or find durable solutions to displacement are typically complex and multi-layered and require action from a range of national and international actors well beyond the scope of humanitarian action. The expanding scope of humanitarian action into longer-term efforts to reduce vulnerability and build resilience follows a straightforward and compelling logic. Responding endlessly with costly humanitarian responses to avoidable crises makes little sense when it is possible instead to invest in building resilience. The concept of agreeing a set of collective outcomes, which both humanitarian and development actors can agree will reduce vulnerability and on which they can make a significant impact, provides a tantalising opportunity for greater alignment, sequencing and layering of investments. In addition, MYHF provides the predictability for responding actors to deliver programmes with longer-term transitional and transformative agendas and with the potential to transition or graduate to development programming and financing.

However, without commensurate effort and investment from actors beyond the humanitarian sphere, this simple logic also reinforces a 'moral hazard' whereby humanitarians fill gaps because if they do not, no one else will.[36] The efficacy of humanitarian-led solutions to structural vulnerability without substantial sustained investment from elsewhere is questionable. And in a global context where the demand for humanitarian response to meet acute needs is far outstripped by the supply of resources, the question of where to draw the line to delimit the boundaries of humanitarian action is highly relevant.

The SDGs are drawing development actors increasingly into crisis-affected settings, but levels of financing investment and risk-tolerant adaptive financing have yet to catch up. Driven by a combination of factors, including the new normative global settlements[37] and system failures in responding to regional and global challenges, including the 2014/15 Ebola virus outbreak, the Syria regional refugee crises and migration flows into Europe, development financing actors have dramatically accelerated the pace of reform, innovation and commitment to scale up and work differently in crisis-affected settings (OECD, 2017a forthcoming).

Notably, the World Bank has made a significant shift in the 18th International Development Association (IDA18) allocation for 2017–20, which allots USD 15 billion for fragile states – including a new USD 2 billion window for refugee response. A range of development financing tools designed to enable response to shocks, including risk financing tools, contingent credit lines and counter-cyclical loans, have also emerged in recent years. The creation of the Global Concessional Financing Facility (GCFF), for example, has enabled for the first time concessional financing for middle-income refugee-hosting countries. New tools have also been developed to enable donors to support states at critical moments of risk and opportunity, such as the EU's State Building Contracts and the World Bank's Risk Mitigation and Turnaround facilities (OECD, ibid.). In addition, development financing actors are increasingly looking to invest in the capacity of states to anticipate and respond to shocks, including through disaster risk management and disaster risk financing and through building social protection systems responsive to shocks.

Currently, development financing is often in practical terms largely or completely absent from some of the most challenging geographical areas where humanitarians are responding. One donor described, for example, a complete lack of development investments in the Diffa border area of Niger. Responding actors in Ethiopia have identified a stark geographical mismatch in the distribution of humanitarian- and development-financed investments, with development financing clustered around more densely populated areas and humanitarian investments in economically marginal areas, often with low population densities (Poole, 2017; OCHA, 2017). And in

36 OCHA (2017a) argues: "In many fragile and conflict- affected contexts, there is a deficit of development action and where this does take place it is often under-resourced. Humanitarians find themselves drawn into costly long-term substitution. 'Transcending' the humanitarian-development divide requires a boost in development action and funding in fragile and conflict-affected states, with greater risk tolerance, earlier engagement, and more flexible and context-adaptable instruments and programming by development actors."

37 These include the SDGs, and in particular the commitment to "leave no one behind", but also the outcomes of the 2015 Addis Ababa Action Agenda (AAAA) of the Third International Conference on Financing for Development and the 2015 Paris Conference of the Parties (COP) 21 global climate change agreement.

some instances, even where development financing may appear to exist in the same sectoral areas as medium-term activities financed with humanitarian funding, these may be aligned with very different priorities and levels of engagement. For instance, actors working to deliver agricultural livelihoods programmes in DRC found little scope to link up and transition to development financing, since sectoral priorities in the agriculture sector are heavily weighted to very different activities, including support to national parks. In some cases, bilateral donors may support humanitarian programmes through their UN and INGO partners, but they may not have a development programme in the same context, so from the perspective of the donor there is no possibility of facilitating coherence from within their own instruments.

