

Summary of OCHA Perspectives on Costing, Project Registration and Monitoring and the Linkages between them

Introduction

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Introduction

Over the last 7 years the passionate debates on costing have focused primarily on the question: ***“What is the most appropriate and efficient method for determining the financial requirements of an HRP?”***

In attempting to answer that question, the comparison of costing methods essentially focused on processes, workload and resulting financial figures. In doing so, the discussions neglected linkages with other aspects of humanitarian programme cycle (HPC) coordination, namely project registration, operational coordination, response monitoring, financial tracking, gender marker, localization, etc., even though these important elements are impacted by the choices made when it comes to costing.

Costing must therefore not be considered in isolation, but in relation to other aspects of the HPC work. In particular, the topic of project registration, as inherited from the Online Project System (OPS), was seen as something to do at the end of appeal/plan development in order to determine financial requirement and give donors a list of things to fund, potentially neglecting other aspects such as transparency and operational coordination, irrespective of the applied costing methodology.

The question therefore should be:

“What methodology or combination of methodologies can best determine the financial requirements of a Humanitarian Response Plan (HRP), serve humanitarian coordination and transparency?”

Furthermore, when we discuss costing methods in OCHA and among partners, it becomes clear that there are different levels of knowledge about current costing approaches, and multiple understandings and interpretation of terms and concepts, which complicates the discussions. It is important that all share a common understanding of existing practices and terminology in order to have a constructive conversation about possible ways forward.

While the discussion in 2013 revolved around two approaches, some Humanitarian Country Teams (HCTs) have over the past years moved in slightly different directions, which now leave us with four approaches.

The objectives of this paper are, from a perspective of OCHA APMB, to:

- describe the current situation and propose terminology and definitions, as a sound base, on which to build further discussions;
- explain the four approaches currently applied in the field, along with some of their perceived advantages and disadvantages;
- demonstrate how costing methods cannot be examined in isolation of other HPC topics, as they interrelate with operational coordination, monitoring, and financial tracking.

The document is structured like this:

- **Part I** will examine the key aspects of project registration
- **Part II** will examine the key aspects of costing methods currently used in the field
- **Part III** will examine some key aspects of response monitoring
- **Part IV** will examine some key aspects of financial tracking
- **Part V** will analyze the four combined costing/project registration approaches.

Note:

This is not meant to serve as an exhaustive description of each topic, but rather to describe the points where they intersect.

I: Project Registration

Humanitarian action is implemented at field level through the concept of **project**:

A project is a set of defined activities, planned by a project owner (humanitarian organization), to aid a defined target population between a start date and an end date, within defined geographical boundaries, under a given budget or financial requirement. A project is presented in a project document, that sets these parameters, with a narrative part, a budget breakdown, a timeline, and indicators with targets.

Note: the action conducted on the ground by a humanitarian organization may actually be presented in various forms: organization country plan / programme / project / activity. These all may fall under the above definition. So, the concept of 'project' used in this note covers all forms of presentation, by one organization, of its actions.

Registering humanitarian projects

In countries with a collective response plan (HRP, Flash Appeal, RRP, Covid Response Plan, ...), a project registration data system may help facilitate many aspects of humanitarian coordination, such as:

At planning stage:

- identifying the **response capacity** and the possible gaps;
- facilitating NGO fundraising by enabling them to enter project data once, and print standardized proposals to different donors;
- facilitating the connections between **projects and donors**, through an online platform;
- supporting **vetting/validation by clusters** by giving them easy, online access to proposed projects;
- calculating HRP financial requirements by adding up the budgets of vetted/validated project (for those countries who choose to do their budget calculation this way);
- addressing two recurring critical issues: 1) tracking "**refugee projects**" that are relevant at the same time to a sector and to the refugee chapter; and 2) tracking "**mixed project**" covering refugees and non-refugees.

During implementation: operational coordination

- monitoring the **operational presence**: Who does What Where and When (**4W**);
- sharing with all stakeholders **information about all projects**: actors, objectives, locations, activities, dates, financial requirements, funding, indicators and targets, results, ...;
- providing an easy way to attach the **Gender and Age Marker** to projects;
- linking and aggregating reported monitoring **results to specific projects**;
- linking donor funding contributions to specific projects;
- sharing **information**: PMR, Humanitarian Dashboard, Humanitarian Insight, etc.;

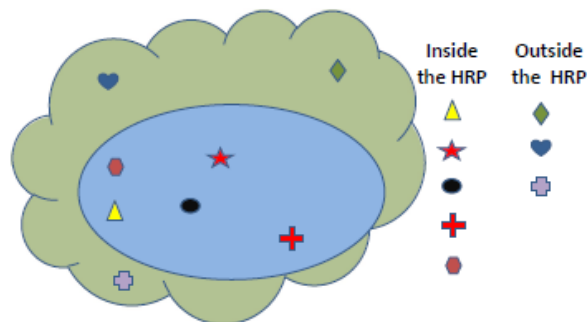
After project is closed

- **analyzing in detail** humanitarian action and funding per: sectors / geographic location / organization / type of organization (UN agency, international, national or local NGO) / type of assistance (in kind, cash, services, advocacy) / Strategic Objectives / priorities / disability inclusion / protection mainstreaming / donor / in time / the gender marker, etc.
- producing **project reports** (to government, sector, donor, own HQ, ...) with finances, narrative and data;
- producing **collective reports** (by a sector, or for an HRP) with narrative and data;
- publishing **past records** of humanitarian actors, which serves their credibility for next projects;

*Note: Many actors (country team, clusters, organizations) have developed project registration systems covering some of the aspects above. As part of the HPC.tools, OCHA has developed the **Project Module** tool (replacing the previous system OPS), allowing project registration, in all HRP countries. While the system aims to serve all purposes presented above, the tool is not complete yet, new features are added gradually.*

Projects make part of a collective plan ... or not

In a typical HRP country, we have:



To determine whether a project is in or out of the HRP, it is not enough to ask the organization owning the project. This requires a selection conducted by the sector coordination group/cluster.

