

**Grand Bargain Caucus on Quality Funding
Outcome Document
Final Draft**

11 July 2022

Background

With the establishment of the Grand Bargain in 2016, key humanitarian actors made several commitments¹ to improve the quality of humanitarian funding. Since then, a growing body of evidence², including the work of the Grand Bargain Workstream on Enhanced Quality Funding, has shown that multi-year funding can deliver better results to people in humanitarian crises. Among other benefits, evidence shows that multi-year funding can make programme delivery more effective, lead to notable efficiency gains and contribute to gender equality.

Despite certain progress being made, however, structural barriers remain, including risk aversion, which require continued momentum to ensure that funding retains its quality all the way to the frontlines of humanitarian action. For this reason, in March 2022, David Miliband, President and CEO of the International Rescue Committee (IRC), co-launched the quality funding caucus together with European Commissioner for Crisis Management Janez Lenarčič.

The caucus was structured as a high-level dialogue among senior-level decision makers from major bilateral donors, UN agencies, the Red Cross/Crescent movement, and local and international NGO networks³. Over the course of five months, the caucus aimed to broker an agreement on an increase in current levels of multi-year funding to first- and second-level funding recipients, in an effort to move existing Grand Bargain commitments forward. In the spirit of the *quid pro quo*, all funding recipients agreed on ways to demonstrate the added value of multi-year funding, ideally with flexible arrangements, to affected populations, to increase transparency and to ensure adequate visibility for donors' contributions, bearing in mind safety, security and access concerns.

The below proposals draw upon existing commitments and documented good practices⁴.

Proposed outcome

The signatories represented in the caucus:

¹ The list of commitments on quality funding can be found here: <https://interagencystandingcommittee.org/Quality-funding>.

² See the online repository of the evidence base on quality funding here: <https://interagencystandingcommittee.org/grand-bargain-official-website/repository-evidence-base-quality-funding>

³ Organisations represented in the caucus were:

- For the donors' constituency: DG-ECHO, USAID and PRM on behalf of the USG, and Sida and the Swedish Ministry of Foreign Affairs on behalf of Sweden.
- For the UN constituency: UNICEF, WFP, UNHCR, OCHA.
- For the RC/RC constituency: ICRC.
- For the NGO constituency: Interaction on behalf of international NGOs and the NEAR Network on behalf of local and national NGOs.

⁴ An online repository of documented good practices can be found at this link:

<https://interagencystandingcommittee.org/grand-bargain-official-website/repository-evidence-base-quality-funding>

Recalling their original Grand Bargain commitments on quality funding,

- I. Recognise multi-year funding, in support of multi-year planning and programmes, is key to reinforcing efficiency and effectiveness, and strengthening local capacity, which leads to better outcomes for affected populations. We recognise multi-year funding as the preferred type of funding in, but not exclusive to, protracted crises, taking account of contextual demands. For the purposes of this Outcome Document, protracted crises are most often considered those crises with five or more consecutive years of UN-coordinated appeals;
- II. Agree that multi-year funding should have the following characteristics to enable recipient organisations to respond efficiently and effectively, especially to protracted crises, including to shifting dynamics on the ground:
 - a. Duration: 24 months or more at the contract signature, in line with the OECD-DAC definition⁵
 - b. Timeliness: approved funding is advanced to implementing agencies at the beginning of the agreed period, rather than being paid after the period in question
 - c. Predictability: total funding approved for a multi-year programme should be paid up front wherever possible. Where this is not possible, pre-approved annual tranches should be disbursed, in line with existing guidelines⁶, and as long as contractual obligations are met and funding is available
 - d. Flexible arrangements: funding should have some of these features –
 - ability to adapt to changing circumstances and move funds between budget lines and/or sectors of activity, specific locations, delivery modalities, and years; to the extent possible, with no additional pre-approval processes;
 - smooth and/or fast disbursement of funds;
 - no-cost extensions available beyond the initial contract duration;
- III. Recognise that multi-year funding should be channelled as close to direct delivery as possible, ensuring that regardless of the channel used at all levels there is institutional policy and practice that multi-year funding cascades to local partners via the following channels:
 - a. From institutional donor to implementer directly
 - b. Via one intermediary (in case not directly implementing)
 - c. Via consortia of implementers

⁵ See the definition of multi-year humanitarian funding here: <https://interagencystandingcommittee.org/system/files/2020-04/Multi-year%20and%20flexible%20funding%20-%20Definitions%20Guidance%20Summary%20-%20Narrative%20Section%20January%202020.pdf>.

