

Quality funding Workstream

WORKSHOP BACKGROUND PAPER

SEPTEMBER 2019

1. Introduction

Progress in Workstream 7&8 is key to the quid pro quo that underpins the Grand Bargain (ODI, 2019). Significant progress has already been made against the core commitments but barriers and lags remain. Therefore, the workstream Co-Conveners (Canada, UNICEF, Sweden, ICRC, the Norwegian Refugee Council (NRC), and UN OCHA) have organized a workshop to agree on practical steps to address these.

This background paper is intended as a pre-read for participants attending the workshop scheduled for 19th September 2019 and draws on recent published research and evidence provided by Workstream participants. The purpose of this paper is to synthesize evidence on progress against Grand Bargain commitments and on the impact of enhanced quality funding and multi-year planning in order to identify challenges, issues and opportunities for further discussion.

2. Current status of quality funding commitments

Multi-year and flexible funding are argued to confer a range of qualitative benefits for humanitarian action through providing enhanced funding predictability and flexibility (see Box 1).

Box 1: The theoretical benefits of multi-year and flexible funding

- Core unearmarked funding is argued to **support principled humanitarian response** through enabling independent decision-making, under-writing flexible responsive capacity, and supporting normative, policy and advocacy work.
- Flexible funding is commonly argued to enable a more **needs-based funding response**, particularly at the global-level, in allowing partners the ability to allocate funds to under-funded priorities, but also at the country-level, enabling organisations to adjust programming to shifting patterns and priorities of needs.
- Predictable funding in principle allows **preparedness and early action** to predictable needs, and earlier response to unforeseen needs through having funding, staff and assets already in situ.
- Predictable funding in principle permits negotiation of **more cost-efficient** contracts and procurement, based on optimal market conditions, strengthened negotiating position, and improved staff retention.
- Both predictable and flexible funding are argued to reduce the **administrative burden** of proposals and reporting.
- Predictable funding is increasingly frequently associated with the potential to deliver **transformative programming outcomes**.
- Predictable funding is argued to be an enabling condition for **longer-term approaches to planning** and programming.
- Flexible funding also in principle supports **integration of humanitarian and development programming**, through smoothing funding gaps and providing funding continuity.
- Funding continuity (derived from both predictable and flexible funding) supports greater **system strengthening and partnerships**.

Sources: (Levine, et al., 2019; SIDA, 2018)

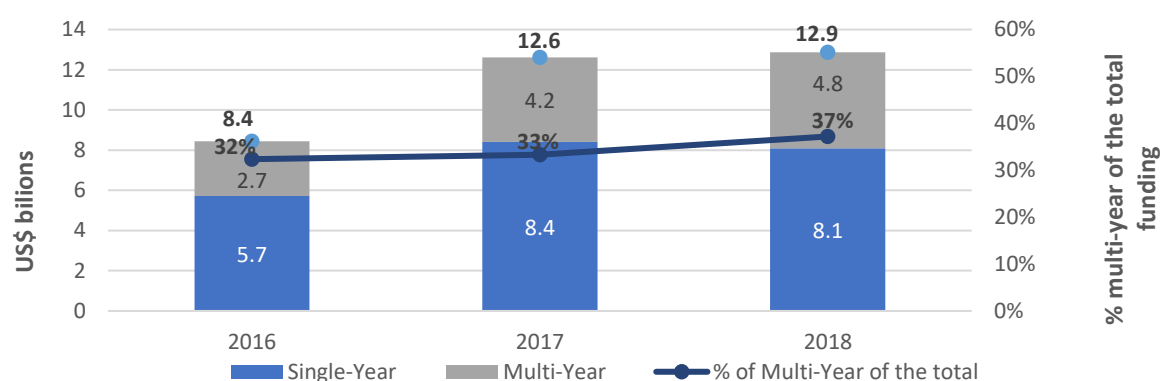
Grand Bargain Workstreams 7 (multi-year funding and planning) and 8 (flexible funding) were merged in 2018 following recommendations made in the 2017 Independent Monitoring Report to become the “Enhanced quality funding” workstream (ODI, 2018).

Significant progress has been made across core commitment areas, notably:

Core commitment 7.1a (*Signatories increase multi-year, collaborative and flexible planning and multi-year funding. Aid organisations ensure that the same terms of multi-year funding agreements are applied with their implementing partners*).

Multi-year funding has grown year on year and is reaching the level of a normative shift for many donors: 14 out of 18 donors had either maintained or increased volumes or percentages of multi-year funding in 2018 (ODI, 2019). There is no comprehensive assessment of multi-year funding levels, however, Development Initiatives’ (DI) recent global survey of multi-year humanitarian funding found that 11 donors, who provided 81% of total international humanitarian assistance between 2016 and 2018, increased the volume and proportion of their multi-year funding from US\$ 2.7 billion in 2016 (32% of total funds reported) to US\$ 4.8 billion in 2018 (37% of funds reported). This represents a 75% increase between 2016 and 2018 (DI, 2019 (forthcoming)).

Figure 1: Single- and multi-year humanitarian-related contributions reported by Grand Bargain member states, 2016–2018



Source: Development Initiatives based on data provided bilaterally and IATI data.

Notes: The dataset shown in the chart covers 11 institutional donors that are Grand Bargain signatories and reported to DI's survey. Multi-year funding also refers to funding agreements ranging between 12 and 24 months when defined as multi-year by the donor. DFID data was collected from IATI and includes some technical operation costs. Data is in constant 2017 prices.

Multi-year planning is increasingly prevalent at collective and individual agency-level: 12 out of 23 HCTs in 2018 were either already working to multi-year plans or developing new multi-year plans in 2018 (ODI, 2019).

