

FOR DECISION

BM.03/DOC. 06: CORE FUNDING MECHANISM: REFINEMENTS

1. PURPOSE

The purpose of this paper is to seek approval for refinements to the Core Funding Mechanism (“CFM”) designed to improve operational performance and drawing on experiences and feedback during its first year of implementation. The paper also provides an overview of the rollout of these modifications during 2016.

2. BACKGROUND AND REASONS FOR RECOMMENDATIONS

2.1 In decision BM.01/DEC.05e(i), the Board requested the Executive Director to explore, where appropriate, adaptations and alternatives for the CFM.

2.2 In its first year of operations, the CFM has proved to be a robust mechanism.

2.3 During its first year of operations, GCERF has listened attentively to its stakeholders and recently conducted a thorough review of the CFM, to ascertain what is working well and where improvements are required. Throughout this year, the Secretariat has invited and received constructive feedback from stakeholders, including but not limited to Board Members, the Country Support Mechanism (“CSMs”), the Independent Review Panel (“IRP”), potential Principal Recipient (“PPRs”), and potential Sub-Recipients, as well as other national and international actors active in this field. The feedback received has already contributed to a range of easy-to-implement improvements in operational procedures and processes.

2.4 The Secretariat has monitored closely the rollout of the CFM and recently completed a thorough internal review. This review has identified a wide range of lessons learned. Many of these lessons learned reflect the challenges inherent to the start-up phase of a multilateral fund working in difficult environments, on a highly sensitive topic, and in a field that is relatively nascent in concept, execution, and professionalisation. The majority of the lessons learned (see Annex 1: Lessons Learned) relate to operational procedures and processes that were unique to the CFM’s pilot year. Some of the lessons learned have informed more substantive consideration of key aspects of the CFM.

2.5 At the same time, throughout this year, GCERF has taken note of emerging opportunities to further clarify its niche of serving the international community as an effective funding mechanism to build community resilience against violent extremist agendas, and to extend and enhance its contribution to the prevention and countering of violent extremism.

2.6 Section 3 contains proposals for refining the CFM, based on the lessons learned and on responding to available opportunities. The modifications and refinements presented in this paper are proposed to improve the overall performance of the CFM as it extends its depth and reach. The paper is structured around the country funding cycle, in each instance presenting the nature and purpose of the proposed improvement, and the implication on the operational procedures and processes of the CFM.

2.7 The proposed changes presented in Section 3 will only be fully operationalised in late 2016. This is primarily due to the time required to synchronise the process followed by wave 1 countries and proposed wave 2 countries with the country funding cycle and refinements proposed herein. Details of how the proposed changes will be implemented are contained in Section 4.

3. REFINEMENTS TO THE CORE FUNDING MECHANISM

Part A Country Selection

3.1 Each year, the Governing Board (“the Board”) will have the opportunity to select a number of new countries to be supported under the CFM. The selection process begins with the self-identification by a prospective country, according to the Board-approved CFM Eligibility Policy.¹ The deadline for submission by a country of its written request for consideration in a given year is 30 June. The Secretariat will acknowledge all requests received and commence the Country Pre-Selection Assessment (“CPA”) process. Submissions made after this date will be held for consideration in the following year.

3.2 The purpose of the CPA is to inform the Board’s selection of future beneficiary countries. In addition to meeting the requirements of the CFM Eligibility Policy, the selection of countries will be informed by the CPA, which includes three different types of assessment, as detailed in Table 1.

Table 1: CPA Assessment Tools

Area of Assessment	Key Question(s) Answered	Source of Analysis	Source of Board Recommendation
1. Country Eligibility	Is the country eligible under the CFM eligibility Policy?	GCERF Secretariat	Secretariat
2. Country Needs Assessment	What is the impact of violent extremism (VE) at a national level? What are the national level responses to VE? What are the community-level responses to VE?	Independent External Assessment	IRP
3. The Enabling Environment	What is the legal and regulatory environment within which NGOs/CBOs operate?	Independent External Assessment	Secretariat

¹ <http://www.gcerf.org/wp-content/uploads/ELIGIBILITY-POLICY-FOR-THE-CORE-FUNDING-MECHANISM.pdf>

	<p>How does the regulatory and fiscal environment affect the operations of NGOs/CBOs?</p> <p>How does the regulatory environment impact foreign funding to NGO/CBOs?</p>		
4. Strategic and Operational Implications for the Secretariat	<p>How will the selected country benefit from and reinforce existing priorities?</p> <p>How will the selected country benefit from and reinforce regional GCERF engagement?</p> <p>Are there any specific operational implications (such as human resources or security related) of working in the selected country?</p>	Secretariat	Secretariat

3.3 The CPA begins with the verification of a country’s eligibility under the CFM Eligibility Policy. Once eligibility is confirmed, the Country Needs Assessment will be undertaken, as described from paragraph 3.5 onward.