A project is 'inside the HRP' when: it is in alignment with the Strategic, Specific and Sector Objectives of the HRP, addresses identified needs of the target population groups included in the HRP, belongs to an organization that participates in the HRP, AND it has been validated by the sector coordination group/cluster.

A project is 'outside the HRP' when: it does not meet one or more of the criteria above. However, such projects may still be supported using humanitarian or other funding, and implemented by an actor that may or may not be considered humanitarian.

Examples of 'outside the HRP' projects: MSF or ICRC projects are always considered "outside the HRP", as these organizations never include their projects in an HRP. Oxfam may have some of their projects aligned with the HRP strategy ("inside the HRP"), as well as other humanitarian projects that fall outside the HRP objectives and target populations ("outside the HRP"). A given NGO may upload a project aligned with the HRP strategy, which is then rejected for whatever reason by the sector coordination group/cluster. That organization may still maintain its project, but it will be considered "outside the HRP".

A project registration system that captures and displays all humanitarian projects, whether inside or outside an HRP, would allow all actors to have the fullest possible picture of humanitarian response. For example, for measles vaccination in DRC, some provinces are covered by WHO (= "inside the HRP"), and others are covered by MSF (= "outside the HRP"). In other countries with no HRP, teams may find it helpful to register projects. Registering both types (inside and outside) is possible with the Project Module (this is a major difference with the previous OPS). The financial tracking is also able to attach funding to both types, and therefore determine distinct total contributions "inside the HRP", and "outside the HRP".

However, having 'non-HRP' projects recorded and displayed raises some particular issues:

- While there are criteria for considering a project "inside the HRP", the "outside the HRP" category gathers all other projects, in a group that has no clear boundaries. In the absence of any qualifying authority, we may see here humanitarian projects presented along non-humanitarian projects (economic, development, peacekeeping, ...), or unknown "NGOs" looking for money, or political groups hiding behind an NGO label ... Such an "uncontrolled space" of proposed and possibly existing projects, should be clearly presented as "unchecked" to anyone who is looking at it.
- As it already proves difficult to have organizations register their "inside the HRP" projects at present stage, we have even less arguments to convince them to do so for the "non HRP" ones.

The issues around non HRP projects are not a major concern at present stage, so this note will further examine options for project registration and for costing, in support of an HRP.

I.A: Project Registration with exclusive vetting¹

Explanation:

- OCHA and sectors call all humanitarian actors to register all projects they intend to develop between a start date and an end date;
- The sector coordinators organize a vetting process: each project is analyzed and given a tag: “selected in the HRP” / “rejected out of the HRP”.
 - ❖ “inside the HRP” = *this project is recognized by the sector coordination group/cluster as credible and in line with the HRP;*
 - ❖ “outside the HRP” = *this project is considered by the sector coordination group/cluster as either not credible, and/or not in line with the HRP, or was superseded by another project; it may remain in the system, but under the sole responsibility of the project owner.*
- This is exclusive vetting: if 2 projects propose the same action, only one can be vetted in. As a result, any planned action can only fall under one project;
- During the year, to better reflect the evolving field reality, it is possible to make revisions of the registered projects, and introduce new ones, still with vetting. This can happen either as a continuous process, or only during a given period of time.

Advantages: (looking strictly at project related processes)

- Operational coordination is facilitated by sharing information on: the response capacity (4W) / (planned and on-going) projects and activities / monitoring of the output results at project - activity level / Gender & Age Marker attached to projects/ Strategic Objectives / priorities / geographic locations / type of organization (UN agency, international, national, or local NGO) / type of assistance (in kind, cash, services, advocacy) / disability inclusion / protection mainstreaming / fundings / etc;
- In particular, the registration of projects offers a basis for response monitoring. If done with the Project Module (as opposed to on a separate 3W/output monitoring system), it may offer the extra advantage of linking the output results to the HRP framework and to the financial data;
- The vetting process is meant to ensure quality oversight. It allows the sector coordinator to know about all actors and projects, and ensures the validated projects are credible and aligned to the HRP strategy;
- It can offer project visibility and support donor decision-making, as donors can see the projects and decide who to fund;
- Exclusive vetting allows an HCT to present the whole planned action, and corresponding financial requirements, as distributed among the humanitarian actors: the “breakdown per organization”, which some decision-makers like to see;

Issues: (looking strictly at project related processes)

- The breakdown of action and financial requirements per organization is actually provisional: it assumes that “*all actors agree from the start on exactly who will do what where along the year, and that they and they alone will do it.*” This does not correspond to the reality in the field. It is very common to see several organizations planning for the same action. Suppose that 2 NGOs (A and B) have projects intending to do the same thing; the vetting may select project A and reject project B, but this does not make project B disappear: the NGO B may still look for funds, get them, and actually implement its project! In real life, many actors consider doing many things, with overlaps, and *who actually does what* is determined along the year, depending on the evolving context, the funds granted, and the coordination among actors.
- It is important to maintain a dynamic process to continuously update the project registration, so it reflects field reality. If that does not happen, the project database is a mere static image of “*intentions as per January*”, which is less useful (this was a major issue with the former OPS system).

¹ For details on applied costing methodologies please refer to the “Annex: Costing approach per HRP country (2020 and 2021 HRPs)”.