Even with the best of intentions and a serious level of commitment, there is likely to be a time-lag while tools, approaches and ways of working are adjusted and while funding decisions – which in the case of development financing may be locked into multi-year commitments – catch up and are realigned with emerging priorities around collective outcomes. Where there is an absolute dearth of development financing, funding prioritisation is more likely to constitute a triage exercise rather than an effort to achieve transformative change in underlying vulnerability and risk factors.

Shifting domestic political priorities among government donors and EU member states are already influencing donor spending priorities in ways that may threaten the scope for coherent multi-layered approaches supporting national priorities. Multilateral development funding and financing actors, notably UN agencies and the World Bank Group, are leading the expansion into crisis-affected settings, but meanwhile the centrifugal forces of domestic political priorities and budgetary pressures may drive bilateral donors further from their earlier commitments to align with country-level priorities and systems. While humanitarian aid budgets have remained resilient to economic and political pressures at the global level, many development budgets have faced significant cuts, and some development financing actors face growing domestic political pressures to demonstrate a greater alignment between aid spending and their own national interests, notably in attempting to reduce migration flows to Europe and in promoting the trade interests of donor governments.

Humanitarian actors have yet to assert their comparative advantage, delimit their principled operating space or communicate the limits of MYHF to extend into the HDPN. Despite acknowledging the desirability of working towards collective outcomes, humanitarians have yet to articulate strongly their vision and terms for agreeing a division of labour and desirable ways of working. These debates are currently being played out in Ethiopia, where the division of labour and scope of responsibility for "ending needs" across humanitarian and development actors (including the state) has become a major concern in the wake of the 2015/16 drought and food security crisis, and as Ethiopia enters another drought in 2017. Ethiopia was also at the forefront of the humanitarian-led resilience agenda from 2011, and lessons from these early experiments in longer-term solutions to address underlying vulnerability indicate a growing scepticism around the efficacy of these investments. In this case, consensus may be emerging around directing international funds not towards small-scale resilience programmes executed by humanitarian actors, but to far more substantial development-led investments, including in national responsive capacities (Poole, 2017). Instead of an expanded role for humanitarians in meeting collective outcomes in this scenario, they would ultimately be looking at a much more niche and limited role which complements that of development actors and governments.

3 CONCLUSIONS AND RECOMMENDATIONS

Multi-year humanitarian financing is part of a significant shift in the way that responding organisations engage in crisis-affected settings. Multi-year approaches have wide-ranging implications for humanitarian response, including changes in how humanitarians understand the problems they seek to address, how they design programmes and strategies and how they plan, monitor and budget, but also how they relate to other actors across the HDPN. A wide range of system upgrades, as well as cultural changes and changes in mindset are now necessary to deliver on the promises of multi-year approaches.

The following set of recommendations is intended to address some of the key emerging gaps and challenges. Many more challenges and opportunities are yet to emerge, however, and the humanitarian and development community is potentially on the brink of a dynamic and creative period of significant potential learning and innovation.

RECOMMENDATION 1:

Treat MYHF as an investment which is targeted, designed and managed to deliver the greatest returns.

Multi-year humanitarian financing has the potential to drive significant efficiency and effectiveness gains at the project, country programme and system levels. However, change is not automatic. MYHF needs to be directed to financing challenges where it can make a significant difference. Donors and organisations alike need to be explicit about what it is they want to achieve with MYHF and they need to design robust theories of change, with explicit consideration of the returns they expect on these longer-term investments.

Grant agreements need to be designed and calibrated accordingly, targeting the appropriate level of the delivery chain and structured to address practical considerations, including the degree of flexibility needed to respond to unforeseen spikes in need; the degree of flexibility necessary to adapt to new evidence and priorities; the extent to which upfront capital investments are required; whether time needs to be factored in for piloting and consortium building; and the degree of predictability of future funding commitments required.

RECOMMENDATION 2:

Invest in learning what works and in ways to loop this back into adaptive programming and building the case for MYHF.

Though there is growing anecdotal evidence that MYHF can deliver a range of efficiency and effectiveness gains, there is still a lack of understanding of how to plan, design and implement MYHF investment in ways that achieve and capitalise on those gains. Investing in further analysis of the circumstances under which MYHF brings the greatest returns would help to inform the tailoring and targeting of multi-annual financing solutions to ensure that they are addressed to the situations where they can achieve the greatest impact, matched to the right scope of ambition, targeting the right actors at the right levels and for the right duration.

