

# Multi-Stakeholder Senior Officials Meeting: Advancing Quality Funding Through Grand Bargain 2.0.

## -Outcome Document-

### Overview

#### **Background**

On Wednesday, June 2, 2021, the Grand Bargain Enhanced Quality Funding Workstream (7&8), with the support of the Eminent Person's Office, the Facilitation Group, and the Grand Bargain Secretariat, convened a closed-door senior-level meeting of key signatories to discuss the advancement of the quality funding agenda, as one of the two enabling priorities in the next iteration of the Grand Bargain.

This senior-level discussion was based on the results of an online survey circulated to all Grand Bargain signatories in advance for their perspectives on how quality funding should be taken forward. The Overseas Development Institute (ODI) was commissioned to independently analyze the survey results and provide a succinct analytical overview and related recommendations<sup>1</sup>. Participants during the senior-level discussion were asked for their perspectives on the ODI independent recommendations, with a view to determining what is and is not feasible to advance quality funding for the next phase of the Grand Bargain.

#### **Objective**

Drawing on ODI's independent analysis of the survey results and the discussion among key senior-level officials, the purpose of this outcome document is **to provide a framework for the operationalization of quality funding** as one of the two enabling priorities in Grand Bargain 2.0.

This outcome document provides a few key main points from the senior-level discussion, and then proposes a set of key recommendations for **all Grand Bargain signatories – both as individual institutions and collectively as a community** – to take forward in order to further advance quality funding in the next iteration of the Grand Bargain.

These recommendations are **voluntary** and **pragmatic** in determining a way forward on key aspects of quality funding.

#### **Next Steps**

As part of the operationalization of Grand Bargain 2.0., the Enhanced Quality Funding Workstream recommends that the Grand Bargain 2.0 community take forward these recommendations individually and as a collective. To reinforce and enable a collectively ownership of the quality funding agenda, Workstream 7&8 strongly recommends:

- ❖ That the proposed recommendations be mainstreamed and integrated into the work of all of the Grand Bargain structures, including the remaining work streams and the political caucuses.

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<sup>1</sup> As part of their methodology for their independent analysis and proposed recommendations, ODI also cross-referenced the survey results with quantitative and qualitative data available through successive annual independent reviews of the Grand Bargain.

- ❖ Where it is appropriate, the recommendations should build on the work to date by and be advanced through the IASC Results Group 5 as well as the Good Humanitarian Donorship Initiative.
- ❖ That these recommendations be a meaningful part of the agenda of the incoming Grand Bargain Facilitation Group as well as the Eminent Person to continue to drive efforts to elevate discussions on quality funding to the political level.
- ❖ That simultaneously signatories also promote concrete actions at the individual level in order to secure more flexible and predictable funding for humanitarian action.

### **Multi-Stakeholder Senior Officials Meeting – Main Points**

- ❖ During the senior-level discussion, there was broad consensus that quality funding is a critical component of the next phase of the Grand Bargain and that it is, in and of itself, an enabler of the Grand Bargain's overarching objectives, namely a more efficient and effective humanitarian response that enables better humanitarian outcomes for crisis-affected populations.
- ❖ Participants also broadly agreed to continue the discussion on quality funding and find pragmatic ways to increase the volume, distribution, and timely flow of quality funding for the humanitarian system.
- ❖ Participants expressed overall agreement with the two following overarching recommendations by ODI. However, how to operationalize these recommendations garnered a diverse range of perspectives.
  - Signatories should commit to increasing the provision and pass-through of quality funding, utilising a range of modalities that allow different grant-giving signatories to increase the provision of quality funding according to their own institutional circumstances; and
  - Signatories should commit to taking action necessary to create an environment that enables greater provision of and/or pass-through of quality funding.
- ❖ Overall, broad support was expressed for the following aspects of quality funding:
  - The need to increase the volume of flexible and predictable funding for humanitarian action.
  - The importance of first-level recipients passing through quality funding to frontline responders.
  - The need to standardize overhead costs for local and national partners.
  - The value of a political agreement on how to increase visibility, transparency, and reporting by humanitarian assistance organizations to promote more quality funding.
- ❖ Further discussion and reflection was recommended for the following key issues of quality funding:
  - How to pragmatically increase the provision of quality funding, taking into account donors' domestic, political, and legal constraints, as well as donor efforts to find alternative methods to increase the flexibility of their funding.

- The limits and challenges of passing-through quality funding to frontline responders.
- The provision of core funding, as well as the opportunities and challenges associated with providing such funding to national and local responders.
- The definition of overhead costs, the targeted minimum percentage required for local and national partners, as well as how such an approach can be combined with more targeted, stand-alone support for institutional capacity strengthening for local and national partners.
- Clarification on “quality earmarking”, what this approach means, and how it can be used to improve the flexibility of earmarked funds.

## **Proposed Recommendations**

Based on these main points and drawing on ODI’s independent analysis, the co-conveners of the Grand Bargain Quality Funding Workstream propose the following recommendations to enable the advancement of the quality funding agenda in the next two years.