I.B: Open Project Registration, with inclusive validation²

(sometimes called “marketplace”)

Explanation:

- OCHA and sectors call all humanitarian actors to register all projects they intend to develop;
- The sector coordination groups/clusters run a validation process: each project is analyzed, and given a tag: “inside the HRP” / “outside the HRP”.
 - ❖ “inside the HRP” = *this project is recognized by the sector coordination group/cluster as credible and in line with the HRP;*
 - ❖ “out of the HRP” = *this project is considered by the sector coordination group/cluster as either not credible, and/or not in line with the HRP; it may remain in the system, but under the sole responsibility of the project owner.*
- This is **inclusive validation**: if 2 projects propose the same action, both may be validated. As a result, any planned action may appear **in several projects** (= *in the marketplace, different stalls may sell tomatoes*). The action will be implemented by the project that gets funded;
- During the year, humanitarian actors continuously update, delete or introduce new projects, with regular validation by the sector coordinators;
- The projects database is therefore in a constant evolution, to offer a live image of the field reality, as real-time as possible.

Advantages: (looking strictly at project related processes)

- Operational coordination is facilitated by sharing information on: the response capacity (4W, which organization is where) / (planned and on-going) projects and activities / monitoring of the output results at project - activity level / Gender & Age Marker attached to projects/ Strategic Objectives / priorities / geographic locations / type of organization (UN agency, international, national, or local NGO) / type of assistance (in kind, cash, services, advocacy) / disability inclusion / protection mainstreaming / project fundings / etc;
- Instead of a provisional detailed breakdown of action and requirement among actors (see I.A), it better corresponds to reality to display who intends to do what, with possible overlaps, and who does what;
- The validation process ensures quality oversight. It allows (or obliges) the sector coordinator to know about all actors and projects, and ensures the validated projects are credible and aligned to the HRP strategy (= *in this marketplace, the controlling authority checks the quality of the tomatoes*);
- It can offer project visibility and support donor decision-making, as donors can see the projects and decide who to fund;
- The registration process being continuously open, it facilitates the dynamic continuous update of (planned and on-going) projects, so that the database gives a real-time image of the reality on the ground.

Issues: (looking strictly at project related processes)

- If no validation process is applied, there is no quality control in terms of alignment with the HRP objectives and the actual capacity of an organization. All projects would then be displayed as uploaded. (= *in this uncontrolled marketplace, some stalls may sell rotten tomatoes*);
- Under this approach, it is impossible to present in advance in the HRP the whole planned action and the corresponding financial requirements, fully broken down per humanitarian actors, which some decision-makers like to see.

² For details on applied costing methodologies please refer to the “Annex: Costing approach per HRP country (2020 and 2021 HRPs)”.

Explanation:

- OCHA and sectors do not ask humanitarian actors to register centrally all projects they run or intend to develop;
- Each sector coordination group/cluster organizes itself independently to know and coordinate the action of its member organizations.

Advantages: (looking strictly at project related processes)

- No registration and vetting of projects obviously makes less work for everyone;

Issues: (looking strictly at project related processes)

Either there is really no data system of any kind to track the action ...

Humanitarian coordinators (OCHA and sectors) do not have a system to follow the planned and on-going projects and activities: they have an incomplete picture and are seriously limited in their efforts to conduct operational coordination:

- Limited knowledge of the response capacity, 4W, which organization is where;
- Limited knowledge of planned and on-going action: projects and activities;
- Donors do not have an overview of all projects, on-going or looking for funds, when assessing the demands that come to them;
- The clusters and OCHA cannot gather the output results monitored by the project owners at project - activity level;
- No financial tracking against projects through FTS;
- Limited operational and financial analysis of field action against Strategic Objectives, priorities, geographic locations, Gender & Age Marker, type of organization (UN agency, international, national, or local NGO), type of assistance (in kind, cash, services, advocacy), disability inclusion, protection mainstreaming, etc.

... or there are different data systems to track the action:

Facing the challenges above, in many countries, OCHA and/or sector coordinators set up specific non standard data systems to register field actors, produce 4W, view projects and activities, record results, attach funds, They either install existing tools (Activity Info, Logalto, ...), or develop new ones (Report Hub, eTools, ORS, special websites, 4W tool, ...). In this case:

- the development, installation and maintenance of such systems takes a lot of time, which negates the “less work” advantage mentioned above;
- over the years, the development by so many actors, in so many countries, of competing tools is duplicative and wastefully consumes huge resources of the humanitarian community overall;
- these tools are not standard across clusters and countries, which forces users to learn different systems;
- these tools are not systematically interconnected to global approaches, tools and standards: projects and activities not systematically connected to plan frameworks, not connected to global financial tracking, not sharing common processes or even common definitions, and thus not displayable as part of a comparable global bigger picture.

³ For details on applied costing methodologies please refer to the “Annex: Costing approach per HRP country (2020 and 2021 HRPs)”.

II: Costing of Humanitarian Action

The Financial Requirements of a Humanitarian Response plan (HRP) are always calculated as the sum of the requirements of the different sectors:

HRP	
Financial Requirements	
Sector A	20.000.000
Sector B	18.000.000
Sector C	12.500.000
Sector D	6.200.000

	56.700.000 \$

Current situation:

In November of the previous year, for the preparation of the Global Humanitarian Overview (GHO), countries are required to provide a first estimation of their financial requirements. By that time, irrespective of the costing method they chose, many countries have not yet completed their HRPs, let alone the calculation of their financial requirements. They therefore try and estimate a first financial figure, based often on historical costs, with no particular costing method being applied. These figures are published in the GHO with footnotes indicating they are estimates.