3.4 At the same time, the Secretariat will independently contract an assessment of the enabling environment and make an analysis of its findings. The Secretariat will also conduct its own analysis of the strategic and operational implications for it of working in the prospective beneficiary country. Four months (from July to October) are assigned for the completion of these three sets of recommendations to the Board to inform its decision at its meeting in the fourth quarter of a year.

Country Needs Assessment

3.5 The purpose of the Country Needs Assessment (“CNA”) (see BM.01/DOC05 v.2, paragraph 4.12) is to provide a national assessment of existing levels of community resilience to violent extremist agendas and the drivers of radicalisation to violence; and to inform the pre-allocation of funding to a country by the Board. While this purpose remains unchanged, it is proposed that a CNA is also essential to the selection of countries by the Board, and should therefore be completed as part of the CPA.

3.6 Currently the CSM is responsible for the completion of the CNA to reinforce GCERF’s commitment to national ownership. While this has not changed, it is proposed that the CSM’s limited resources would be deployed more effectively on ensuring widespread national

consultation on the CNA and the identification of national priorities, rather than on the actual preparation of the CNA. It is therefore proposed that the CNA be commissioned to an external, independent entity with expertise in research and analysis in P/CVE.

3.7 Such an approach would have a number of advantages. First, it would ensure the consistency of form and content of the CNAs. Second, as public documents, the CNAs would also be a valuable contribution to the international community's mapping of the drivers and responses to violent extremism at a national level.

3.8 Central to the proposed changes to the CNA process is a commitment to maintaining national ownership of the analysis and priorities emerging from the process. The CNA conducted for countries that have expressed interest in receiving GCERF funding would follow a highly consultative in-country process designed to ensure that the voices of national actors are heard. Specifically, consultations will focus on a wide spectrum of relevant stakeholders from the government, civil society, the private sector, and the international donor community active in P/CVE in the country. In this regard, an externally led process will allow for deeper access and broader consultation.

3.9 A four-month period (July-October) is allowed for the completion of the draft CNA. Before finalisation, the CNAs will be submitted to the IRP for their review; the IRP will, in turn, provide feedback and requests for clarification to the independent entity commissioned to undertake the CNA. The final CNAs for all countries under consideration by the Board, along with the IRP's recommendation on which countries to fund, will be presented to the Governing Board at its fourth quarter meeting, as part of the CPA, to inform country selection.

Part B Grant Making Phase

National Consultation Contributing to National P/CVE Strategies

3.10 Following the selection of new countries by the Board, each will be invited to form a CSM, as is established practice. The CSM will be requested to launch national consultations on P/CVE priorities, building on the existing independently commissioned CNA. These national consultations will contribute toward, or build upon, existing national P/CVE strategies. The purpose of these national consultations is to: (i) inform the CSM's identification of the local drivers of violent extremism, and of the demography and geography of communities at risk; (ii) convene a unique set of stakeholders nationally for targeted discussion; and (iii) inform the process of developing national P/CVE Strategies, as called for by the United Nations Security Council (S/RES/2178) in 2014. The CSM would have two months to complete these consultations (January-February).

Pre-Allocation of Funding by the Governing Board

3.11 Based on these national consultations, the CSM will be asked to provide a detailed recommendation on where and how GCERF funding could make the most significant contribution. The CSM's recommendation will be submitted to the IRP for their review and feedback, and revised as necessary prior to its submission to the Board. The IRP also provides a recommendation to the Board, based on the CNA and on the CSM's recommendation. One month is allocated for this process. The Governing Board pre-allocates funding to countries at its April meeting.

3.12 In subsequent rounds in the country funding cycle, the CSM will be requested to conduct further national consultations and to supplement the CNA with an update on any significant changes that have occurred during the year. The pre-allocation of funding by the Board for Rounds 2 and 3 will be based on recommendations provided by the CSM and the IRP following the process outlined in paragraph 3.10 above, and performance information on current grant implementation available at that time.

