A reward or an enabler?

Christian Aid's tracking of quality funding for better partnerships

This note is the second in a series of briefings as Christian Aid (CA) aims to understand how our funding matches the thirteen characteristics required to be 'quality'.

The Charter for Change (C4C) Quality Funding paper outlines the characteristics that lead to quality funding. We are using our internal programme management system to create metrics to track as many of these characteristics as possible. Page 5 provides a methodological overview and a sample from our dashboard.

What the data does and doesn't say

One of the key points to quality funding is that all (or most of) the characteristics need to be present to varying degrees. For example, a fair share of Indirect Cost Recovery (ICR) is less impactful in a one-off three-month project. However, sometimes the characteristics are naturally in tension with each other. For example, more *accessible* funding will lead to more applications, which may have the unintended consequence of slowing down the process due to increased admin burden (less *timely*). As such Christian Aid has started **cross filtering**,[1] to explore different ways the metrics interact, two areas of inquiry are:

- How the partner characteristics impacted their access to quality funding
- How the different quality funding characteristics interacted with each other.

System data can only tell us part of the story, so it is important to simultaneously listen to what

[1] It was envisioned to do multilinear regression analysis, but the categorical nature of the data made this less practical than originally hoped.

Summary of key findings

- If quality funding is an enabler, it can't be a reward for existing capacity.
- Partner characteristics influence the likelihood of receiving quality funding. For example, larger and lower-risk partners have better access to multi-year funding from CA. Likewise, CA provide more predictable funding to larger partners.
- All the quality funding characteristics are required, but to varying degrees. For example, smaller partners and higher risk partners might have more capacity strengthening budget, but this should not come at the expense of predictability and multi-year funding.
- Tracking metrics is useful for analysis and progress in this area, but it cannot be overquantified. For example, we can see correlations (see point 1) and also see how policy becomes practice, such as the improved rates of ICR given.
- How partners perceive flexibility might differ from how policy commitments look on paper. For example, there is still a lack of clarity on what flexible funding means.

partners tell us. To bring these a bit closer together, Christian Aid triangulated some of the data with results from a 2024 Pledge for Change partner survey with Christian Aid partners. This briefing covers six findings.

How partner characteristics impacted their access to quality funding.

Example 1: Partner size and risk rating correlate with access to multiyear funding. Christian Aid passes on proportionally more multi-year funding to 'low-risk' partners than medium or high-risk partners. Likewise, proportionally more multi-year funding is passed to larger partners, than small and informal partners. Related to this we can cross check the correlation between partner size and risk rating (see figure 1).

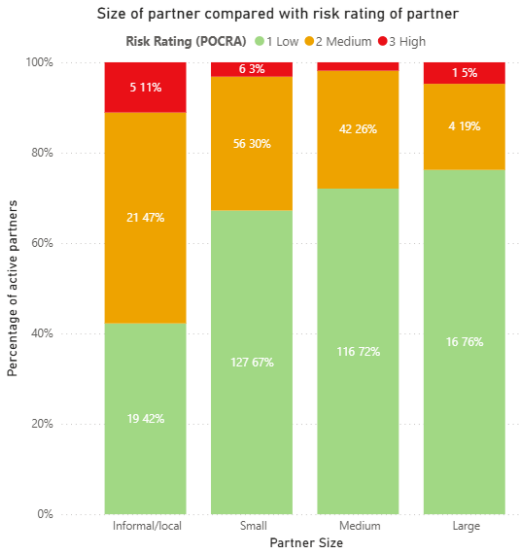


Figure 1

If the theory of change is that quality funding is an enabler not a reward for current capacity, we must examine how best to reduce the link between predictable multi-year funding and current capacity.

Since all this work is focused on correlations, it is hard to derive direct causations. But the findings are useful signposts for areas we can improve. For example, there are geographical variations, but for brevity we have not included that analysis here.

Example 2: Predictability of funding and partner size. Continuing the investigation of the size of partner and the links to quality funding, a higher percentage of informal/local and small partners have gaps in funding from Christian Aid (47%) compared with medium and large partners (35%). In addition, more faith-based partners had gaps than secular partners (again faith-based partners tend to be smaller than secular partners).

This analysis shows that smaller partners have more intermittent access to funding, giving us pause to consider how we are working. Christian Aid has committed to working with more diverse partners, so steps to address this finding are in place. However, having the tracking provides a baseline to help us analyse our ability to work with smaller and more informal partners in an equitable way.