New approaches to monitoring and understanding evidence will be needed that blend routine monitoring and analysis to enable course correction and targeted, concise operational learning to improve programme design and targeting during programme delivery.

There should also be investment in better evidence to strengthen the ability to communicate about what is being achieved with MYHF and to tell a better story about the efficiency and effectiveness gains of early and predictable response. Being able to provide announceable actions and results and to tell a more convincing story will help donors to justify longer-term commitments.

RECOMMENDATION 3:

Invest in institutional capacities to analyse, plan, design and monitor on a multi-year basis and to manage flexibly.

Building a humanitarian system that can think, respond and learn with a view to longer-term outcomes will require targeted and concerted investments in skills, culture and institutional incentives, as well as tools and systems.

Managing multi-year financing in a way that allows flexibility is a clear and consistent priority for responding organisations. This requires a very different approach to management, which humanitarian organisations are only just beginning to recognise. Managing for outcomes in high-risk and unpredictable settings requires investments in understanding the political economy, drivers of risk and sources of resilience, as well as investment in adaptive programming approaches, including the ability to learn and use evidence and the flexibility to change course.

Some organisations with limited amounts of flexible unearmarked funding may need additional support from donors to invest in these system upgrades.

Transparent and accurate tracking of MYHF will help to support better targeting, advocacy and resource mobilisation, and explicit reporting on multi-year funding to the OCHA FTS – including breakdowns of funding for each year – should become routine practice for donors and responding organisations.

RECOMMENDATION 4:

Apply greater scrutiny to current practices, issues and disincentives to conferring the benefits of MYHF through all levels of the response system.

In order to drive the benefits of MYHF throughout the response chain, donors should build into grant agreements a requirement to demonstrate transparently the terms on which funds are passed on to country programmes and partners. Donors and their partners should also engage in constructive dialogue to identify solutions to practical challenges and disincentives to delivering the benefits of MYHF throughout the response system.

RECOMMENDATION 5:

Design for and invest in building financing predictability at the system level.

MYHF is a first step towards building a more predictably responsive system, but the greater predictability it provides is primarily at the project and programme levels: it does not address macro- or system-level liquidity, long-term investment or business continuity challenges. Creative approaches to applying financing instruments – including market-based instruments to mobilise private capital – should be explored to help drive major transformative change in business models, programming approaches and potentially large-scale efficiency and effectiveness benefits.

RECOMMENDATION 6:

Design new financing tools and architecture at the country level that incentivise and enable layered, sequenced collaborative financing support across the HDPN in support of collective outcomes.

Global policy-level commitments have helped build consensus around the need to work towards collective and transformative outcomes across the humanitarian, development, peacebuilding and climate change adaptation fields of intervention in protracted and fragile settings, but financing solutions and platforms are still under development.

The Grand Bargain commitment to "[s]upport in at least five countries by the end of 2017 multi-year collaborative planning and response plans through multi-year funding and monitor and evaluate the outcomes of these responses" provides an excellent opportunity to further explore and evidence the contribution of MYHF to enhanced predictability, flexibility and responsiveness and its role in the delivery of collective outcomes. However, this should include assessment of alternative financing options at the country level, including country-level financing tools that could manage and target multi-annual funding in support of collective outcomes, more flexible and responsive bilateral development financing instruments and more predictable support to responding agency programme-wide approaches which span the HDPN.

RECOMMENDATION 7:

Engage with other change processes across the HDPN to ensure a coherent financing response, while clearly articulating the comparative advantages and limits of action financed from humanitarian budgets.

Humanitarian programming can and should aim higher in its impact, and MYHF often has the potential to be most transformative when paired with complementary development, peacebuilding and government financing. This requires more sophisticated financial planning, programming solutions and leadership. Humanitarian actors should engage in these wider reform processes with a confident and consistent commitment to core principles and comparative strengths, including advocating for an appropriate division of labour, burden sharing and consideration of the most vulnerable. Explicitly articulating the comparative advantage and limits of MYHF will be necessary to avoid humanitarian funds being pushed further into gap filling, which may in turn also undermine the presence of a principled operating space.