Due Diligence and Risk Assessment

3.12 The successful identification and selection of capable PRs represents one of the most important aspects of the CFM grant making phase. As defined in the CFM, the selection of PRs is based on principles of transparency, exogenous and endogenous accountability, and sound risk management.

3.13 In order to further strengthen the robust selection of PRs, it is proposed that the due diligence and risk assessment process now begins at an earlier stage, upon receipt of Expressions of Interest for the role of a PR following the National Call. Following an initial screening of applicants by the CSM and Secretariat to remove ineligible or incomplete applications, the Secretariat will undertake preliminary due diligence on the remaining applicants. The aim of this exercise is to: i) validate the information provided by the applicants in their EOIs; and ii) ensure that the applicants' capabilities meet the minimum standards required for the role of PR. A report summarising the findings of this due diligence process serves as key inputs into the joint selection of PPRs by the CSMs, the IRP and the Secretariat.

3.14 The Secretariat due diligence and risk assessment process will continue during the grant agreement development process (GAD) as detailed in Paragraphs 2.10-2.12 in BM3/DOC.04.

Reimbursement of Expenses for Community Needs Assessments

3.15 Reflecting international best practice, GCERF is committed to ensuring that the views, ideas, and approaches to P/CVE of local communities genuinely inform the design of PPRs' Consortium Grant Applications. The Secretariat recognises that some PPRs may face difficulties in funding the work required to conduct the community needs assessments that will guide the design of efficient, community-led, and contextualised interventions.

3.16 During the development of CGAs, PPRs may incur limited pre-agreed expenses clearly and exclusively related to facilitating the contribution of local communities into the CGAs. It is proposed that approved expenses will be reimbursed to the PPR after submission by the PPR of the CGA. As with all other modifications proposed here, this would not be applied retroactively and will only apply to applications for GCERF funding from 2016 onwards.

3.17 To access this funding, PPRs would be required to submit a written request indicating the amount and type of resources that the PPR is requesting. Eligible expenses would include: (i) salaries and benefits for PPR staff key involved in conducting the community needs assessments; (ii) community meeting costs, including travel; and (iii) justified outreach costs. Ineligible costs include: (i) project implementation costs; (ii) indirect costs; and (iii) costs not pre-approved by GCERF.

3.18 The decision to reimburse pre-agreed costs incurred for community needs assessments would be at the discretion of the Secretariat. The Secretariat will consult with the relevant CSM before making its decision, and inform the PPR within three weeks of receiving the request. In the event of the approval of the request by GCERF, a letter will be sent to the PPR establishing the amount of the approved expenses, together with the terms and conditions on which they will be provided. The PPR must indicate its acceptance of the amounts and terms and conditions via a letter signed by the authorised signatory of the PPR who will ultimately sign any grant agreement with GCERF.

Part C Grant Implementation Phase

Consortium Membership

3.19 A PR may adjust a Consortium's membership to include new, or remove existing Sub-Recipients (SRs): (i) for the purposes of reprogramming (see paragraph 3.22 below); or (ii) in response to underperformance.

3.20 Changes to Consortium Membership during the grant agreement development may be made by the PPR by informing the Secretariat. After grant agreement signing and during Grant Implementation, the PR may only make changes to the membership of the Consortium with the consent of the Secretariat. A PR must make a formal written request to the Secretariat for the removal of an existing, or addition of a new Sub-Recipient (SR) with justification for the requested change.

3.21 Upon validation of the justification given, the GCERF Secretariat may approve the request. Priority will be given by the GCERF Secretariat to ensuring that GCERF's reach to community-level entities is not adversely affected by proposed changes in Consortium Membership.

Grant Reprogramming

3.22 Grant Reprogramming refers to the process through which a PR or the Secretariat may initiate a process to effect a strategic or operational adjustment to GCERF-supported activities under a signed grant agreement during grant implementation.

3.23 An operational adjustment to the grant agreement (e.g. a change in the work plan for a specific initiative) can be made with the Secretariat's consent through an exchange of letters between GCERF and the PR, which will effectively amend the grant agreement. The annual workplan and budget would be modified accordingly. A strategic adjustment to the Grant Agreement (e.g. a revision of an Outcome Statement and associated milestones/deliverables) would also require an amendment to the grant agreement, including the monitoring and evaluation plan and budget.