After the GHO is released, countries work on calculating more precise financial requirements, which will then be published in FTS, and replace the original estimated amounts, in the HRP, in INSIGHT and in GHO monthly.

To determine the financial requirements of a sector, two approaches are currently employed by HCTs today: project-based and unit-based costing.

HRP	
Financial Requirements	
Sector A	20.000.000
Sector B	18.000.000
Sector C	12.500.000
Sector D	6.200.000

	56.700.000 \$

Project based costing

Unit costing

?

Both approaches have advantages and challenges. Both can be implemented in a serious and transparent manner, ... or not. The following pages examine all aspects of each one.

II.A: Project-based costing

With project-based costing, the financial requirements of a sector correspond to the sum of all projects that have been “vetted in” by that sector.

HRP	
Financial Requirements	
Sector A	20.000.000
Sector B	18.000.000
Sector C	12.500.000
Sector D	6.200.000
<hr/>	
	56.700.000 \$

Sector B	
Financial Requirements	
Project 1	2.000.000
Project 2	600.000
Project 3	7.400.000
Project 4	8.000.000
<hr/>	
	18.000.000 \$

Explanation:

- All humanitarian actors register their projects and associated financial requirements;
- The sector coordination group/cluster organizes the ‘exclusive’ vetting⁴ of the projects as explained in I.A above: each project is either selected or rejected, each planned action falls under only one project;
- The sector financial requirement is calculated as the sum of the financial requirements of the selected projects;

Advantages: (looking strictly at the costing process)

- In volatile contexts where the parameters can differ per region and change in time, a sector coordinator may prefer to take the project costs, as calculated by the project owner active in each specific location.

Issues: (looking strictly at the costing process)

- The calculated requirements may reflect the «offer» (the action planned by organizations), rather than the actual HRP and sector strategies;
- The breakdown of action and financial requirements per organization is provisional, as explained in I.A;
- All projects must be registered and vetted prior to the HRP release: this is a heavy process, and it cannot be completed before the HRP strategy is finalized;
- Risk of gaps in the requirements: an action may be planned under the HRP and sector plan, but not find itself included in any project: it would then not be counted in the sector financial requirements. To avoid that, a sector coordination group/cluster needs to ensure that all actions planned by the sector fall under one of the selected projects. This does not always happen.

⁴ If two projects propose the same action, only one will be selected for inclusion in the HRP. That means that any planned action can fall under one project only.

II.B: Unit-based costing

(Sometimes referred to as “unit costing”, “alternative costing”, “cluster costing”, “activity-based costing”, and “ABC”. The IASC-agreed term is unit-based costing.)

With unit-based costing, the financial requirements of a sector correspond to the sum of the estimated costs of all activities that make up the sector plan.

HRP	
Financial Requirements	
Sector A	20.000.000
Sector B	18.000.000
Sector C	12.500.000
Sector D	6.200.000
<hr/>	
	56.700.000 \$

Sector B	
Financial Requirements	
Activity 1	4.500.000
Activity 2	2.800.000
Activity 3	3.900.000
Activity 4	6.800.000
<hr/>	
	18.000.000 \$

Explanation:

- The sector members agree on the sector plan: all activities that should be conducted by the sector members;
- For each activity, the intended result is quantified with an indicator and a target, i.e. a quantity of items distributed, or of service delivered, an action completed, or a number of people assisted;
- The sector members estimate the cost of the ‘unit’, and then multiply the target by that amount, to estimate the cost of the activity;
- The sector financial requirement is calculated as the sum of the costs of the different activities.

Advantages: (looking strictly at costing aspects)

- For those countries with a volatile context (insecurity, problems of access, changing needs, changing actors, ...), it is very challenging to affirm who will do what when over the year. The unit-based approach allows to more easily set and revise requirements, according to the evolution of the situation;
- The calculation of unit-based requirement may take less time than the project registration and vetting, if there is an agreed process and methodology;
- The calculated costs really reflect the HRP and sectors strategy, rather than the “offer” from humanitarian actors;
- It is unlikely that there will be gaps in requirements (= action planned but not counted in the requirements).

Issues: (looking strictly at costing aspects)

- Determining unit costs is complicated per se, and can be even more complicated in volatile contexts where the parameters can differ widely within a country and within regions and change quickly in time, compounded by inflation and operational constraints;
- For unit costing to result in a credible budget for an HRP, common costing principles and standard methods (which do not yet exist) must be applied across the entire response, with specific guidance for each sector. Only the Global Protection Cluster has developed such a guidance;
- In order to ensure appropriate transparency, the methods used by each sector need to be documented (how unit costs were determined, degree of granularity, varying costs per region, ...).
- Financial requirements can be broken down per sector, or possibly per population group, geographical area, or type of needs, but not per organization, nor per projects, which some decision-makers like to see. (However, see remark in I.A.);

III: Response monitoring

As part of response monitoring, humanitarian actors gather narrative and quantitative data on the achievements of humanitarian aid, analyze them, and produce information for humanitarian actors themselves, and for external audiences (people of concern, government, donors, media, general public).

In an HRP, this work is presently conducted at three levels:

HRP	Sector	Project / Activity
Outcome indicators	Outcome indicators	
	Output indicators	Output indicators

Achievements at the outcome level (HRP and sectors):

These are measured through specific monitoring action, that does not require the registration of projects/activities.

Example: “*social acceptance of refugees among the host population*” is an outcome indicator that may evolve as an effect of multiple actions undertaken. Its measurement requires a specific enquiry, that should be organized at intercluster level. Having projects registered or not does not affect this work.

