

# CHA Policy Brief

## With nine months on the clock: Where does the Grand Bargain 2.0 stand and what role is Germany taking on?

If the Grand Bargain signatories were a school class, they would probably have to repeat the school year. According to the independent progress report on the first year of Grand Bargain 2.0, there have been few concrete successes, but lamentable setbacks, such as the proportion of direct funding to local responders or the system-wide failure to give people affected by crises more opportunities for participation and voice. It is tempting to throw the whole process out like the

proverbial baby with its bathwater. But there is no alternative forum to reform the aid system where local, national and international NGOs negotiate with donors and UN agencies at the same table.

Since January 2022, Germany has had a seat on the highest facilitation body, giving it an influential position to advance the Grand Bargain 2.0 process and better shape the humanitarian system.

### Introduction

Humanitarian action is increasingly operating on the brink of collapse. Looking at the humanitarian system, as an institutionalised interplay of actors supporting people in need, it seems UN representatives are struggling to find superlatives that highlight the record financial shortfall in humanitarian assistance. Secretary-General Guterres spoke of a "monsoon on steroids" to illustrate the impact of Pakistan's floods, for example, while UNHCR Spokeswoman Mahoney referred to "heartbreaking" decisions to be made in the face of aid cuts in refugee camps. With the available funding not keeping pace with the growth in need, aid actors are trying to make more efficient and effective use of it through reform initiatives. As the home stretch of the

second round of this effort under the Grand Bargain 2.0 comes into view, the question looms over whether it can deliver on systemic change expectations.

### Can the Grand Bargain 2.0 deliver on systemic change expectations?

The policy brief provides an overview of where the Grand Bargain 2.0 stands after one year, the results the working groups have produced, and the role and contributions

Germany is taking on. Based on this, recommendations for German stakeholders are developed and perspectives for a follow-up process are formulated.

### Where does the Grand Bargain 2.0 stand? Progress through smaller-scale goals

Following the short sprints of agile project management models, the Grand Bargain 2.0 process has established the new format of caucuses. The caucuses are designed to address key obstacles in the reform process with a clear problem statement, a small number of stakeholders, and a clear timeline. In the first year of Grand Bargain 2.0, three caucuses on cash coordination, quality funding, and the role of intermediaries were constituted and concluded with an outcome paper containing commitments (see tables inside and back).

The clear focus on key political barriers has served the Grand Bargain well. However, ambiguities and lack of links between the workstreams and the caucuses led to losses. For example, there was significantly less activity in the workstream on local and national actors after co-chair Switzerland moved to the intermediary caucus without a replacement or ensuring both workstreams functioned synergistically (Metcalf-Hough et al., 2022, p. 64). In addition, the focused attention on the caucuses meant that the efforts in the workstreams

took a back seat. Insiders also complained of a certain "club mentality," and that unclear communication by the initiators about which actors would be involved in the caucuses led to irritation.

## Results of the political caucuses

### Breakthrough on coordination around cash assistance

Within the Grand Bargain 2.0, the caucus on improved coordination around cash assistance was able to report a breakthrough. In February 2022, the principals of the caucus unanimously agreed on a future coordination process for cash assistance. The new model aims to make this process more reliable by having either UN OCHA or UNHCR co-chair the Cash Working Group in new crises, preferably along with a local organisation.

### The Grand Bargain in brief

The Grand Bargain is an agreement between aid actors. In order to make use of the available funding as effectively and efficiently as possible, donors are required to make them available as flexibly as is viable. In return, implementing organisations commit to transparency and visibility of use. Since 2016, aid organisations have been working to get closer to this promise. At the end of the 1.0 process in 2021, they were able to look back on achievements, some major and some minor, in a total of ten areas of work. The follow-up process (Grand Bargain 2.0) has been underway since Summer 2021. The Grand Bargain currently has 64 signatories from UN agencies, donor countries, and international and national non-governmental organisations.

### What is new?

Some changes have been made to the structure of the 2.0 process. Instead of ten areas of work, the signatories focus on two basic priorities: 1) quality funding while ensuring visibility and accountability, and 2) greater support for leadership, delivery, and capacity of local responders and the participation of affected communities in addressing humanitarian needs.

A key shortcoming of the first round, a largely technical approach to mostly political hurdles, was addressed by the new approach of caucuses. They attempt to overcome key barriers in the reform process by means of clear problem definitions, tight timeframes, and negotiations mostly at a high-level representative level. Four workstreams on transparency, joint needs assessments, participation of affected populations, and bureaucracy reduction remain in place.