How the different markers interacted with each other.

While it is desirable to have all aspects of quality funding in grants the different commitments might vary depending on requirements and context. This section explores some aspects of how the characteristics interact with each other.

Example 3: Links between cost recovery, capacity strengthening, and multi-year funding. Significantly more multi-year contracts have a dedicated capacity strengthening component, than shorter ones (58% compared to 28%). However, when it comes to fair share of ICR the highest percentage of projects are 'single year with no dedicated capacity strengthening'[2]. As we will see in the next section, rates of ICR are drastically improving, but it is interesting to see a potential trade-off between dedicated capacity

[2] Back donor funding is also an influence on what is possible in several respects, and we can explore this further.

strengthening and ICR.[3] Figure 2 has more information.

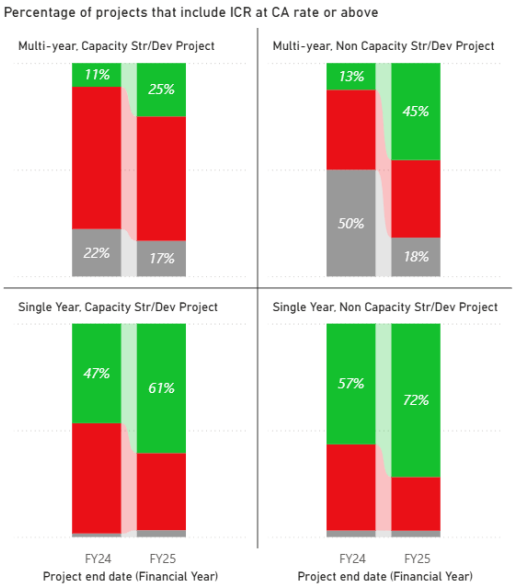


Figure 2

Patterns therefore do emerge between quality funding commitments. CA has a policy to ensure capacity strengthening is an addition to ICR, not a substitute, and this analysis shows why that is important to track it.

Example 4: Rates of projectisation. The headline figure that 62% of multiyear funding received from donors is passed on as multi-year funding to partners seems troubling. However, other metrics give a more nuanced picture. The ability to look at gaps in funded relationships shows that multi-year projects fit into a broader topic of predictable funding. In several instances projectisation is a way of managing installments, providing annual formats for reporting to fit with annual cycles. By tracking project extensions and looking at gaps when partners are unfunded it allows us to reframe some of this perceived 'projectisation', as different ways of working. While multiyear funding is important, other measures such as gaps in funding, number of consecutive projects, and the share of total portfolio, enable a deeper understanding of partnerships.

Figure 3 shows that only about a third of partners gain new funding within three months of a short-term humanitarian response ending. However, there is not always a gap in funding as many partners run concurrent humanitarian projects and 18% mix humanitarian and development projects. Some concurrent projects are also the result of leveraging additional funds from a different source enabling scale-up.

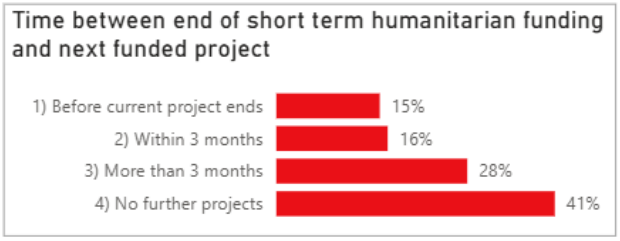


Figure 3

Policy, practice, and perception

There are two examples of how the dashboard helps us explore how policy meets practice, and how policy matches partner perceptions.

Example 5: Closing the gap on indirect cost recovery. Christian Aid produced an ICR policy in 2021 which has been phased in since then. This ensures splitting donor ICR 50-50 or providing a base rate of 10% to funding provided by Christian Aid supporters. Systems teams have worked hard to institutionalise this approach, by creating a way of both tracking and ensuring the policy is applied. Figure 4 shows the trends over time. Several contracts might still have to filter through and there are sometimes exceptions for ICR.

While the progress is encouraging, it is also important to note exceptions. For example, one INGO partner agreed to waive it whilst acting as an intermediary. Therefore, there remain legitimate reasons why the data shows gaps in ICR. Put another way, not achieving 100% of a

[3] Some of this might be attributed to a time lag of implementing policies, again longitudinal tracking will help provide insights.

metric might not be failure and the aim is not to lead to the over quantification of processes.