1. In line with the Grand Bargain commitments, all donors should aim to meet the 30% target of humanitarian contributions that is unearmarked or softly earmarked. Donors who have not yet met this target should be encouraged to continue to individually work towards this objective. Donors who have surpassed this original 30% target are encouraged to continue increasing their provision of flexible funding to the extent possible, including through setting individual targets beyond 30%, while ensuring that any way forward takes into account individual donor constraints and avoids a one-size fits all approach.
2. Taking into account the nature of the response, the availability of flexible funding, and where pass through to downstream partners is deemed the most effective response, first-level recipient aid organisations should strive to increase the volume and speed of pass-through of quality funding to downstream aid organizations (setting their own institutional targets if appropriate), while ensuring, to the extent possible, that they transfer the same/similar level of flexibility down the chain. Aid organisations should also commit to clarifying why/under what circumstances it is not appropriate or possible to increase the volume and speed of pass-through of funds.
3. Building on the approach taken with UN agencies, grant-giving Grand Bargain signatories should discuss the most pragmatic way forward to provide core funding (funds that are multi-year and allocated at headquarters level without earmarking) to **all** categories of aid organisations. These include local and/or national aid organizations, as well as women-led and women’s rights organizations, thereby enabling them to build necessary institutional response capacities/contingencies and risk management systems. Along with the provision of core funding, particularly to local and national responders, all signatories should also consider the provision of greater amounts of funding, as directly as possible to local actors, as well as targeted investments in local actor capacity development and sustainability.
4. Donors should also be encouraged to make greater use of global-level pooled funds, UN-managed global and country-based pooled funds and existing mechanisms dedicated to support local actors’ responses such as the IFRC Disaster Emergency Relief Fund. In addition, donors should consider using existing mechanisms (such as the

IFRC/ICRC National Society Investment Alliance) and supporting the creation of new regional and locally-led mechanisms, dedicated for institutional capacity strengthening of local actors.

5. Grant-giving signatories should systematise the inclusion of adequate direct, indirect, and overhead costs in funding agreements with national and local organizations, including women-led and women's rights organizations, to enable institutional growth, quality programme delivery, strengthened risk management, and policy/coordination capacities. Furthermore, signatories contributing financial resources to downstream aid organizations should harmonize their definitions for direct, indirect, and overhead costs, building on efforts undertaken in relevant fora (e.g. IASC) and on the definitions provided by the Money Where it Counts initiative.<sup>2</sup>
6. Donors that have already been implementing a programme-based approach (PBA) should consider how to expand or scale up such agreements, in number and/or scope (e.g. for regional level responses). Those that have not yet adopted a PBA should consider doing so, drawing on lessons learned from others, as captured in the 2020 NRC study on PBAs.
7. Aid organizations should engage in an informed dialogue with their donors to explore how to apply good practices related to "quality earmarking" (e.g. earmarking at regional or program level, earmarking to underfunded contexts and earmarking in consultation with partners based on needs), clarify understandings of what is involved, and explore ways to expand this as a modality, as well as the appropriate circumstances where this can be used.
8. Each grant-giving signatory should undertake an institutional review of its existing administrative and financial rules to determine the level of flexibility that is currently allowed and how this can be adapted to augment flexibility in different areas, taking duly into account existing regulatory frameworks. The objective of these reviews is to enable effective grant-management in order to generate the greatest impact and results by providing implementing partners with the maximum flexibility to adapt to the changing operational contexts.

These reviews should be guided by a package of measures agreed between donors, aid organizations, and local and national organizations and can include:

- a. A minimum level of flexibility (e.g. 30%) across budget categories without prior permission or if that is not possible, through lighter and more streamlined approval processes;
- b. Streamlining the process for agreeing on the reallocation of existing programme/project funds in new emergencies/shifts in context; and/or
- c. An agreement on the criteria and accountability framework of frontline responders in terms of both institutional, fiduciary, and operational capacity.

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<sup>2</sup> Building on the work already done by the IASC Results Group 5 on Humanitarian Financing, UNHCR, CRS and others, standardizing the inclusion of overhead costs in agreements with local civil society partners should be a collective priority to enable the institutional growth, strengthened risk management and enhanced policy and coordination capacities necessary to empower local leadership. Further discussion on setting a minimum percentage of such costs should be informed by discussions happening in relevant fora (e.g. IASC).

9. Reflecting on how to increase levels of accountability to tax-payers and parliamentary bodies in donor countries, as well as their institutional/governmental auditing systems and affected populations, signatories should work together to clarify what is missing or insufficient in current reporting and data publication. Specifically:
  - a. Donors should clarify their expectations on visibility (e.g. what it means, how it can be provided), on results reporting (e.g. how needs are prioritised, how funding is allocated and how results are reported), and on data-driven transparency (e.g. increasing the timeliness and comprehensiveness of data reported/published to the IATI standard, FTS and/or other agreed modalities).
  - b. Aid organisations should clarify what is feasible and realistic in terms of their ability to enhance visibility of donor contributions (in a manner that respects humanitarian principles), improve their results reporting, and to ensure greater transparency of their financial data (including in relation to tracking pass-through of funds to frontline responders).
  - c. Downline and frontline funding recipients should come forward with the scope and limits of visibility of donor contributions, results reporting, and financial data transparency in relation to monitoring and reporting funds transferred to them.
  - d. All aid organisations should engage in a dialogue with donors to agree on the level of information required and possible to enhance visibility and improve reporting on the use and allocation of flexible funding. At the same time, signatories should negotiate a common agreement or common standards (with reference to existing good practice examples, tools and systems) on how to improve results reporting and increase data-driven transparency, building on the progress achieved under Workstream 1 and Workstream 9.
10. Acknowledging that progress on broader policy issues will contribute to generating more predictable, timely and flexible revenue streams for humanitarian action, signatories should redouble their efforts to address the humanitarian financing gap; better align development and humanitarian funding including to fund institutional capacity strengthening of local actors; shift approaches to risk management to enable better sharing of risks across the sector; and improve prioritization through effective inter-sectoral needs assessments and analysis. These efforts should also leverage synergies with initiatives to address the other two pillars of the High-Level Panel on Humanitarian Financing – shrinking the needs and widening the resource base.