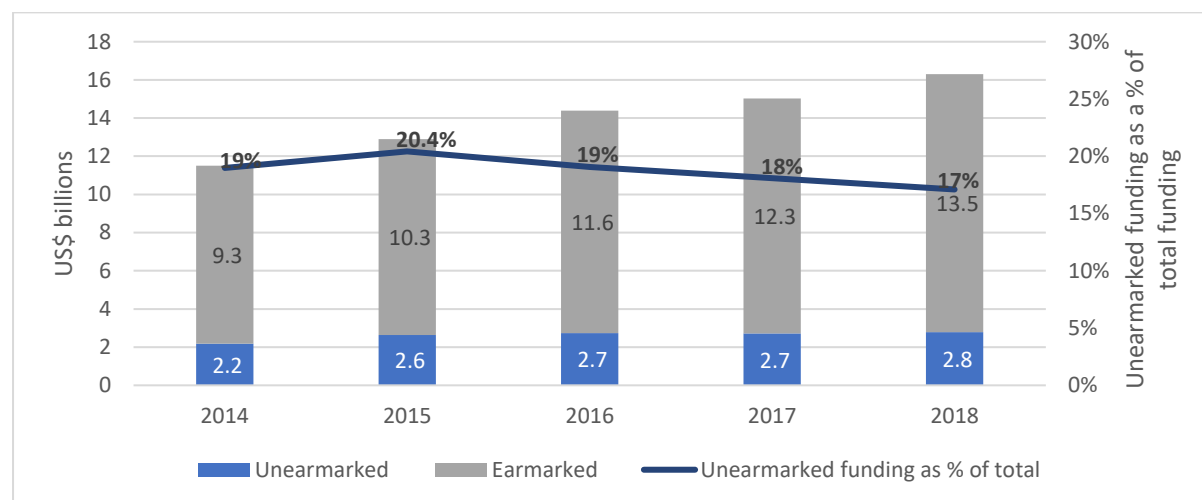
Core commitment 8.1a/8.5 (*Donors progressively reduce earmarking, aiming to achieve a global target of 30% of humanitarian contributions that is unearmarked or softly earmarked by 2020*).

Many donors reported increased provision of flexible funding, and seven donors exceeded the 30% target in 2018, however, progress among the three largest donors (the US, EU and UK) remained limited (ODI, 2019).

The Grand Bargain provides a series of categories of flexible funding. There is currently no comprehensive tracking of funding levels against these different categories, though there are some indications of differential rates of progress across different categories of flexible funding.¹

DI's recent global survey found that unearmarked contributions to nine UN agencies had increased marginally in volume terms since the signing of the Grand Bargain (from US\$ 2.6 billion in 2015 to US\$ 2.8 billion in 2018). However, in the context of rising volumes of earmarked contributions, unearmarked contributions as a proportion of total earmarked and unearmarked contributions had fallen from 20% in 2015 to 17% in 2019 (see Figure 2). Similarly, ICRC reported that while totally unearmarked and loosely earmarked contributions have increased on volume terms, they have fallen from 34% of total contributions in 2015, to 28% in 2017 (ICRC, 2018).

Figure 2: Earmarked and unearmarked humanitarian-related contributions to nine UN agencies, 2014–2018

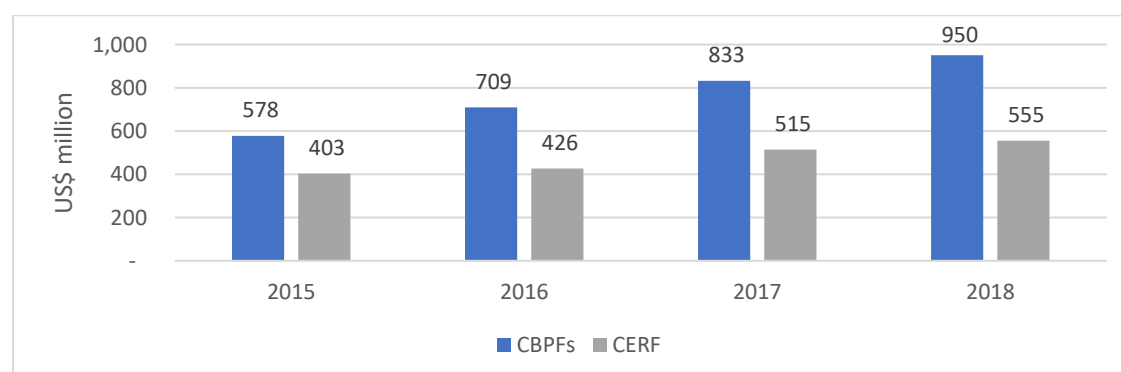


Source: Development Initiatives based on data provided bilaterally by UN agencies.

Notes: The calculations comprise earmarked and unearmarked humanitarian and humanitarian-related contributions given to the Food and Agriculture Organisation (FAO), International Organisation for Migration (IOM), UNDP, UN OCHA, UNHCR, UNICEF, UN Relief and Works Agency for Palestinian Refugees in the Near East (UNRWA), World Food Programme (WFP) and the World Health Organisation (WHO). Unearmarked funding includes funds that can flexibly be allocated at the regional level. Data is in constant 2017 prices.

Meanwhile, contributions to the OCHA managed country-based pooled funds (CBPFs) increased by 64% (an uplift of US\$ 372 million) between 2015 and 2018 and contributions to the Central Emergency Response Fund (CERF) increased by 38% (an uplift of US\$ 152 million) (see Figure 3).

