**Toward One HRP Costing Methodology – A Roadmap**

**May 2023**

**Overview**

In 2020, OCHA employed an independent consultant, who was selected by a panel composed of members from the inter-agency Costing Focal Points Group. The consultancy included taking stock of costing methodologies for Humanitarian Response Plans (HRPs), as outlined in the Inter-Agency Standing Committee ([IASC) Guidance.](https://www.humanitarianresponse.info/sites/www.humanitarianresponse.info/files/documents/files/hrp_costing_methodology_options.pdf)

[A key recommendation from the](https://www.humanitarianresponse.info/sites/www.humanitarianresponse.info/files/documents/files/hrp_costing_methodology_options.pdf) [HRP Costing Methodology Final Report](https://reliefweb.int/report/world/hrp-costing-methodology-consultancy-report) was to learn from the vast experience in country operations, including documenting the methodological process and steps used. This recommendation was incorporated in the [second terms of reference (TOR)](https://docs.google.com/document/d/1HvMG8yvNyVhnAxiuVzFOCTk65UcyfL7C/edit?usp=share_link&ouid=110798290204338701273&rtpof=true&sd=true) and resulted in a document containing [three methodological case studies](https://apmb-hpc.live.strattic.io/2023/05/26/costing/) for inclusion in the HPC guidance for 2024.

As the next step toward an adjusted HRP costing methodology, one of the deliverables in the [second](https://docs.google.com/document/d/1HvMG8yvNyVhnAxiuVzFOCTk65UcyfL7C/edit?usp=share_link&ouid=110798290204338701273&rtpof=true&sd=true) ToR is to develop a roadmap with key milestones leading to the target state, alongside a detailed implementation plan, which breaks down the milestones into key tasks and activities, by when and by whom. A second deliverable is the development of a TOR for a staff position. The TOR for this staff position can be found [here](https://apmb-hpc.live.strattic.io/2023/05/26/costing/).

**Roadmap Objectives**

Under the guidance of the Humanitarian Programme Cycle Steering Group (HPC SG) and in consultation with the inter-agency Costing Focal Points Group, the roadmap aims to develop one costing methodology for application across humanitarian operations.

The roadmap outlines the steps required to reach agreement on an adjusted costing methodology, with learning from current application of Project-Based Costing (PBC) and Unit-Based Costing (UBC) (and combinations of elements from the two approaches) as the foundation for an adjusted approach. The adjusted methodology will be designed to serve two purposes:

1. Strategic: to establish the financial requirements of HRPs, and consequently the Global Humanitarian Overview (GHO) that are consistent and trusted by donors and implementers;
2. Operational: to assist with the planning, coordination, monitoring, and financial tracking of a response by project registration and giving partners such as local and national NGOs, need visibility. This also allows for more information on the humanitarian operation.

The adoption and rollout of an adjusted methodology for HPC country operations is not covered by the [TOR](https://docs.google.com/document/d/1HvMG8yvNyVhnAxiuVzFOCTk65UcyfL7C/edit?usp=share_link&ouid=110798290204338701273&rtpof=true&sd=true) of this consultancy. Once a revised methodology is developed as a viable alternative, it will be presented to the HPC Steering Group for onward endorsement by the IASC Operational and Policy Advisory Group (OPAG) to agree updates to the 2017 IASC policy that has provided country teams with the option of selecting either UBC, PBC or a combination for application in humanitarian operations.

**Roadmap Structure**

This roadmap has three sections: i) a recap of the advantages and disadvantages of the different costing methods as noted in the [HRP Costing Methodology Final Report:](https://reliefweb.int/report/world/hrp-costing-methodology-consultancy-report) ii) a theory of change articulated through strategic and operational objectives; iii) an implementation plan that includes milestones, key tasks, and activities to be performed, by when and by whom.

**HRP Costing Methodologies—Advantages and Disadvantages**

The [HRP Costing Methodology Final Report](https://reliefweb.int/report/world/hrp-costing-methodology-consultancy-report) did not recommend either PBC or UBC as the preferred costing approach. Report findings recognized that while PBC provides more granularity, it is time-consuming, and that UBC requires methodological revisions to be effective across different operations.

Following the submission and review of the final report, the HPC SG, supported by the Costing Focal Points Group, agreed to pursue designing an adjusted costing methodology that takes elements of both PBC and UBC or from existing hybrid approaches that can be built upon to maximize viability and efficiency to serve both the strategic and operational objectives.

**HRP Costing Methodology Theory of Change**

The strategic objectives include:

* Financial estimates for HRPs and the GHO are transparent and trusted.
* Increased donor confidence in the humanitarian response financial ask based on transparent and consistent methodology.
* Strengthen capacity of OCHA to support country operations in HRP costing methodological steps.
* Increased capacity and institutional knowledge of operational partners.
* Enhanced collaboration and cooperation between different stakeholders leading to a better coordinated and more effective response.
* Develop a reliable and consistent methodology for estimating financial needs that in turn may lead to more predictable humanitarian funding.
* Design a methodology that can be easily adapted and scaled to different types and sizes of humanitarian crises.