In addition, a new component is the inclusion of ten National Reference Groups to ensure a link back to crisis contexts. However, only one representative attended the annual meeting in Summer 2021, as these structures are under development. Since the process can build on the preliminary work, it was agreed to only last two years, instead of the previous five.

The model has yet to prove itself in practice. Humanitarian action in Ukraine could become a first test.

This is an important step and a significant success of the Grand Bargain. At the same time, interviewees admit that the caucus leaders were driven by a fair amount of self-interest and that no actor really had to make painful concessions for the compromise. Still, there are important lessons to be learned for the other caucuses, as Jackson (2022) notes. In the caucuses, there was both technical knowledge at the working level and political concessions at the highest level that provided time and financial resources to find solutions.

### Positive steps but no systemic change between international and national actors

The intermediary caucus aimed to define the role and function of an intermediary organisation more precisely and formulate concrete proposals on how they can use their position in favour of localisation. This rather normative approach to the relationship between donor, intermediary and local organisations in the areas of equity, recognition, and transparency contrasts with the tangible or quantifiable goals of the other two caucuses. Without clear objectives, the process was slow, and even the voluntary commitments formulated in the outcome document were sometimes perceived as "not very productive," according to interviewees.

Hence, one of the main Grand Bargain goals, as already formulated in the 1.0 process of giving 25 % of global humanitarian funding 'as directly as possible' to local actors, was pushed into the background. An analysis shows that, in 2021, signatories halved their contribution to directly funded local and national actors from the previous year's 4 % to 2 % (Metcalfe-Hough et al., 2022b). Serious setbacks like this lead to growing frustration that the process is not delivering what it promises. In Germany, the proportion of funds transferred to local actors directly or through an intermediary also declined in 2021 (2019: 26 %; 2021: 22.5 %; (Bundesregierung, 2020; Auswärtiges Amt, 2022)). To give the 25 % target new momentum, Jan Egeland, as the Grand Bargain's Eminent Person, announced a new caucus on the issue at the 2021 annual meeting under his and the Network for Empowered Aid Response's (NEAR) co-leadership.

Germany joined the caucus only on a transitional basis, but then remained until its conclusion. As a donor that gives predominantly through intermediary and multilateral organisations (direct funding to local actors was 0.02 % in 2020 (Bundestag, 2020)), Germany primarily supports the already established structures of the humanitarian system. In May 2021, a workshop with civil society organisations initiated an important dialogue on the role of intermediary organisations. At the same time, the position of German NGOs remained unclear on how they envision cooperation as intermediaries in the future, as one interviewee noted.

# Outcomes of caucuses at halftime

## Caucus on cash coordination

# 1

A basic model laying out principles and functions of cash coordination was developed and adopted. This formalises that...

- at country level, a cross-sectoral and cross-cluster coordination group is responsible for overall cash coordination in collaboration with the global Cash Working Group;
- depending on the context, OCHA or UNHCR (for refugee contexts) as chairs play a central role in coordination;
- on country-level a setup of co-chairs, with one seat preferably be taken by a local actor is envisioned.

## Caucus on quality funding

# 2

It was agreed that multi-year funding...

- is the preferred funding modality, especially in protracted crises;
- should include at least some flexible arrangements to enable recipient organisations to respond efficiently and effectively;
- be channelled as close to direct delivery as possible, and that intermediaries such as UN agencies play a central role in this process.

## Caucus in the role of intermediaries

# 3

Outcomes and commitments for different groups of actors have been formulated to enable equitable partnerships.

- Intermediary organisations** commit vis-à-vis national and local stakeholders to...
- implementation in partnership with local/national actors as the preferred mode of delivery;
  - increased quality and quantity of funding to local & national partners;
  - transparency of funding and budgets
- National and local actors** commit to
- proactively propose themselves as partners for in-country coordination leadership roles
- Donors** commit to
- stipulate equitable partnerships in their selection processes and contractual provisions;
  - increase the share and flexibility of funding as directly as possible to national and local actors.

## Significantly more multi-year funding

Under the leadership of the International Rescue Committee and DG ECHO, agreements for more flexible and quality funding have been developed. According to analyses, the volume of multi-year, unearmarked, flexible funding has increased but has not grown in proportion to needs. Nor do all constituency groups benefit equally (Metcalf-Hough et al., 2022). In its final document, the caucus was primarily able to reach agreements on increasing multi-year funding. As the process continues, it will be important to look again more broadly at the conceptualisation of high-quality funding, for example, in the areas of predictability and cascading quality funding along the implementation chain.