Figure 3: Growth in contributions to OCHA managed pooled funds



Source: Data downloaded from UNOCHA and CERF.UN.org 30/08/2019.

Limited progress was reported against the following commitments in 2018 (ODI, 2019):

- 7.1b Signatories document the impacts of multi-year collaborative and flexible planning and multi-year funding instruments on programme efficiency and effectiveness.
- 8.1 *Jointly determine, on an annual basis, the most effective and efficient way of reporting on unearmarked and softly earmarked funding and initiate this reporting by the end of 2017.*
- 8.3 *Be transparent and regularly share information with donors outlining the criteria for how core and unearmarked funding is allocated.*
- 8.4 *Increase the visibility of unearmarked and softly earmarked funding, thereby recognising the contribution made by donors.*

3. Barriers and issues in implementing commitments

A range of barriers, issues and divergent perceptions on progress against the commitments have been identified. These include:

3.1 Quality funding is distributed unevenly across the system and across crises

Despite verifiable increases in the supply of both multi-year and flexible funding at the global-level, recipient organizations do not report experiencing a corresponding increase. This is not simply a matter of perception it reflects allocation patterns and preferences and is an indication of the uneven distribution of quality funding across the delivery system and across different crises. Currently there has been little interrogation of where the benefits of quality funding are targeted across the system and little dialogue between donors and recipients to understand why their perceptions diverge and what the implications of this are (ODI, 2019).

Aid organizations reported that they had experienced only marginal increases in multi-year humanitarian funding. This divergence in perceptions is also confirmed in recent research with donors responding to Development Initiatives' survey reporting that they provided 37% of their funding as multi-year agreements in 2018, while 10 aid organizations reported receiving just 13% of their income as multi-year (DI, 2019 (forthcoming)). A similar divergence in perception is reported for flexible funding where despite reported increases in supply from donors, some large aid organizations reported experiencing a decline in flexible funding (ODI, 2019; WFP, 2019; ICRC, 2018).²

There are a number of possible reasons for this perception divergence. Firstly, some of the largest donors have not made significant progress in increasing the supply of multi-year funding and therefore in the context of continued growth in humanitarian funding overall, volume increases in multi-year funding from smaller donors may not make a significant proportional difference.³ The growth in flexible funding similarly may not have kept pace with the overall growth in humanitarian funding. The UK for example increased its core contributions to UN agencies from GBP 157 million in 2015/16, GBP 170 million in 2016/17 to GBP 191 million in 2017/18. However, core funding levels remained flat in proportional terms at just under 30% of the total each year (UK Independent Commission for Aid Impact, 2018). Secondly, for both multi-year and flexible funding, part of the increase has been in contributions to pooled funds (notably the CERF and country-based pooled funds (CBPFs) which are unearmarked when they enter the funds, but which become tightly earmarked at the point of allocation and therefore not flexible from the recipient perspective (ODI, 2019). Finally, there is also overlap in multi-year and flexible funding – for example, core bilateral contributions to organizations, CBPFs and the CERF may also be multi-year. Therefore, single grants are likely to be reported against two separate commitments, which may also contribute to a somewhat enhanced perception of overall movement.

There are notable patterns in the distribution of multi-year and flexible funding, which materially influence where the potential gains of increased quality funding are likely to accrue. Multi-year funding for example appears to be more strongly concentrated in “high-visibility” crises, notably Syria, Yemen and Afghanistan and far less so in “forgotten” crises (NRC, 2017; DI, 2019 (forthcoming); SIDA, 2018). In less high-profile crises, many aid organizations report marginal increases in multi-year humanitarian funding at country-level (NRC, 2019).

The benefits of increased multi-year funding are also spread unevenly among partners and have become more unequal. Between 2016 and 2018, UN agencies received the largest share of multi-year funding, moreover this increased from 30% of the total in 2016 (US\$817 million) to 45% (US\$2,153 million) in 2018 (DI, 2019 (forthcoming)). International NGOs represent the second largest recipients of donors’ multi-year grants. Their share of total humanitarian-related contributions increased from 17% in 2016 to 19% (US\$891 million) in 2018. Multi-year funding to the RCRC increased more than four-fold (from US\$67 million to US\$286 million), that to local and national NGOs and pooled funds were 19 and 20 times respectively higher in 2018 than in 2016. Despite these increases in volumes however, their share of the total remained relatively low (6% to RCRC; 2% to local and national NGOs; and, 1% to pooled funds) (ibid.).

There is limited evidence that aid organisations are passing on the benefits of predictability or flexibility to their implementing partners (ODI, 2019). However, DI’s recent global survey indicates there is progress in passing on multi-year funding. Among 11 aid organisations responding to DI’s survey, the volumes of multi-year funding passed on to second-level recipients increased more than six-fold between 2016 and 2018, from US\$92.4 million to US\$573.6 million in 2018 (DI, 2019 (forthcoming)).

The barriers to passing on greater volumes of flexible and predictable funding to implementing partners are not well documented. Funding uncertainty may be one contributing to factor limiting smaller organisation’s appetite to enter into longer-term commitments with partners; restrictive conditions placed on upstream grant agreements; and limited absorptive capacity in downstream implementing partners are also noted as factors (DI & NRC, 2019 (forthcoming)). The relatively small proportions of flexible and predictable funding as a share of aid organisation funding portfolios is also noted to be a disincentive to altering existing contracting practices and behaviour (ODI, 2019; DI, 2019 (forthcoming)). Consortia are noted as good opportunities for national NGOs to receive funding on equivalent terms to international NGOs (DI & NRC, 2019 (forthcoming)).