In addition, the qualitative feedback in the Pledge for Change survey emphasized the importance of fair ICR, and some partners recommended more fully flexible core funding to contribute to their overall work.

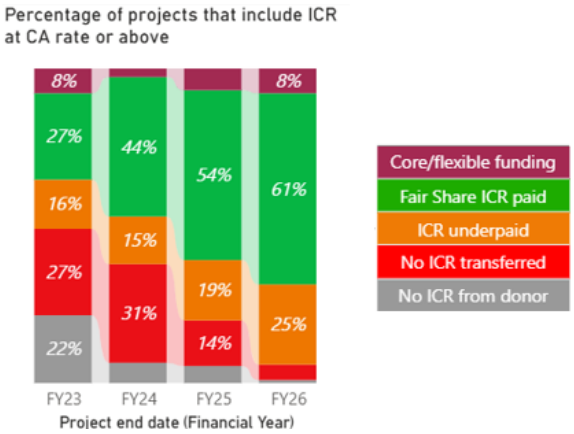


Figure 4

Example 6: The policy and perceptions of flexibility. Christian Aid policy includes 10% budget flexibility and 'on paper' several other policies which indicate a strong commitment to flexible funding (e.g. the partnership policy, capacity strengthening policy, encouragement of more core funding, and the aforementioned ICR). While many of these efforts were appreciated by partners in their Pledge for Change feedback, one notable area of improvement is around 'flexibility'. Only around half of respondents rated Christian Aid as flexible or very flexible in reallocation, also around two thirds said Christian Aid covered all costs.

There could be several reasons for this, a) the agreed amount of 10% might not be seen as appropriate, b) how the policy is applied in practice might not meet partner expectations, or c) the term itself might mean different things to different people. Some may see flexibility purely as the adaptiveness within the project, others as what is eligible (e.g. should it be a synonym of core funding allowing full discretion over use), others might tie it to a broader understanding of how teams work day to day. More direct research is needed to understand the detail behind this difference between policy and perceptions.

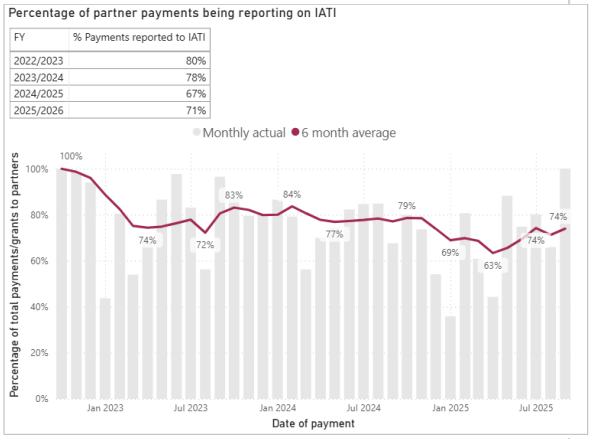
Conclusions

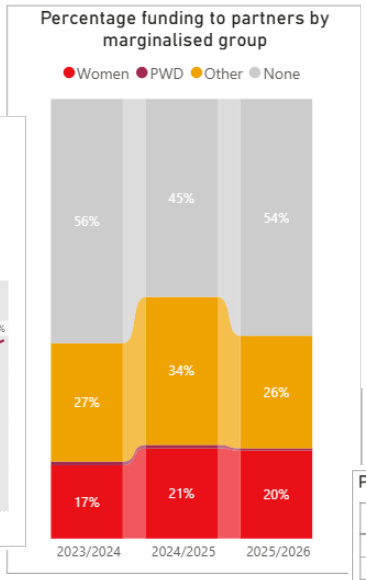
This work remains iterative and exploratory. The aim is to glean understanding of how Christian Aid is doing on a quality funding journey and if there are metrics of use to other actors. All of this is being done without being 'extractive' and using data we already possess. These examples are cherry picked for brevity, but there is rich data available and we welcome questions and comments. What the six examples help say at this stage is:

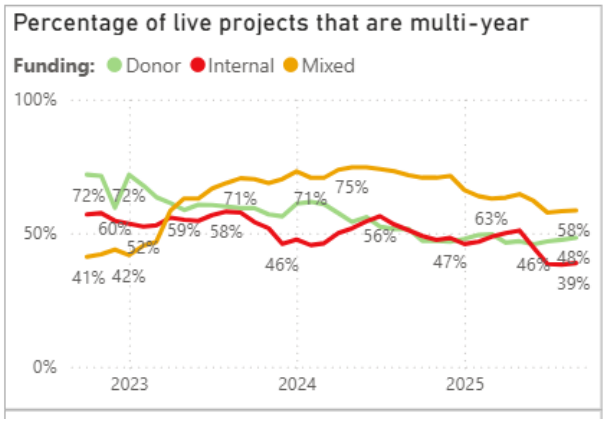
- Partner characteristics do link with access to quality funding (multi-year).
- The different quality funding components do interact with each other, so intentionally looking at applying them all is critical.
- There will always be exceptions and gaps between policy and practice but strong systems and tracking can help minimise this. Triangulating this with actual partner feedback can corroborate findings and can add nuance.
- There can be differences between applied policies and how partners perceive them.

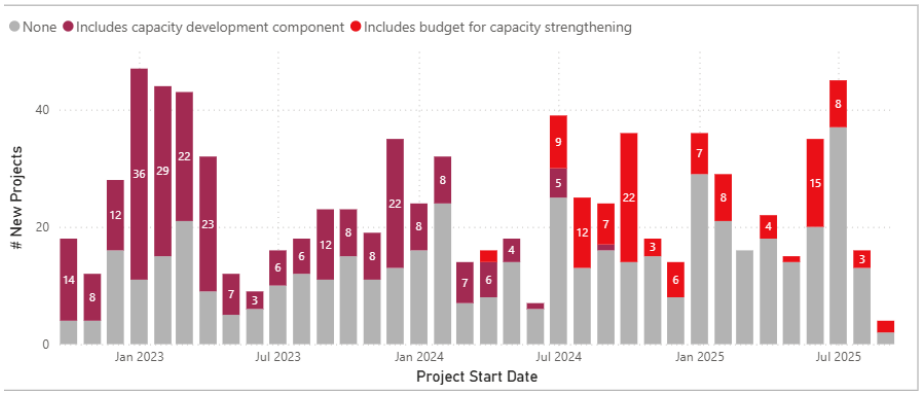
Much of this information is corroboratory, showing in data things which are intuitively understood, or staff or partners might have anecdotally raised also via formal feedback. **One key takeaway is if quality funding is to be an enabler it shouldn't be applied as a reward for current capacity.** Many of Christian Aid's recent policies are designed to enable this. We will continue to track how well we pivot to using funding as an enabling tool in the years to come.

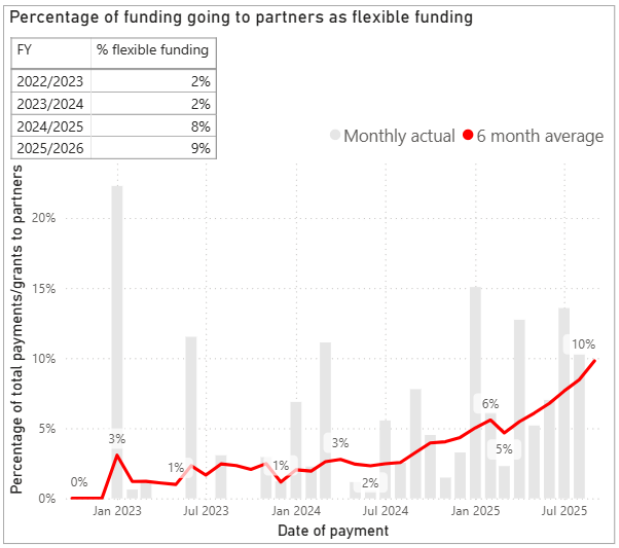
Dashboard visuals and methodological notes











Methodological notes

This page shows a sample of the dashboard data. This briefing presents top level findings from further analysis of the metrics. In addition, there are also two annexes (available upon request to the Head of Humanitarian Policy and Practice mtebbutt@christian-aid.org):

- Annex 1: Detailed methodological overview to understand the approach taken, limitations, and considerations used in the analysis.
- Annex 2: Is an overview of all metrics for transparency purposes.

The working group took the draft Charter for Change paper and the thirteen commitments and aimed to create metrics against each of them. In total it was decided three commitments (Do no harm, shares risk, and principled), were considered more points of policy not readily trackable with grant funding data. The other 10 commitments had a range of indicators created against them, although many of these are proxy measures, as the team set themselves the task of, only working with existing data.

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