ACRONYMS AND ABBREVIATIONS

BRCiS Building Resilient Communities in Somalia
CBPF Country-based pooled fund
CCRF Comprehensive Refugee Response Framework
CdR Caisses de résilience
CERF UN Central Emergency Response Fund
CPF Country Programming Framework
CSP Country Strategic Plan
DAC Development Assistance Committee
DFID Department for International Development
ECHO European Civil Protection and Humanitarian Aid Operations
EWEA Early Warning – Early Action System
FAO Food and Agriculture Organization of the United Nations
FFP Food for Peace
FTS Financial Tracking Service
GCFF Global Concessional Financing Facility
GCMF Global Commodity Management Facility
GHD Good Humanitarian Donorship
HARP Humanitarian Assistance and Resilience Programme
HDPN Humanitarian–development–peacebuilding nexus
HFTT Humanitarian Financing Task Team
HRP Humanitarian Response Plan
IASC Inter-Agency Standing Committee
ICRC International Committee of the Red Cross
IDA International Development Association
IDA International Disaster Assistance
IPL Internal Project Lending
IRA Immediate Response Account
OECD Organisation for Economic Co-operation and Development
OFDA Office for Foreign Disaster Assistance
MAF Macro Advance Financing
MYHF Multi-year humanitarian financing
MYP Multi-year planning
NGO Non-governmental organisation
NRC Norwegian Refugee Council
OCHA UN Office for the Coordination of Humanitarian Affairs
P4P Purchase for Progress
PRM US Bureau of Population, Refugees, and Migration
R&I Refine and Implement
RDDP Regional Development and Protection Programme
RoI Return on investment
RRM Rapid Response Mechanism
SDGs Sustainable Development Goals
SFERA Special Fund for Emergency and Rehabilitation Activities (FAO)
Sida Swedish International Development Cooperation Agency
UNDAF UN Development Assistance Framework
UNHCR Office of the UN High Commissioner for Refugees
WFP World Food Programme
WHH Welthungerhilfe
WHS World Humanitarian Summit

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A ANNEX: LIST OF ORGANISATIONS CONSULTED

RESPONDING ORGANISATIONS

- ACF
- BRCiS consortium
- CAFOD
- ChristianAid
- DEPP
- DRC
- ICRC
- IFRC
- Islamic Relief
- NRC
- Oxfam
- VOICE
- WHH
- World Vision

UN AGENCIES

- FAO
- OCHA
- UNDP
- UNHCR
- UNICEF
- WFP

DONORS

- Australia
- Canada
- Denmark
- EU (Bêkou Trust Fund)
- Germany
- Ireland
- Netherlands
- Norway
- Sweden
- Switzerland
- UK
- US

OTHERS

- OECD
- Independent consultants

B ANNEX: SUMMARY OF DONOR PROGRESS IN PROVIDING MYHF

Donor	Current status*	Restrictions on MYF
Australia	Currently in the process of extending multi-year funding, having reduced it in 2013. Has launched humanitarian multi-year programmes for Syria and Iraq, and is looking to extend these to other protracted crises, with synergies to development programmes when in existence.	No known restrictions.
Belgium	Multi-year funding already exceeds 50% of total humanitarian budget, with commitment to increase to 60%. Currently, programme support (humanitarian and nexus/resilience programming) can be committed for up to five years; core unearmarked support to UN agencies and INGOs for three years; and contributions to pooled funds for two years (project funding remains short-term). Annual review and consultation process with partners.	No restrictions. Needed changes already implemented.
Canada	Currently provides some unearmarked multi-year funding to mostly multilateral partners (FAO, WFP, OCHA, UNHCR, ICRC and the Canadian Foodgrains Bank). Significant multi-year pledge of CAD 1.1 billion to the Syria and Iraq crises, of which CAD 848 billion is humanitarian funding. Multi-year agreements signed with ICRC and UN agencies – WFP, UNHCR, OCHA, UNFPA and UNICEF – as well as INGOs.	Canada only receives a predictable allocation of around 30% (approximately CAD 300 million) of its annual humanitarian assistance budget upfront at the beginning of the year. The humanitarian budget is then supplemented by the ad hoc reallocation of other resources, such as from bilateral funds and the Crisis Pool. This limits Canada's ability to plan and develop multi-year frameworks.
Denmark	Denmark has provided multi-year humanitarian funding agreements to NGO partners for several years and multi-year funding is a key element of its new Strategy on Development Cooperation and Humanitarian Action announced in January 2017. Denmark has also signed a three-year core funding agreement with WFP and UNHCR after the WHS.	Parliament allocates Denmark's aid budget on an annual basis. Partners are given indications of annual funding tranches, which are subject to parliamentary approval, to facilitate planning.
ECHO	ECHO can commit funding decisions for up to 24 months. In practice relatively few of these grants have been awarded, and usually for resilience, disaster preparedness and thematic projects at the global level. From 2018, however, ECHO has committed to a target of achieving 15–20% of its budget contracted on a multi-year basis during its next programme cycle. Currently planning and prioritisation are still carried out for 12-month periods.	24-month limit on agreements. Annual strategic planning cycles remain at 12 months.
Germany	The Federal Foreign Office (FFO) funds a range of multi-annual agreements. In 2015, the FFO already supported 31 projects on a multi-annual basis, with the majority (25) in protracted crisis settings. It also supports six multi-annual preparedness projects. The main recipients of FFO multi-annual funding are UNHCR, WFP, ICRC, UNICEF and IOM.	No known restrictions. The FFO has established an internal working group focused on implementing Germany's WHS commitments on multi-annual funding in protracted crisis settings.