Measuring output results (sectors and projects):

Each organization may have its own ways to measure and store the results of its own project / activity. But if a sector coordinator wants to measure results at sector level, it will need some kind of data system recording organizations, projects, activities, indicators, targets and results, and allowing to aggregate them.

Example: “*number of households receiving NFI kits*” is an output indicator that may measure the effect of one project or activity, and may also be aggregated at sector level over several similar projects.

Ideally, the monitoring work should cover these 2 dimensions:

- * Measure the outcome results at country or sector level: the overall achievements across all actions
- * Measure the detailed results at a project level: the quantified achievement of specific actions. This makes the granularity of the monitoring.

The granularity of the response monitoring is related to how the project registration is conducted.

Chapter V examines how granular can output monitoring be, for each of the four possible approaches.

IV: Financial Tracking

The current approach to financial tracking involves storing two types of information: recording financial requirements for humanitarian action, and recording or tracking financial contributions against those same requirements.

➤ Recording financial requirements

Displaying the amounts required for the implementation of an HRP, broken down by sector/cluster or project.

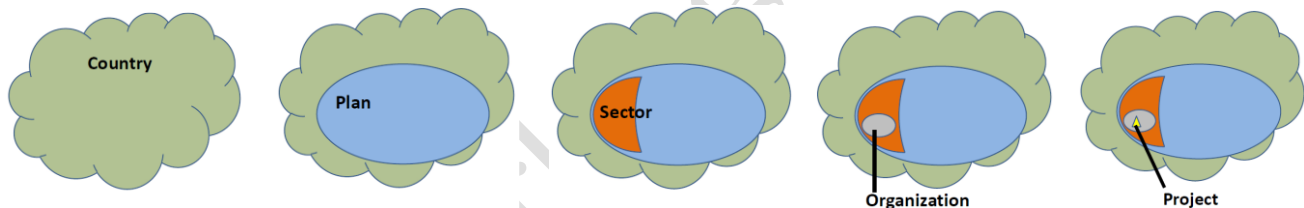
Examples: *The DRC HRP has a financial requirement of US\$900m / The Wash cluster has a cluster requirement of US\$120m / Oxfam has a project requirement of US\$300,000.*

➤ Recording or tracking financial contributions (or funding)

Donors or recipient organizations report to OCHA the funding contributed/received. After verifying the data, OCHA may store it in its Financial Tracking System (FTS) in two ways:

- ✓ When no financial requirements are known, funding grants are recorded as linked to their recipient (or destination) entity. Example: *A FCDO grant is in FTS recorded as going to MSF, against no recorded requirements.*
- ✓ When financial requirements are known, funding grants are tracked against the requirements of the recipient (or destination) entities, which could be a country, sector and/or organization. Examples: *The DRC HRP has a current total funding of US\$421m against the plan requirements / The Wash sector has a current funding of US\$82m against its sector budget. / Oxfam received a grant of US\$300,000 against its project requirement.*

The requirements and contributions may be linked to five different levels:



➤ Country

In a country where there is no HRP, a contribution may be recorded as linked to the country.

➤ Plan (or appeal)

In a country with an HRP, FTS displays the financial requirements of the plan, and the contributions are tracked as “in the plan” or recorded “out of the plan”.

➤ Sector in a plan

In a country with an HRP detailed per sector, FTS displays the sector financial requirements, and the contributions “in the plan” are tracked against these sector requirements.

➤ Organization in a sector

In a country with an HRP detailed per sector, and no project registration, FTS may track the financial contributions against organizations within each sector, if it receives a list of organizations by sector, even without requirements.

➤ Project by an organization in a sector

In a country with an HRP detailed per sector, and with project registration, FTS can track the financial contributions against the project requirements.

As we see above, the granularity of the financial tracking (both on requirements and funding) depends on how the costing and the project registration are conducted. The next chapter examines how detailed can financial tracking be, for each of the four possible approaches.

V: Four approaches that combine costing and project registration⁵

The decision on how to do costing and project registration lies currently with the HCT. It is important that the HCT understand how these choices will impact response monitoring and financial tracking for that operation.

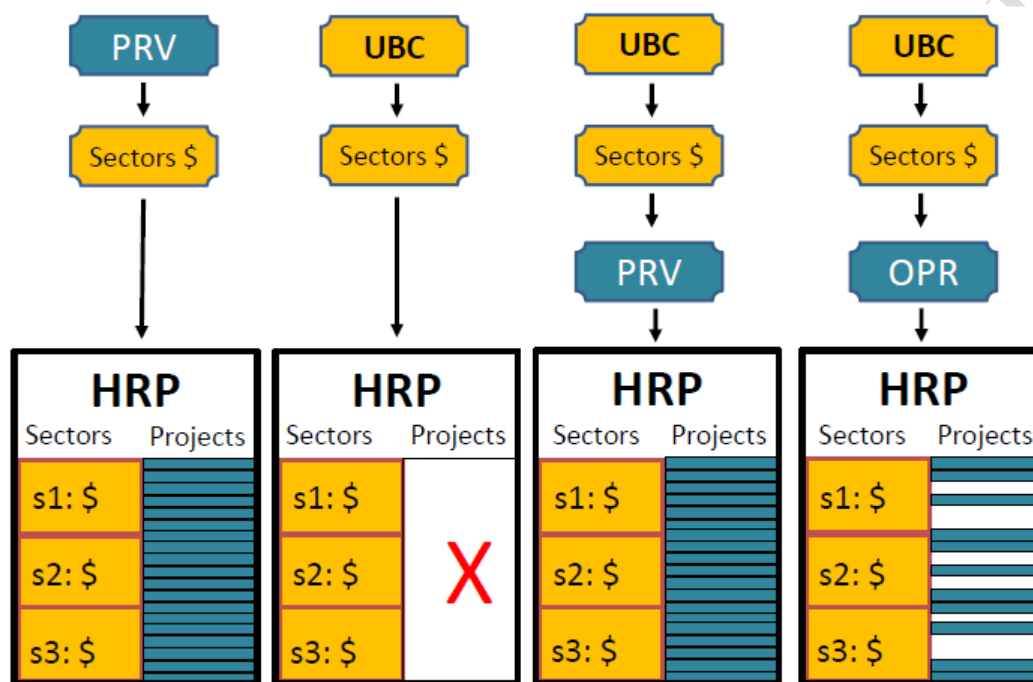
History and current situation:

For many years, all countries were applying the same approach, presented below as “approach A”, applying a project-based approach. Over the past 10 years, various countries have experimented with other approaches: applying unit-based costing and making a different project registration or no project registration at all. In 2017, the IASC Principals decided that HCTs had to decide which costing approach to apply. This is explained in the [HRP COSTING METHODOLOGY OPTIONS](#) note, which remains the official reference on that matter. That document presents three approaches: “project-based”, “unit-based”, “mixed approach/hybrid method”, combining both unit based and project based costing. Since the release of the IASC note, no IASC guidance on how to operationalize these methods has been released. The following pages will explain four approaches as things evolved since then, with option C & D representing two possible approaches described in the IASC paper as “mixed approach/hybrid methodology”⁶.

⁵ For details on applied costing methodologies please refer to the “Annex: Costing approach per HRP country (2020 and 2021 HRPs)”.

⁶ IASC HRP Costing Methodology Options note, pg 2: “The mixed approach combines both unit based and project based costing. Typically, HCTs would establish the overall financial requirement by using unit based costing, and then complement this planning step by either replacing these requirements by project based requirements (most common in sudden onset crises/Flash Appeals), or by setting up a market place system for projects, in which partners register projects as an expression of interest and reflection of agency/partner plans at country level.”

In this document	Approach A	Approach B	Approach C	Approach D
In the IASC note	“project based”	“unit based”	“Mixed approach” / “Hybrid method”	
Costing	PBC: Project-Based Costing (II.A)	UBC: Unit-Based Costing (II.B)	Unit (II.B) then project (II.A)	UBC: Unit-Based Costing (II.B)
Project registration	PRV: Project Registration with excl. Vetting (I.A)	None (I.C)	PRV: Project Registration with excl. Vetting (I.A)	OPR: Open Project Registration (I.B)



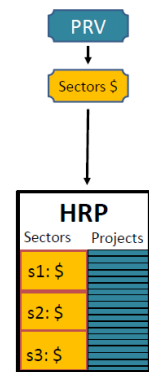
All countries are currently following one of these approaches (see annex). The following pages explain the four approaches, and analyze their consequences, advantages and challenges, in terms of operational coordination, costing, response monitoring, and financial tracking. The advantages and issues identified in the chapters above, are repeated below under the approaches where they are relevant. It should be noted that no approach has the advantage of “transparency” over the others: any approach may be applied in a transparent manner, or not).

V.A: Approach A

(sometimes called “traditional”, or “project-based”)

Explanation:

- When preparing the country figures for the HRP, OCHA and sectors organize project registration with exclusive vetting (see I.A);
- The financial requirements are calculated along the project-based costing method (see II.A), and these are published (GHO, HRP, FTS, INSIGHT);
- During the year, there may be a revision of projects, which then changes the financial requirements, as these always remain the sum of the vetted projects.



Advantages:

- In volatile contexts where the parameters can differ per region and change in time, a sector coordinator may prefer to take the project costs, as calculated by the project owner active in each specific location.
- Humanitarian coordination is facilitated by the fact that projects are registered (see I.A);
- The registration of projects offers a basis for response monitoring. This is preferable to any separate 3W/output monitoring system, as it permits to link the output results to the HRP framework and to the financial data;
- The vetting process ensures quality oversight. It allows (or obliges) the sector coordinator to know about all actors and projects, and ensures the validated projects are credible and aligned to the HRP strategy;
- The whole planned action may be displayed per sector / per organization / per projects, which some decision-makers like to see;
- It can offer project visibility and support donor decision-making, as donors can see the projects and decide who to fund;
- Financial requirements can be displayed and contributions can be tracked per sector, per organization and per projects.

Issues:

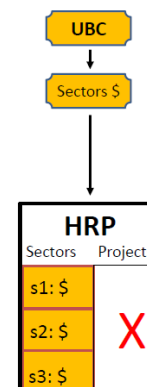
- The breakdown of action and financial requirements per organization is provisional, as explained in I.A;
- All projects must be registered and vetted prior to the HRP release: this is a heavy process, and it can only start when the HRP strategy is ready;
- The calculated requirements may reflect the «offer» (the action planned by organizations), rather than the actual HRP and sector strategies;
- Risk of gaps: an action that would be not included in any project, would not be counted in the sector financial requirements. To avoid that, a sector coordinator needs to ensure that all actions planned by the sector falls under one of the selected projects;
- Any change of a project financial requirement means a change of the sector and total HRP requirements, and this cannot happen too many times in a year. Therefore, it is impossible to have a dynamic process of continuous project registration, update, and vetting. Instead, the revision of projects should happen at given moments: all changes are made and vetted between a start date and an end date, followed by publication, and changes in the financial requirements. This concentration of all changes at one moment makes less of a real-time image of field evolving reality. When no such revision is organized at all, the project database is a mere static image of “*intentions at the early stage*”.