⁶ Such as the Harmonised Approach to Cash Transfers (HACT).

- d. Via pooled funds
- e. Via trust funds.

Signatories recommit to deliver the following, in line with existing Grand Bargain commitments, by the end of 2023:

- I. *[institutional donors]* increase the percentage of multi-year humanitarian funding, as described above, provided to all funding recipients as appropriate (RC/RC, UN agencies, international, national and local NGOs) by a percentage target to be defined and announced individually. An increase of 30% over the individual baseline of all humanitarian funding in 2021 is strongly recommended (*commitment 7.1a*);
- II. *[all funding recipients]* commit to correspondingly increase the multi-year funding received to their implementing partners, including local actors, and publicly report on that increase to the Grand Bargain (*commitment 7.1a*). Within their respective mandates, UN agencies bear global legitimacy and responsibilities, implement many programmes directly and receive large amounts of humanitarian funds. While their capacity to increase multi-year funding is affected by their donors' respective constraints, such as annual budget cycles, UN agencies play a central role in ensuring that the multi-year funding they receive from donors is cascaded to their partners, including local actors;
- III. *[all funding recipients]* provide multi-year plans/strategies as relevant in crisis situations where multi-year funding is required (*commitment 7.1a*);
- IV. *[all funding recipients]* provide qualitative evidence in proposals or plans of how affected populations have influenced the design of a project/programme, and improve reporting on how delivery and impact of longer-term outcomes financed by multi-year funding have made a difference in people's lives compared to results financed by other kinds of funding. Relevant criteria for assessing this difference may include whether projects/programmes financed with multi-year funding have (list is not exhaustive – *commitments 2.1, 2.4, 6.4*):
 - 1. promoted deeper relationships with, and higher accountability, to affected populations and communities;
 - 2. produced longer-term outcomes rather than short-lived outputs in support of affected populations;
 - 3. improved programme design and delivery;
 - 4. where relevant, led to notable progress on gender equality and women's empowerment;
 - 5. supported longer-term capacity-sharing between partners and with affected communities;
 - 6. promoted higher-quality strategic partnerships with local actors, including through demonstrated efforts to cascade multi-year funding to them;
 - 7. led to notable efficiency gains, meaning greater results per cost;

8. reduced administrative burdens and improved staff retention;

- V. *[funding providers and recipients]* report traceability data on multi-year and cascaded funding using FTS and/or IATI, based on clear guidelines on what should be reported and in coordination with other reporting mechanisms⁷ (*commitment 1.1*);
- VI. *[all funding providers and recipients]* strive to use the 8+3 template for downstream NGO partners to ease the reporting burden and to improve the quality of information on efficiency and effective gains accrued (*commitments 8.4, 9.1*);
- VII. *[all funding recipients]* provide robust visibility of donors' multi-year contributions throughout the project cycle, both at country level, if contextually appropriate, and in donor countries. To do so, funding recipients commit to an improved partnership with funding providers to ensure a consistent branding logic, develop creative and smart communications strategies and content, in particular on multi-year funding, and connect their respective communications teams. Both donors and funding recipients also commit to proactively promote the visibility of local partners to ensure both upstream and downstream accountability (*commitment 8.4*);
- VIII. *[all funding recipients]* announce self-defined milestones to build internal systems, tools, capabilities and capacities to allow for an increase in multi-year planning, programming and budgeting (*commitment 7.1a*).

⁷ Such as the Refugee Funding Tracker.