3.24 A PR may request to reprogramme a Grant: (i) to take advantage of: emerging opportunities, (ii) to address underperformance, (iii) in light of changes in the operating environment that may affect future performance, or (iv) due to force majeure. The Secretariat may request a PR to reprogramme a Grant in response to documented and assessed underperformance. The Secretariat will seek to ensure that all requests for reprogramming be agreed through consultation.

High Performance Reinvestment

3.25 Grant performance in any given round may vary between PRs, and over time. In some instances, a proportion of grants will perform well, whilst other will underperform. The Secretariat notes that underperformance of a grant may be due to either internal factors over which the PR has control or external factors over which the PR has no control. However, the Secretariat will seek to optimise the use of GCERF funding through the reallocation of committed funds during the grant implementation period from underperforming to well performing grants.

3.26 During the negotiation of each PR's annual workplan and budget agreement, the Secretariat may after consultations with the PR decide to reduce its overall funding obligation to the PR based on the following considerations: (i) the assessment of the PR's performance in the preceding year; (ii) the potential performance of the PR during the remainder of the grant period; and (iii) the likely impact of changes in the external environment affecting the PR's proposed workplan.

3.27 The Secretariat will reallocate available grant funding from underperforming grants to well-performing grants. Such reallocations will be made strictly within the Board-approved allocation to the relevant Round and relevant National Application. In such instances, the Secretariat will, during the negotiation of a well-performing PR's annual workplan and budget, invite the PR to propose the continuation, expansion, or replication of existing successful programming, or the opportunity to propose new activities.

4. OPERATIONAL IMPLICATIONS FOR 2016

4.1 This section highlights how the improvements detailed in Section 3 will be introduced in 2016.

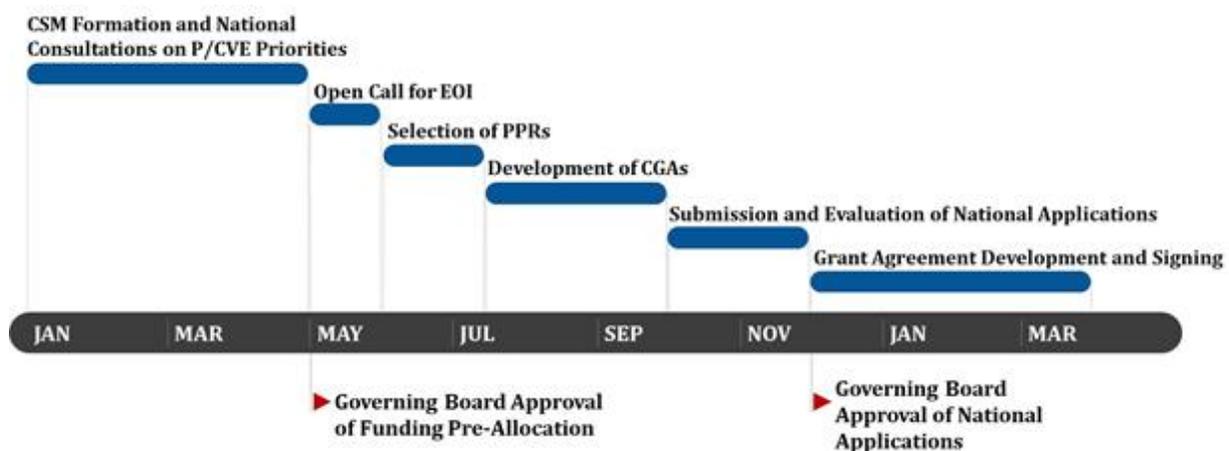
Country Selection

4.2 The country selection process (including the country pre-selection assessment) will be introduced for wave 3 countries.

Grant Making

4.3 Figure 2 provides an overview of the revised timetable for the grant making phase of the CFM. The grant making phase for wave 1 round 2 and wave 3 round 1 will follow this revised process.

Figure 2: Grant making timetable



4.3 Wave 2 countries will follow a modified version of the revised process in Round 1. An adjusted country needs assessment and national consultations process will be agreed with wave 2 countries to allow for Board approval of the pre-allocation of funding at Board meeting likely to be held in May 2016.

4.4 The Guidelines for CSMs and the IRP will be amended to reflect these developments and presented to the Governing Board for information at its May 2016 meeting.

5 FINANCIAL IMPLICATIONS

The financial implications of implementing the Core Funding Mechanism are subject to Board decisions on the approval of new beneficiary countries for 2016 presented in BM.03/DOC.07, and are separately presented alongside the operational expenses budget in BM.03/DOC.09.