V.B: Approach B

(sometimes called “alternative”, “unit-based”, “project less”)

Explanation:

- OCHA and sectors calculate financial requirements along the unit-based costing method (see II.B), and these are published (GHO, HRP, FTS, INSIGHT);
- OCHA and sectors do not ask humanitarian actors to register the projects they intend to develop;
- During the year, there may be a revision of the requirements, still based on unit costing.



Note: it is wrong to say “with this approach, there are no projects.” As soon as there is humanitarian action, there are projects! The right line is: “with this approach, the projects are not registered”.

Advantages:

- Not registering projects makes less work for everyone (*however, see the note below*).
- The unit-based costing takes less time than the project registration and vetting. This is convenient, when preparing the country data for a Flash Appeal, or for an HRP when time is limited;
- The calculated costs really reflect the strategy and objectives outlined in the plan, rather than the “offer” from humanitarian actors;
- There is no risk of gaps in requirements (= action planned but not counted in the requirements);
- Financial contributions can be presented and tracked per sector, but also per organization in each sector, if FTS receives a list of organizations by sector;

Issues:

- No quality oversight: in the absence of a project registration and validation process, any actor may present its projects to donors claiming “*I am part of the HRP*”. The coordination structure does not help donors to check on that;
- Financial requirements can be broken down per sector, or possibly per population group, geographical area, or type of needs, but not per organization, nor per projects, which some decision-makers like to see. (*However, see remark in I.A.*);
- Financial contributions can be tracked against the HRP requirements, but not against projects requirements, since these are not registered;
- No visibility is offered for humanitarian actors in the presentation of the financial requirements. (*However, this can be compensated by naming participating organizations in the HRP*);
- Each sector must apply unit costing methods, specific to its domain. These are not always available.
- **Either there is no system to follow field action: humanitarian actors have an incomplete picture of and are seriously limited in their efforts to conduct operational coordination of planned and on-going field operations, response capacity, 4W, activities, output results monitoring, gender & age marker, localization, project fundings, etc;**
- **Or there are country-specific, non-standard data systems to address these issues. This takes time and resources, and the specific systems are not connected to the standard tools, as explained in section I.C.**

Important note:

It is sometimes said that “*this approach is less time consuming*”. This is both true and false.

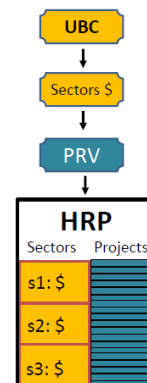
- If you look only at the costing work: it is true that estimating financial requirements for the proposed action with unit-based costing takes less time than with project-based costing (especially after the first year);
- If you look at the whole HPC coordination work: in light of the explanation in bold above, a country coordination structure will either “save time and accept limitations pertaining to operational field coordination”, or “build its own field data system, but save no time”.

V.C: Approach C

(sometimes called “mixed”, “delayed project planning”, “hybrid approach”)

Explanation:

- OCHA and sectors calculate financial requirements along the unit-based costing method (see II.B), and this first presentation is published (GHO, HRP, FTS, INSIGHT);
- They then organize project registration with exclusive vetting (see I.A);
- At the end of that process, the project-based requirements (see II.A) of all sectors match the sector requirements, if necessary by modifying the initial sector requirements;
- The projects and revised requirements are then published in a second presentation (in INSIGHT, in FTS, in GHO monthly, and possibly in a revised HRP);
- During the year, there may be a revision of projects, which then changes the financial requirements, as these always remain the sum of the vetted projects.



Advantages:

With the first presentation of the requirements (unit-based):

- The unit-based costing takes less time than the project registration and vetting. This is convenient, when preparing the country data for a Flash Appeal, or for an HRP when time is limited;

With the second presentation of the requirements (project-based):

- In volatile contexts where the parameters can differ per region and change in time, a sector coordinator may prefer to take the project costs, as calculated by the project owner active in each specific location.
- The vetting process ensures quality oversight. It allows (or obliges) the sector coordinator to know about all actors and projects, and ensures the validated projects are credible and aligned to the HRP strategy;
- The whole planned action can be displayed per sector / per organization / per project, which some decision-makers like to see;
- It can offer project visibility and support donor decision-making, as donors can see the projects and decide who to fund;
- Financial requirements can be displayed, and contributions can be tracked per sector, per organization and per projects;
- Humanitarian coordination is facilitated by the fact that projects are registered (see I.A);
- The registration of projects offers a basis for response monitoring. This is preferable to any separate 3W/output monitoring system, as it permits to link the output results to the HRP framework and to the financial data.

Issues:

- Running two costing processes makes more work than the other approaches: it requires first a process to establish the units and based on this the cluster envelope, and then a second process to re-establish the cluster envelopes by summing projects;
- The sector and total requirements might be modified, from the 1st presentation, to the 2nd;

With the first presentation of the requirements (unit-based):

- Financial requirements are not presented per organization, nor per projects which some decision-makers like to see. (However, such a breakdown per organization would be provisional, see I.A.);
- No visibility is offered for humanitarian actors in the presentation of the financial requirements (but this can be compensated in other parts of the HRP document);
- Each sector must apply specific unit costing methods, to its domain. These are not always available.