Operational objectives are linked to upgrades to HPC Tools that work towards integration of ActivityInfo and the Bridge tool into HPC tools, currently in progress as a separate but closely related workstream. The implementation plan below includes the creation of this tool.

Operational objectives include:

* Greater methodological consistency in how costs are generated within and across clusters and countries;
* Costing approach is integrated into the HPC at the planning, monitoring, resource mobilization, and FTS to support coordination and provide sufficient granularity on humanitarian operations;
* Clarified project registration to support:
  + Planning/coordination: to identify gaps and possible duplications and provide baselines for future operations.
  + Monitoring: to provide humanitarian actors with an evidence base for making decisions about actions needed to address shortcomings, fill gaps and/or adjust the HRP as well as for accountability to stakeholders.
  + Improved financial tracking: to support comprehensive FTS data with additional granularity on humanitarian operations, such as information on gender markers, environmental markers, gender-based violence (GBV), localization, etc.

**Implementation Plan**

The implementation plan includes four primary milestones:

1. In parallel with the development of an adjusted costing methodology, mapped HPC tools integration of new components such as ActivityInfo and the Bridge tool integration into HPC tools.
2. *General* guidance and steps for adjusted costing methodology
3. *Cluster specific* guidance and steps for adjusted costing methodology
4. *Multi-cluster* guidance and steps for adjusted costing methodology (I.e., this is costing guidance for projects that are by design multi-cluster)

The estimated completion dates in Table 1 assume a fulltime staff member will be on board by August or September 2023.

***Table 1. Implementation Plan***

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| --- | --- | --- | --- | --- |
| **Milestone No.** | **Milestones** | **Tasks and Activities\*** | **Responsible** | **Estimated Completion**  **Date** |
| 1 | In parallel with the development of an adjusted costing methodology, mapped HPC tools integration of new components such a ActivityInfo and the bridge tool into HPC tools | • OCHA/MATS in collaboration with OCHA/NARAS draft the adjusted costing methodology  • Map the adjusted costing methodology onto upgraded HPC tools  • Consider how 3-4-5Ws could be better integrated into HPC tools to improve monitoring efforts  • Consider the role of ActivityInfo (major integration) and the bridge tool (minor integration)  • Discuss if FTS can be designed to capture more detailed costing data at the project level  • Consider how the upgraded HPC tools and adjusted costing methodology may be experienced differently by different types of stakeholders (i.e., local and national non-governmental organizations, international non-governmental organizations, and UN agencies)  • The alignment between updated HPC tools and the adjusted methodology may be imperfect. Accept what limitations may exist and be clear on them.  • Once drafted, present the mapping to Costing Focal Points Group for review, revisions, and approval  • Revise the mapping as needed | OCHA/NARAS (Collaborate)  OCHA/MATS (Collaborate)  OCHA/GCCG  (Collaborate)  Costing Focal Points Group  (Review, Revise, Approve)  HPC SG  (Keep informed) | 31/01/24 |
| 2 | *Overarching guidance and steps* for adjusted costing methodology | • Draft general guidance and steps inclusive of tools  • Consider how this guidance and the corresponding steps may be experienced differently by different types of stakeholders (i.e., local and national non-governmental organizations, international non-governmental organizations, and UN agencies)  • Feedback from Costing Focal Points Group for review, revision, and approval  • HPC SG review, revision, and endorsement  • Review and revised as needed | OCHA/NARAS  (Collaborate)  HPC SG  (Endorse)  Costing Focal Points Group  (Collaborate)  OCHA/MATS  (Consult, advise, keep informed)  OPAG  (Approves) | 31/08/24 |
| 3 | *Cluster specific* *guidance and steps* for adjusted costing methodology | • Draft cluster specific guidance and steps inclusive of tolls  • Consider how this guidance and the corresponding steps may be experienced differently by different types of stakeholders (i.e., local and national non-governmental organizations, international non-governmental organizations, and UN agencies)  • Send to Global Clusters for review and revising  • After Global Cluster review and revisions, send to the Costing Focal Points Group  • Review and revise as needed | OCHA/NARAS  (Collaborate)  OCHA/GCCG  (Collaborate)  HPC SG  (Endorse)  Costing Focal Points Group  (Collaborate)  OCHA/MATS  (Consult, advise, keep informed)  OPAG  (Approves) | 31/12/24 |
| 4 | *Multi-cluster specific* *guidance and steps* for adjusted costing methodology | • Draft multi-cluster specific guidance and steps  • Consider how this guidance and the corresponding steps may be experienced differently by different types of stakeholders (i.e., local and national non-governmental organizations, international non-governmental organizations, and UN agencies)  • Send to Global Clusters for review and revising  • After Global Cluster review and revisions, send to the Costing Focal Points Group  • Review and revise as needed | OCHA/NARAS  (Collaborate)  HPC SG  (Endorse)  Costing Focal Points Group  (Collaborate)  OCHA/MATS  (Consult, advise, keep informed)  OPAG  (Approves) | 31/12/24 |

\*OCHA/NARAS-Needs and Response Analysis Section (NARAS)

OCHA/MATS-Assessment Planning and Monitoring Branch (MATS)