Even though the caucus already had high-ranking members with USAID and DG ECHO, German participation would have been desirable. Two-thirds of Germany's humanitarian funding is multi-year, a leading example internationally. But the Federal Foreign Office could have also contributed insights from program-based approaches to the international debate.

## Germany at the helm, but what priorities?

Germany has been in the facilitation group as a representative of the state donors since January 2022 and thus has a seat in the highest steering body of the Grand Bargain. However, after the UK indicated its withdrawal in Summer 2021, it took Berlin six months and "a certain amount of arm-twisting" to

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Germany's involvement in the Grand Bargain was perceived very positively. At the same time, it is not

reach a final decision, as one interviewee reported. A lot of time in a process lasting only 24 months. Internationally, the commitment to the cause is being rewarded. Both in interviews and a recent survey<sup>1</sup>,

clear where Germany places its emphasis on the two enabling priorities. One interviewee who is following the process closely said, "I'm not sure what policies they are pursuing and where their priorities are."

Quality funding would be an obvious priority given its leading role in multi-year financing. However, Germany was not active in the relevant thematic caucus. Instead, representatives of the Federal Foreign Office joined the intermediary caucus, although past funding practice does not suggest an ambitious localisation agenda. Moreover, according to an interviewee, they were rather

**Germany, as the second largest donor, has considerable leverage.**

hesitant in the negotiations around the outcome process. Although direct funding of local organisations is foreseeably not possible for the German Federal Foreign Office (Bundestag, 2020), as it is for other donor countries, they could promote more equitable access through, for example, more non-project funding for network building of local organisations, funding for National Reference Group coordination positions, or their participation in coordination meetings and conferences. Germany, as the second largest donor, also has considerable leverage when it insists, for example, on down streaming administrative costs or cascading quality funding along the implementation chain in funding agreements. In shared funding mechanisms such as the Country-Based Pooled Funds or the START fund, Germany, as a major contributor, could also push for more participation and a higher share of direct funding to local actors.

The anchoring of the Grand Bargain in the coalition agreement of the current 'Ampel' government could be an important instrument and argument for ensuring that the participation in humanitarian policy processes in the Federal Foreign Office is appropriately staffed. Greater clarity about Germany's role and priorities would allow existing capacities to be used in the

<sup>1</sup> From May to July 2021, the CHA conducted a survey among 203 humanitarian experts on international perceptions of Germany's humanitarian engagement.

best possible way. In this regard, the 8+3 reporting format developed jointly by the INGO network ICVA and Germany in the first Grand Bargain iteration to unify multiple and complex donor standards is a good example, which was praised by one interviewee as a "strategically and efficiently managed process." However, Germany must also use its weight accordingly in the widespread use of the reporting format, otherwise, the expected efficiency gains in reducing bureaucracy will not materialize.

Germany will remain in the facilitation group for the second half of the Grand Bargain 2.0. The Federal Foreign Office has set two priorities for the remainder of the process: strengthening localisation in the quality profile, a diligence process for selecting implementing partners as well as greater participation of affected populations in the development of project proposals.

### Future and Challenges: A Grand Bargain 3.0?

With a few months on the clock, attention is turning to a potential continuation of the process. By the end of the year, a query is running among the stakeholders as to whether and how a 3.0 process could look. The appetite does not seem to be the same among all. The UN actors in particular have significantly less interest in a continuation, as several interviewees reported. Germany has positioned itself in favour of a 3.0 process. This is welcome, as it has the political weight to continue the process together with others.

Succession for the Eminent Person – the highest chair – is also underway, as Jan Egeland is not standing for a second term. The search is on for a leader with a "can-do attitude" who represents the Global South and also brings in the assertiveness for political compromise.

### Methods

For the policy brief, seven semi-structured interviews were conducted with high-level representatives of donor governments, international organisations, local organisations, and think tanks: Two representatives from European donor states, two representatives from networks of local organisations, one representative of a network of INGOs, one representative from a think tank, and one representative from an INGO. In addition, the results of a quantitative survey conducted by CHA between May and June 2022 of 200 experts on the perception of Germany at home and abroad were included.