Notably, there are currently very few requirements from the donor side for their partners to pass on the benefits of multi-year and flexible funding to partners – DI found only one donor in Jordan and Lebanon for example who required partners to pass on multi-year funding to partners (DI & NRC, 2019 (forthcoming)).

3.2 There are divergent perceptions of what quality funding constitutes

There is no clear definition of what constitutes quality funding (ODI, 2019). Discussions on multi-year funding tend to focus on the duration (DI, 2019 (forthcoming)), rather than the quality, properties or appropriate system-level recipients.⁴ Moreover, multi-year funding is variable in quality – some donors consider a period of 18 months constitutes multi-year funding; aid organisations report that much multi-year funding continues to be earmarked at sector, country or activity-level;⁵ and within some multi-year *agreements* activity planning and disbursements must be negotiated annually with donors, potentially reducing the scope to think and plan on a multi-year basis (DI & NRC, 2019 (forthcoming); DI, 2019 (forthcoming); GB Workstream 7, 2017).⁶

There are multiple types of “flexible” funding contained within the Grand Bargain definition, which donors may pick and choose between. In reality, these different types of flexible funding are not equal and have very different properties and comparative advantages. For example, contributing to pooled funds supports system-level allocative flexibility, enabling flexibility to allocate funds to shifting needs globally, or within a crisis context. But as noted above, from the recipient perspective, funds channelled through a pooled fund become tightly earmarked at the point of allocation. In contrast multi-year flexible bilateral agreements enable operational-level flexibility to respond to changing needs within an organisation’s programmatic remit and reach, and to invest in more flexible and adaptive programming (ALNAP , 2019, forthcoming).

There are convincing arguments for calibrating and building *both* properties of flexibility and predictability into individual funding agreements. Notably, responding organisations frequently state that quality funding must be both predictable *and* flexible (NRC, 2017; DI & NRC, 2019 (forthcoming); UNICEF, 2018; SIDA, 2018)⁷. However, the Grand Bargain commitments in their original conception treat these two qualities separately, with separate commitments for multi-year and flexible funding. Currently there is also no baseline or agreement on how to measure either multi-year or flexible funding which means progress is difficult to assess overall, burden sharing unclear, and the distribution of benefits through the system opaque (DI, 2019 (forthcoming)).

3.3 Donors have limited scope and incentives to drive further change

Donors have made significant progress in increasing predictable, and to a lesser extent flexible funding. Progress in reducing earmarking has so far been largely led by a group of small and medium-sized donors, many of whom were already “good performers”. The scope for further movement among these donors and for significant progress among larger donors is not yet clear and “without more progress among the largest donors, it seems unlikely that there will be a reduction in earmarking on the scale originally envisaged.” (ODI, 2019).

Some of the key barriers and disincentives to scale up, which represent the corresponding conditions of the bargain for aid organisations, have yet to be tackled. As noted above, little progress has been reported against commitments 8.1 (improved reporting), 8.3 (increased transparency on allocation), and 8.4 (increased visibility) of unearmarked or softly earmarked funding (ODI, 2019). These concerns were also flagged in a 2018 discussion paper produced by former Workstream 8 and progress in other workstreams is also acting as a brake on donor appetites to scale-up flexible funding.⁸ The US, for example, the largest donor by a significant order of magnitude, stated in the 2018 Independent Annual reporting process that further reductions in earmarking are contingent on “‘significant advancements’ by aid organisations in relation to joint needs assessments, reducing management costs, greater transparency and multi-year planning.” (ibid.) These concerns are shared by other donors, who also note with concern the lack of progress against commitments 8.3 and 8.4 (ibid.; (SIDA, 2018)).

In the absence of collective agreements on reporting, transparency of funding allocation and visibility, there is a risk that donors will unilaterally increase reporting requirements. This has already been the case with the UK introducing new oversight and reporting requirements and applying “payment-by-results” conditions linked to Grand Bargain commitments in its 2018-2021 core funding agreements with UN humanitarian partners (UK Independent Commission for Aid Impact, 2018).⁹

Similarly, limited progress has been reported against commitment 7.1b (document impacts of multi-year funding and planning on programme efficiency and effectiveness) (ODI, 2019; DI, 2019 (forthcoming)).¹⁰ Anecdotally, a number of donors report being disappointed with the return on

their multi-year investments, which has the potential to drive reversals in progress in increasing multi-year funding (ODI, 2019; NRC, 2019). Lack of confidence in aid organisation performance tends to contribute to increased donor conditions including earmarking, short-term allocations, and tighter reporting requirements (DI, 2019 (forthcoming)).

This lack of progress in addressing donor concerns and disincentives to increase flexible and multi-year funding should also be seen in context with the increasingly difficult domestic political conditions in a number of donor countries, where aid budgets are under regular challenge and critique (GB Workstream 7&8, 2019).

3.4 The links between multi-year funding and planning are not clear

The Grand Bargain's focus on advancing multi-year planning was targeted primarily at collective planning at country-level. The Commitment focused on planning (7.2) reads "Support 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."

The first part of the commitment was quickly achieved and multi-year HRPs are now relatively common. However, this was driven largely by OCHA and partners participating in planning and prioritization processes at country-level, and in a number of cases through Comprehensive Refugee Response Frameworks, and not "through multi-year funding". Funding, notably, is not linked to collective country-level planning processes, rather it is linked to donor and individual responding agency internal planning and budgeting cycles (DI & NRC, 2019 (forthcoming)). The 2019 Independent Annual Report notes that "particular efforts are required to ensure appropriate coordination of multi-year funding *with* multi-year plans at country level (commitment 7.2)." (ODI, 2019). However, it is not clear what this might look like in practice, or if indeed recipient organisations would in fact agree this that linking funding to collective planning cycles would be desirable.