Donor	Current status*	Restrictions on MYF
Ireland	Starting humanitarian multi-year funding this year to INGO partners (global framework agreements with country earmarking, initially for two-year periods) and UN agencies (unearmarked core funding), with commitment to increase MYF to 20% by 2018.	Parliament allocates humanitarian budget on an annual basis. Currently looking at addressing legal and administrative barriers for making multi-year financial commitments.
The Netherlands	Approximately two-thirds of total humanitarian funding is unearmarked multi-year (three-year) core funding to the CERF, ICRC, WFP, UNICEF, UNHCR and OCHA.	No legal or administrative restrictions (though increasing need to demonstrate how unearmarked funds are being used).
Norway	Multi-year funding agreements with Norwegian NGOs and WFP, plus four-year pledges for the Syria crisis. Funding allocations are mostly on an annual basis, but with signed letters of intent to provide multi-annual funding to UNICEF and UNHCR to give greater predictability. Also, Nigeria and Lake Chad three-year pledge, including both development and humanitarian funding. Pilot multi-year framework agreement with NRC, with unearmarked support to country programmes.	No known restrictions.
Sweden	Core funding to UN agencies and ICRC administered by Ministry for Foreign Affairs (MFA) currently on an annual basis. Sida signs multi-year agreements with UN agencies and INGO framework partners, but proportion of multi-year commitments remains low (below 5%), with country-specific funding largely allocated on an annual basis. Pilot this year for multi-year project funding in 11 contexts with the intention of exploring how Sida can contribute to Grand Bargain Workstream 7.	Parliament allocates humanitarian budget on an annual basis; however, funds can be used for multi-year commitments as long as they adhere to the pre-set authorisation level set by the government. The current authorisation level allows for increased levels of MYF, and MFA/Sida could also apply for the level to be increased.
UK	Currently approximately 85% of humanitarian funding is multi-year, as well as all development funding. Humanitarian funding is allocated through multi-year business cases, which currently can be arranged either as context-based multi-agency programme frameworks or single-agency frameworks/agreements. Disbursements are conditioned on results as set out in results framework, which is reviewed on an annual basis.	No restrictions – move to MYF has been a general move in the past ten years.
US	Practice in relation to multi-year funding differs somewhat between OFDA, PRM and FFP. For OFDA, approximately 65% of funding agreements are for 12 months+ initially and many are extended further. PRM allocates annual funding to its major partners (UNHCR, ICRC, IOM), but with strong long-term commitments for fair share-level funding. Approximately half of INGO partners (which account for 12–15% of PRM's overall funding) were given the opportunity to apply for multi-annual funding, but only 47% of those ended up applying and receiving such funding. FFP does multi-annual development funding and there is willingness to extend this also to humanitarian funding should partners demonstrate multi-annual planning frameworks.	Few legal and administrative barriers to MYF. Funding is IDA-appropriated and allocated by Congress on a 'no-year' basis. Hence it can be extended and forwarded to future use. However, this may be conceived as stretching the mandate of what are primarily seen as contingency funds for emergency response.

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