### Recommendations for a Grand Bargain 3.0

A future Grand Bargain must prioritise the achievement of set localisation and participation goals. The promise of Grand Bargain 2.0 was that flexible funding and localisation together would lead to efficiency gains. Just as an athlete cannot train only one arm – quality funding – the Grand Bargain must symbolically strengthen its second arm – localisation and participation – to be impactful. Furthermore, there should be:

- A critical evaluation of structures. Caucuses can work on issues where there is agreement on the problem description, but no approach to resolution. The prerequisite is more transparent communication about who can contribute to this solution.
- In the case of normative aspects, there should be a return to the workstreams, whose participative approach has proven successful. However, a facilitating structure must be found that works in a solution- and goal-oriented manner within set timeframes.
- More focus on implementation, impact, and monitoring of the commitments from the caucus outcome documents as well as adoption among other Grand Bargain signatories who were not active in the caucuses.

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# Recommendations

As Grand Bargain chair, NRC chief Jan Egeland summed up the formula for the remaining time. At the annual meeting in July 2022, he articulated, "Ask not what the Grand Bargain can do for you but ask what you can do for the Grand Bargain." With nine months on the clock, what is needed now is a shift from declarations of intent to implementation, including more attention to measuring outcomes.

## German Bundestag

In the coalition agreement, the federal government not only committed to the goals of the Grand Bargain but also pledged to disburse one-third of its financing as flexible funding and to further expand localisation. To meet this goal, it should ensure that

- The humanitarian department in the Federal Foreign Office is equipped with sufficient human resources to enable Germany to take a leading role in the reform process and help shape a more efficient humanitarian system.
- Sufficient funds are made available on a multi-year, predictable basis via commitment appropriations, as well as more commitment to quality funding and an expansion of program-based approaches so that the goals set out in the coalition agreement are not undermined.

## German Federal Foreign Office

The Foreign Office has become a weighty supporter of the Grand Bargain. For the rest of the process, as well as a future one, the Foreign Office should:

- Clarify substantive priorities in which core areas Germany wants to engage and make a strategic selection of which issues it wants to move.
- Mobilise the support of other actors for discussions on how the Grand Bargain can be continued beyond 2023.
- As a central actor, ensure that Grand Bargain commitments, e.g., to support local partners, are a prerequisite for funding partners to maximise the impact of its efforts.
- Seek to streamline bureaucratic processes in project administration so as not to impede efficiency gains.
- Increase the predictability and the share of unearmarked funds and ensure that all funding partners benefit equally from quality funding.

## NGOs

For civil society engagement at the German level, the question arises as to how processes that have been started, such as the dialogue on the role of intermediary organisations, could be continued and influence international debates in a more targeted manner. Furthermore, (I)NGOs should ensure that they:

- Pass on quality funding and administrative costs to their implementing partners.
- Engage in the wider debate and become active for a Grand Bargain 3.0 process including clear objectives.
- Empower their local partners to enable the participation of affected populations in project design beyond feedback mechanisms.
- Critically evaluate their bureaucracy requirements and risk appetite in their organisations and make risk management processes more transparent for local partners and donors.



# Grand Bargain 2.0 Timeline

## July 2021

Launch of the second iteration: Grand Bargain 2.0.

1

2

## October 2021

Launch of a caucus on cash coordination.

**Target:** Development of a model that provides predictable, accountable and timely coordination of cash assistance.

## November 2021

Launch of a caucus on the role of intermediaries.

**Target:** Equitable partnerships between local, national and international actors.

3

4

## January 2022

Germany joins the facilitation group. Together with DG ECHO they are representatives of the donor constituencies.

## March 2022

Caucus on cash coordination closes with an outcome document.

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## March 2022

Launch of a caucus on quality funding  
**Target:** Increasing share of quality funding for example through multi-year financing.

## May 2022

The facilitation group develops objectives for its yearly term at a retreat in Berlin.

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## June/July 2022

Annual meeting in Geneva. Signatories gather to agree on progress and commitments.

## July 2022

Launch of a caucus on localisation.  
**Target:** 25% of humanitarian funding delivered directly or 'as directly as possible' to local and national actors.

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## July 2022

Caucus on quality funding closes with an outcome document. It is not yet clear whether there will be a follow-up process.

## August 2022

Caucus on the role of intermediaries closes with an outcome document.

11

12

## June 2023

Closure of the Grand Bargain 2.0 process.

## And now?

- ➔ Implementation of commitments in practice
- ➔ Decision if a future process favoured and how continued engagement could look like

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