The assumed benefits of multi-year collective planning have not been documented, and there are indications of some disillusionment with current multi-year collective planning processes at country-level.¹¹ There are also noted to be practical challenges in implementation including gaps in HCT ability to articulate sequential and progressive objectives and a lack of guidance on multi-year planning (GB Workstream 7&8, 2019). It is also worth noting that in some contexts, where very similar or the same activities may be funded from a variety of funding sources, the distinctions between humanitarian and development funding and planning are not clear, or helpful (DI & NRC, 2019 (forthcoming)).

In fact, the original framing of the rationale for multi-year planning in the Grand Bargain commitment pre-amble clearly linked multi-year planning and funding to aspirations to work collaboratively across the humanitarian-development-peacebuilding nexus noting that multi-year planning and funding "can identify results which highlight the linkages between humanitarian, development, stabilization and conflict management initiatives that are fundamental to decreasing humanitarian needs." Efforts to develop coherent planning and prioritization supported by multi-year flexible funding have progressed slowly and unevenly in the intervening years and are really only now in the formative stages (NRC, 2019). In this respect the Workstream's efforts to advance multi-year planning are not off track, however there may be opportunities to use the unique forum of the Grand Bargain to help shape the next phase of policy and practical support to aspirations to plan, programme and fund with greater coherence across the nexus. Now that Workstream 10 on the nexus has been mainstreamed, showing leadership and initiative among other Workstreams is particularly pertinent.

4. Evidence of impact

Increasing the supply of quality funding is one of the critical elements of the “bargain”, framed as a key enabler essential to unlock a range of expected efficiency and effectiveness gains. Notably, “With the introduction of longer funding timeframes, it was anticipated that there would be improvements in cost-efficiency, better preparedness and earlier response, better-quality programming, and the ability to address underlying causes of crises and help build resilience.” (Levine, et al., 2019). The benefits of flexible funding include supporting principled humanitarian response through greater independence of decision-making and flexible and needs-based responsive capacity (SIDA, 2018). Flexible, particularly core funding, is argued to support the normative, policy and advocacy work of international organizations.

The following section summarizes emerging evidence and analysis of the impact of quality funding and multi-year planning on realizing some of these anticipated gains.

4.1 Cost effectiveness

Evidence for the cost-effectiveness gains of multi-year funding are limited and anecdotal. Some savings are reported from being able to front-load investments and procure at optimal market conditions (Levine, et al., 2019). Donors in Jordan and Lebanon, for example, providing multi-year funding support for cash programming, noted that this enabled organizations to invest in building delivery systems that are more efficient at scale (DI & NRC, 2019 (forthcoming)).

Anecdotal evidence is often offered of administrative savings on proposal development and contracting for both aid organizations and donors (NRC, 2017; NRC, 2018; Levine, et al., 2019; DI, 2019 (forthcoming)). NRC (2018) notes for example with its PBA: “The simplified proposal process, making use of existing Country Strategies, has dramatically reduced the resources invested by Country Offices.” In addition, organizations in Jordan noted that under multi-year agreements they reduced the number of times they had to negotiate lengthy project approvals with the Ministry of Planning and International Cooperation (MOPIC) (DI & NRC, 2019 (forthcoming)).

There is insufficient evidence to indicate significant savings in staff retainment and cost inefficiencies are in practice often driven by multiple factors and would therefore require tailored strategies to address these (NRC, 2017; Levine, et al., 2019).

The greatest cost-effectiveness gains may be argued to be in simply delivering better programmes that meet people’s real needs in a timely and effective way (Levine, et al., 2019).

4.2 Improved quality programming

There is significant evidence to confirm the both efficiency and effectiveness benefits of predictable funding for early and rapid response, including in slow onset crises where resource mobilisation is challenging (NRC, 2017; Levine, et al., 2019). NRC’s evaluation of its programme-based approach (PBA) confirmed an enhanced capacity to respond earlier and to initiate responses to emerging needs, before other funding had been secured (NRC, 2018).¹² NRC also found that flexible and predictable funding enabled them to reach and maintain presence in neglected crises, whilst advocating for recognition and funding for under-prioritised needs (ibid.). Flexible and predictable funding therefore strengthened needs-based response.

Predictable funding was found to contribute to better relationships with communities, authorities and partners, through consistent presence, dialogue and the ability to make longer-term commitments (NRC, 2018; UNICEF, 2018; Levine, et al., 2019; DI & NRC, 2019 (forthcoming)). UNICEF

(ibid.) notes for example that in Lebanon and Jordan: “With multi-year funding, UNICEF can ensure its standing as a long-term predictable and reliable Government partner, which can enhance Government receptivity to UNICEF’s plans to transition programming to local systems.” While NRC (2018) noted that “an increase in community participation and trust has resulted from NRC’s increased ability to respond directly to needs as they emerge.”

Longer-term implementation periods also allows longer periods for consultation in targeting and design, and for receiving feedback and gathering evidence to adjust programming (Levine, et al., 2019; NRC, 2018). ALNAP (2019, forthcoming) found for example that the strongest examples of adapting programming were supported by multi-year funding with managers of these programmes indicating that predictability enabled them to “move gradually towards greater experimentation and willingness to change, and enabled learning to be ‘rolled over’ more easily into new phases of a programme.”