ANNEX 1: LESSONS LEARNED

1. PURPOSE

1.1 The purpose of this Annex is to provide an overview of lessons learned in launching the CFM in the first three pilot countries of Bangladesh, Mali, and Nigeria. Over the last year, GCERF consulted with multiple stakeholders in order to capture and learn from lessons, so that improvements can be made in GCERF's operational procedures, structures and policy.

2. COUNTRY SUPPORT MECHANISM

2.1 Country Support Mechanisms (CSMs) have played a critical role in the launch of GCERF's Core Funding Mechanism (CFM) over the last year. CSMs have shown a commitment to the prevention and countering of violent extremism by creating partnerships among relevant actors in their respective countries; by providing an analysis of existing levels of community resilience against violent extremist agendas and the drivers of radicalisation to violence; by transparently selecting Potential Principal Recipients (PPRs) of GCERF funding; and by constantly coordinating and exchanging with the Secretariat.

2.2 Membership in the CSM should be broadly representative of a variety of stakeholders, each representing an active constituency with an interest in preventing and countering violent extremism. CSMs have faced challenges in that regard, notably with engaging with representatives of the donor community and the private sector. Inconsistent communication and engagement among the CSMs members has also been observed, which impacted the contributions of the CSMs during the first year of operations.

2.3 More support is required to ensure the long-term sustainability of CSMs as platforms for multi-stakeholder collaboration in support of GCERF funding. This includes financial support for basic CSM operating expenses, strengthened guidelines, clearer guidance on the CSM members' roles and responsibilities, and enhanced communication and general support from the GCERF Secretariat.

3. GRANT MAKING PROCESS

3.1 Due to pressing needs, GCERF set the ambitious goal of approving its first grants during its December 2015 Board meeting. This resulted in a compressed timeline that did not provide fully adequate time for the different steps of the funding process, and that placed challenging deadlines on the CSMs, the IRP, the PPRs and the Secretariat. This situation increased the workload of the different stakeholders involved significantly, preventing their full participation in some instances, and more generally impacted the quality of work produced.

3.2 Overall, the grant making process, with the different steps and tools it includes, was sometimes perceived as complex by different stakeholders. The GCERF Secretariat has therefore reviewed the entire process and made suggestions for modifications to ensure adequate time and enhanced efficiency and simplicity for every step of the process.

4. NEEDS ASSESSMENT PROCESS

4.1 In April 2015, the GCERF Board asked the CSMs to lead the assessment of existing levels of community resilience to violent extremist agendas and the drivers of radicalisation to violence in their respective countries in order to inform GCERF pre-allocation of funding. The resulting needs assessment reports therefore represented local and contextualised perceptions of P/CVE issues in the CSMs' respective countries. However, the quality and scope of the needs assessment reports varied, and it is unclear if all CSM members were consulted or engaged in the assessment process.

4.2 The challenging deadlines described in point 3 did not allow the IRP to consult with CSMs on the needs assessments prior to making its Country Funding Allocation recommendations to the Board. This sometimes resulted in dissatisfaction of certain CSMs in regard to the selection of specific demography, geography and drivers of recruitment and radicalisation to violence included in the Board Country Funding Allocation decision. As previously mentioned, the GCERF Secretariat has made suggestions for modifications of the CFM process to allow greater time within the process and to ensure the opportunity for feedback and discussion. The proposed changes to the Country Needs Assessment process would serve to significantly streamline this process.

5. FUNDING ALLOCATION

5.1 There was some frustration among the IRP members that the full content of their Country Fund Allocation recommendations did not appear in the Board document CC.07.15/DOC.01, titled "Core Funding Mechanism: Country Fund Allocation 2015" (i.e. that the recommendation format did not provide adequate space for the IRP to efficiently and effectively convey their feedback to the Board).

5.2 Pilot countries were not required to comment in writing on the Board papers leading up to the Funding Allocation Recommendation. Due to the compressed timeline, the Board decision was finalised in one case in the absence of the pilot country government.

6. PRIVATE SECTOR INVOLVEMENT

6.1 The private sector brings unique expertise and capabilities in the prevention and countering of violent extremism, but has had limited engagement with GCERF-related activities so far. GCERF needs to further develop its engagement strategy to ensure the private sector actors' optimal participation and needs to collaborate with other donor institutions to ensure coordinated efforts in that regard.