With the second presentation of the requirements (project-based):

- The breakdown of action and financial requirements per organization is provisional, as explained in I.A;

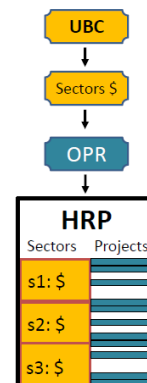
- The calculated requirements may reflect the «offer» (the action planned by organizations), rather than the actual HRP and sector strategies;
- Risk of gaps: an action that would be not included in any project, would not be counted in the sector financial requirements. To avoid that, a sector coordinator needs to ensure that all actions planned by the sector falls under one of the selected projects;
- Phase 2 should be concluded rapidly after the first presentation. If it takes too long, 1) the FTS attaches funding to sectors, and later on has to re-attach them to projects (more work), and 2) the process may never be concluded, and the second presentation never get published;
- Any change of a project financial requirement means a change of the sector and total HRP requirements, and this cannot happen too many times in a year. Therefore, it is impossible to have a dynamic process of continuous project registration, update, and vetting. Instead, the revision of projects should happen at given moments: all changes are made and vetted between a start date and an end date, followed by publication, and changes in the financial requirements. This concentration of all changes at one moment makes less of a real-time image of field evolving reality. When no such revision is organized at all, the project database is a mere static image of “*intentions at the early stage*”.

V.D: Approach D

(sometimes called “hybrid approach”, or “marketplace”)

Explanation:

- OCHA and sectors calculate financial requirements along the unit-based costing method (see II.B), and these are published (GHO, HRP, FTS, INSIGHT);
- They also run a continuously open project registration: projects may be added or changed at any time, with sector coordinators regularly doing inclusive validation (see I.B);
- The sum of the projects requirements does NOT match the sector requirements. Some projects may overlap and some projects may be missing;
- When a financial contribution is reported for a project that is not in the system: either the contribution will be recorded against the sector; or OCHA will liaise with the project owner and the cluster coordinator, to make sure the project is registered and validated, so that the funding may be attached to it;
- During the year, there may be a revision of the requirements, which will always remain based on unit costing.



Advantages:

- If all projects (HRP and non-HRP, planned and on-going) are continuously updated, humanitarian actors have a real-time image of the reality on the ground, instead of a provisional breakdown of action and requirement among actors (see I.A). This facilitates humanitarian coordination;
- The registration of projects offers a basis for response monitoring. This is preferable to any separate 3W/output monitoring system, as it permits to link the output results to the HRP framework and to the financial data;
- The validation process ensures quality oversight. It allows (or obliges) the sector coordinator to know about all actors and projects, and ensures the validated projects are credible and aligned to the HRP strategy;
- It can offer project visibility and support donor decision-making, as donors can see the projects and decide who to fund;
- The unit-based costing takes less time than the project registration and vetting. This is convenient, when preparing the country data for a Flash Appeal, or for an HRP when time is limited;
- The calculated costs really reflect the HRP and sectors strategy, rather than the “offer” from humanitarian actors;
- There is no risk of gaps (= action planned but not counted in the requirements);
- Financial contributions can be presented per sector, also per organizations within each sector (if the list is provided), and per project, for those projects that are registered.

Issues:

- The projects registered may be incomplete, and correspond to a part only of the actual action on the ground (some actors may not register their projects);
- Financial requirements are not presented per organization, nor per projects which some decision-makers like to see. (However, such a breakdown per organization would be provisional, see I.A.);
- No visibility is offered for humanitarian actors in the presentation of the financial requirements in the HRP (but this can be compensated in other parts of the HRP document, and with the online display of the validated projects);
- Each sector must apply specific unit costing methods, to its domain. These are not always available.

SUMMARY OVERVIEW: 4 APPROACHES To costing and project registration

	Process		Consequences (advantages are in green, and issues are in red)				
	Costing	Project Registration (1)	Costing process	operational coordination	Monitoring	Financial requirements:	Financial tracking per plan, sector, and:
Approach A:	1: project registration 2: exclusive vetting 3: project-based costing		* all done prior to HRP release	* vision on projects	sector and project level	* per sector, organization & project (2) * reflect « offer » rather than strategy * risk of gap	organization & project
Approach B:	unit-based costing	None	* quicker way to Flash Appeal * requires sound costing methods	* blind on field action ... * ... or countries develop non standard tools	sector, not project level	* per sector, (not organization & project) * reflect the HRP and sector strategy * no gaps	organization (not project)
Approach C:	1: unit-based 4: project-based	2: project reg. 3: exclusive vetting	* quicker way to Flash Appeal * heavier because double process	* vision on projects	sector and project level	* per sector, organization & project (2) * reflect « offer » rather than strategy * risk of gap	organization & project
Approach D:	unit-based costing	open project registration	* quicker way to Flash Appeal * requires sound costing methods	* vision on projects	sector and project level	* per sector (not organization & project) * reflect the HRP and sector strategy * no gaps	organization & project

(1) to be meaningful, any project registration system must be as complete as possible, and dynamically updated along the year, in order to reflect field reality.

(2) the “start of plan” breakdown per organization or project may please some decision-makers, but it is actually provisional .

Annex: Costing approach per HRP country (2020 and 2021 HRPs)

Afghanistan	B	B
Burkina Faso	D	D
Burundi	D	D
Cameroon	A	A
Central African Republic	B	B
Chad	A	A
Colombia	B	A
DPRK (Other)	B	
DRC	B	B
Ethiopia	B	B
Haiti	D	D
Iraq	B	B
Lebanon Flash Appeal	C	
Libya	A	A
Mali	A	A
Mozambique	C	A
Myanmar	B	B
Niger	A	A
Nigeria	A	A
oPt	A	A
Pakistan		A
Somalia	A	A
South Sudan	A	A
Sudan	A	C
Syria	A	A
Ukraine	A	A
Venezuela	A	A
Yemen	B	B
Zimbabwe	A	A

	A	B	C	D	#total counted
2020	14	9	2	3	28
	50%	32%	7%	11%	
2021	16	7	1	3	27
	59%	26%	4%	11%	