There is some evidence to indicate that predictable and flexible funding has enabled partners to initiate and experiment with longer-term programming approaches which might otherwise struggle to attract humanitarian funding. For example, NRC shifted its ICLA programme in Myanmar away from a narrow focus on legal documentation and assistance to focus on housing, land and property rights noting that “This has only been possible due to the freedom to spend time developing the context-specific approach without immediate pressure to deliver results.” (NRC, 2018). NRC was also able to initiate longer-term livelihoods programmes in DRC and Myanmar with its PBA funding, where humanitarian-focussed donors were reluctant to invest. This enabled them to develop a body of evidence to advocate for additional donor support for longer-term activities (ibid.).

However, the evidence is somewhat mixed and there are other indications that aid organisations do not have a strong record in using what flexible funding they do have to its greatest advantage. ALNAP (2019, forthcoming) notes for example that agencies tend to use their flexible funding for gap-plugging and while some used core funding for targeted innovative projects, these were often not supported by learning and iterative management systems and “ALNAP did not find any examples in the humanitarian sector of the use of private or core funding to initiate specific adaptive programming approaches or increase an agency’s capacity to offer a wider range of services.”

4.3 Improved outcomes

More predictable planning and funding has been mooted as a means to achieve improved overall outcomes for crisis-affected populations including material improvements in their resilience to risks and shocks, which could in turn contribute to a reduction in humanitarian needs (NRC, 2017; Levine, et al., 2019). In addition, multi-year approaches have also been proposed as a tool to help bring together actors across the humanitarian–development–peacebuilding nexus (HDPN) to work towards longer-term transformative change (NRC, 2017).¹³

There is strong evidence to indicate that in fact the impact of humanitarian resilience programming is limited and expectations with respect to transformative outcomes should be moderated to a significant extent. NRC’s 2017 study on multi-year funding cautioned “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.” And DFID’s evaluation of multi-year humanitarian funding found that following several years of resilience investments in Ethiopia to help people cope with drought: “The lack of evidence for any significant impact was striking. Resilience projects were not funded on a large enough scale to make a noticeable difference and they were further constrained by the absence of a coherent vision of what an equitable and resilient local economy would look like or a plan for

achieving such a vision.” (Levine, et al., 2019). While funding is often available from non-humanitarian sources to support resilience programming, it is often ad hoc and insufficient to meet the scale of financing needs (NRC, 2019; Levine, et al., 2019). In some settings there may be political barriers to achieving longer-term outcomes, notably where host governments do not want to promote the longer-term integration of refugees (DI & NRC, 2019 (forthcoming)). The aspiration to “end needs” in short is well beyond the scope of humanitarian actors to influence and should be viewed as a “generational project” (Levine, et al., 2019).¹⁴

There is some evidence to indicate however, that multi-year funding can help to support greater coherence across different programming and investment streams, particularly among multi-mandate organisations. UNICEF (2018) notes for example that “multi-year funding helps to achieve programming goals along the full spectrum of interventions. Due to its medium-term nature, multi-year funding can facilitate a more coherent approach in reaching the most vulnerable.” (UNICEF, 2018). While DI’s consultations with Grand Bargain signatory aid organisations found that “Multi-mandate agencies report multi-year funding has increasingly supported the alignment of their humanitarian and non-humanitarian programmes (stabilisation, recovery, migration, or broader development).” (DI, 2019 (forthcoming)). Outside of individual organisations however, no evidence was found during this review to support claims that multi-year funding could support greater coherence across the HDPN, rather there appears to be a range of system-level barriers and gaps – including in analysis, coordination, disincentives to coordinate and work collaboratively, programme design and implementation capacity - which currently limit the scope for greater coherence (NRC, 2019).

4.4 System-level fitness

The potential gains are not automatic and multi-year and flexible funding need to be actively managed (NRC, 2017; Levine, et al., 2019; DI & NRC, 2019 (forthcoming); SIDA, 2018). Levine et al. (2019) note in the synthesis of their evaluation of the first round of DFID multi-year humanitarian funding: “None of these improvements is guaranteed, and in most cases potential benefits were not realised in the first iteration of MYHF business cases. Desired changes from MYHF have to be explicitly identified in each case, built into agreements with partners and then actively managed.”

Key barriers include difficulties adapting mindsets and skillsets of staff as well as organisational tools and systems. NRC found for example that although negotiating donor approvals to reallocate funding within their PBAs was relatively quick and straight forward, their own internal reallocation process was complex, and their project cycle management and financial tools remained “project oriented”, slowing decision-making (Moser, 2018). ALNAP notes that adaptive strategies require staff to adopt a different mindset and willingness to work differently, which may take time, but which may also be limited where internal systems remain short-term and project-oriented (ALNAP, 2019, forthcoming).

Both aid organisations and donors need learn to work differently. Both need to develop new approaches to context analysis, programme design, management and monitoring, which inform partner and programme selection and are built in to grant agreements from the outset (Levine, et al., 2019). In particular:

- Context analysis which takes into account socio-economic historical factors; current humanitarian problems and opportunities; gender analysis that focuses on constraints to agency;
- Longer inception phases that allow greater community consultation;
- Improved monitoring of the impacts of interventions;

- Operational learning and research;
- And support for organisations to assess their cost-effectiveness (ibid.).

Humanitarian actors currently have limited capabilities in each of these areas, notably in context analysis including analysis of vulnerability (GB Workstream 7, 2017 ; Levine, et al., 2019) and in measuring change and identifying attribution with respect to complex problems in low-resource crisis-affected settings (NRC, 2017). In addition, at the collective-level, there are gaps in capabilities to undertake joint context and vulnerability analysis, in devising theories of change, and in achieving effective monitoring systems (GB Workstream 7, 2017).

Donors need to be “willing to work more strategically with partners, improve the clarity of their internal communications so that donor staff understand what approvals are actually necessary, and cultivate patience and understanding that flexible funding cannot change humanitarian action overnight – particularly if it continues to occupy such a small percentage of overall humanitarian funding.” (ALNAP , 2019, forthcoming).

The incentives, conditions and critical mass of funding required for aid organisations to take full advantage of flexible and predictable funding are not yet clear. Numerous studies report that growth in multi-year and flexible funding is not yet sufficient to tip the scales and drive significant change in organisational planning and management, nor in programming (NRC, 2017; NRC, 2019; GB Workstream 8 , 2018; DI, 2019 (forthcoming); DI & NRC, 2019 (forthcoming)). Restrictive funding is noted to disincentivise aid organisations from developing more ambitious and adaptive programming. NRC observed for example that country programmes with higher levels of earmarking tended to be more conservative in their willingness to use the benefits of flexible funding (Moser, 2018).

It is not clear however, whether quality funding is always the critical enabling condition. In some cases, aid organisations are the initiators of multi-year planning and programming, particularly among UN agencies and the ICRC, who may fit their resources around their multi-year plans, expanding and contracting activities within a multi-year strategy according to the availability of funds. For some organisations, the availability of multi-year funding therefore has only a marginal influence on their *decision* to develop multi-year planning and programming. For organisations who plan on a multi-year basis first and fundraise second, the availability of flexible funding is critical to enable them to plug gaps across a patchwork of different types and durations of grants (DI & NRC, 2019 (forthcoming)). In other cases, particularly for organisations with a narrower programmatic focus, multi-year programming is contingent on the availability of multi-year funding (DI, 2019 (forthcoming); NRC, 2017; DI & NRC, 2019 (forthcoming)). These organisations are also much more likely to peg programming cycles to grant durations (DI & NRC, 2019 (forthcoming)). However, the returns on ‘start-up’ investments in multi-year programmes can be significant as they can be used to leverage additional support from other donors (DI & NRC, 2019 (forthcoming); Moser, 2018).

There are some indications that shifting to outcome-focussed planning and reporting combined with quality funding can help to drive improvements in assessments, design and delivery (ALNAP , 2019, forthcoming ; Moser, 2018). And there is some evidence to indicate that multi-year programming and funding is more likely to be accompanied by research and learning (DI & NRC, 2019 (forthcoming)). It is not clear however the extent to which this learning is improving programming within organisations and little appears to be available in the public domain.

5. Emerging priorities and opportunities

The following topics are suggested for discussion at the scheduled September workshop and through complementary subsequent research, commissioned work and sub-working groups.

5.1 Refining and refocusing commitments

- **Revisit the purpose and scope of quality funding.** The first phase of the Grand Bargain efforts rightly included a push to increase volumes. It would be worth reflecting on where the next push should focus. Clear definitions of what good quality funding looks like, where it should be targeted to achieve what ends could help to target efforts more effectively.

This includes addressing the problem that the commitments currently treat multi-year and flexible funding as two separate types of funding, whereas aid organizations stress that both qualities are required.

The categories of flexible funding provided by the Grand Bargain also do not identify their different properties. Clearer guidance on where the respective benefits accrue for each type of funding could be developed and new types of flexible funding included (notably, programme-based funding). A 2018 discussion paper produced by former Workstream 8 noted that: “Grand Bargain signatories need to clarify and agree on the purpose and characteristics of the proposed different types of flexible funding and where the benefits of flexibility are felt.” (GB Workstream 8, 2018).

Recommendations for tracking and monitoring the agreed categories of quality funding could be drawn from discussions.

- **Revisit the purpose and emphasis of commitments on multi-year planning.** It is not clear what the multi-year planning commitment expects to achieve having already met the quantitative target for increasing collective-level multi-year planning processes. Multi-year programming is not included and the potential links with enhancing collaborative approaches across the nexus are not currently targeted in the commitment and have not been explored. A frank dialogue with aid organizations on the current status of implementation of collectively-level multi-year planning and funding could help to frame the discussion; along with a brief discussion on progress and benefits of supporting organizational multi-year planning and budgeting; and an exploratory discussion on how and whether this commitment could be reoriented to support nexus aspirations.¹⁵
- **Identify where the benefits of quality funding can be achieved through alternate means not captured in the commitments.** There are a number of potential alternative means of achieving and enhancing the benefits of quality funding which are not currently emphasized. These include programme-based multi-year funding, reducing conditions on multi-year funding, supporting the set-up of internal contingency and working capital funds. Aid organizations and donors could offer a range of suggested improvements and quick-wins and mechanisms to monitor and learn from these.

5.2 Accelerating progress against existing commitments

- ***Determine the scope and conditions for further progress against core commitments 7.1a and 8.1a/8.5.*** Increasing the supply of quality funding is a key priority for the Workstream and the subject of the core commitments. The Workstream would benefit from clarifying the scope and conditions for further progress through a dialogue at the technical level to identify clearly, constraints and areas for negotiation. This in turn should inform a programme of actions for both donors and aid organizations to address these as well as a series of detailed briefing notes to be conveyed to the Eminent Person to inform high-level advocacy. There are two areas for dialogue:
 - A discussion among donors to achieve a frank assessment of hard constraints and areas where negotiation may be possible, and an indication of how much further movement could be expected should these key conditions be met.
 - A dialogue with donors and aid organizations to discuss necessary concessions with a view to developing concrete actions to progress on commitment areas 8.1, 8.3 and 8.4. This is consistent with the Independent Annual report recommendation: “With regard to commitment 8.1, it will be important to develop a collective agreement on how to report on flexible funding in a way that increases confidence among donor governments that they can reduce earmarking.” (ODI, 2019).
- ***Identify barriers and develop a programme of actions to improve the flow of quality funding through the delivery system.*** Monitoring the distribution of quality funding will be key to ensuring the right types of funding reach the right places. There are two critical areas for progress in the short-term:
 - The 2018 Independent Annual Report recommends: “A strategic dialogue is also urgently required between donors and aid organisations to understand the disconnect between donor reporting on multi-year and flexible funds and aid organisations’ experience, including how this relates to passing funds down the chain. On the latter, greater understanding of how UN agencies and INGOs are passing down funding, including their use of mixed funding for specific programmes or projects, would also support a more informed discussion on these issues.” (ODI, 2019). Dialogue between both parties could be used to develop a detailed understanding of where barriers lie in passing on quality funding; where it is and is not desirable to pass on quality funding; and what support, incentives and monitoring could facilitate these changes.
 - Improvements in funding tracking will also be key to understanding and monitoring the distribution of quality funding through the delivery system. Key information requirements may emerge and be captured during dialogue sessions.

5.3 Addressing the next generation of reform challenges

- ***Using financing to support organizational and system-level fitness to think, plan and programme longer-term.*** Emerging evidence confirms that multi-year and flexible funding is a necessary but not sufficient condition to enable aid organizations to work in more effective and efficient, longer-term and adaptive ways. It is not yet clear however how funding can be targeted and calibrated to best support organizations to adapt. Insights could be captured during the workshop event to feed into a subsequent commissioned research and ongoing operational learning stream built into the Workstream work plan.

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Endnotes

¹ Note that the OCHA FTS introduced a field to report earmarking in 2019, that contains earmarking levels for around three quarters of funding flows in that year. The quality of reporting has yet to be assessed.

² “the reported increases among some donors are not consistent with the level of funds aid organisations reported receiving. IFRC reported that, in 2018, it saw the second highest volume of *earmarked* funding from its donors since 2011, with 68% of emergency cash pledges tightly earmarked. WFP also reported that the volume of funding it received that was flexible had decreased slightly, from 6.4% in 2016 to 6% in 2018, though the overall amount of such funding had increased (\$380 million in 2016 and \$442 million in 2018).” (ODI, 2019)

³ WFP notes for example: “In 2018, WFP multi-year income accounted for 14%, reaching a total of 1.02 billion USD. Multi-year contributions confirmed for 2019-2023 towards WFP’s Programme of Work reached 1.3 billion USD. Compared to 2017, the level of multi-year funding increased by 62 million USD. However, the % of multi-year funding slightly decreased in “real terms” as overall funding increased as well.” And more starkly “flexible funding has not kept pace with the overall growth in WFP’s contribution income. Flexible funding against the total contributions income has steadily decreased from 12% in 2011 to only 6% in 2018.” (WFP, 2019)

⁴ The Grand Bargain suggests using the OECD definition for multi-year funding as follows: “Multi-year funding is the funding given over two or more years for humanitarian assistance”

⁵ UNICEF Jordan notes for example that in 2018: “88 per cent of the 36 grants are fully earmarked or earmarked per sector; only five (amounting to under USD 2 million) are unearmarked.”

⁶ “NGOs point to the importance of creating true multi-year agreements rather than agreements covering several years but still requiring full annual proposals and due diligence processes.” (GB Workstream 7, 2017)

⁷ “Multi-year is frequently described as enabling flexibility. But that flexibility only comes with low levels of earmarking.”

⁸ The Workstream discussion paper notes: “Despite improvements in the tools and content of reporting on results and the ways in which recipients provided visibility for donor contributions, feedback from donors indicate that these efforts only go so far in building trust and do not yet fully address their needs and requirements.” (GB Workstream 8, 2018)

⁹ According to a recent UK ICAI review, the UK for example: “has introduced new reporting and due diligence requirements that give it greater oversight of how UN agencies manage UK aid funds. The requirements are time-consuming for both UN and DFID staff, potentially drawing resources away from programme implementation. UN officials also suggested that DFID was failing to live up to its Grand Bargain commitment to streamline reporting requirements.”

¹⁰ In a 2017 workshop convened by former Workstream 7 it was noted that: “Many of the donors present indicated that they had increased the levels of multi-year funding in recent years. These donors will soon need to report on the benefits of this approach, and what has been achieved in greater efficiency and improved results. Therefore, greater effort in developing an evidence base that supports multi-year humanitarian funding by multi-year planning and programming is required.” (GB Workstream 7, 2017)

¹¹ The 2020 oPt HRP for example will revert to an annual plan.

¹² The Programme Based Approach (PBA) is a new financing approach applied through NRC’s two humanitarian framework agreements with NMFA/Norad and Sida. This arrangement is intended to provide more flexible funding at the programme rather than project level, by taking NRC’s Country Strategies as the framework within which spending can be allocated. The PBA aims to contribute towards strategic objectives of both NRC’s Strategy 2018-2020 and the Grand Bargain. At an administrative level, the PBA aims to facilitate a reduction in duplication, management costs and reporting requirements for NRC’s Country Offices, compared with applying for and reporting on project-level grants. While at a programmatic level, reduced donor earmarking is expected to enable more adaptive and responsive programming to address beneficiary needs. (Moser, 2018)

¹³ 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 “collective outcomes”.

¹⁴ Levine et al. note: “Funding instruments alone cannot achieve miracles; changing programmes’ timeframes may be sensible but is not revolutionary. The scale of the resilience challenge is huge – bringing populations sustainably out of poverty is a generational project.”

¹⁵ Levine et al (2019) recommend for example: “The next iteration of MYHF must promote a shift towards a strategic vision for building resilience, factoring in development instruments and leveraging the broad skill base needed.”