Humanitarian Response Plans Costing Methodology Consultancy Inception Report

Not Appropriate for Citation or Distribution

Job No. 20-OCHA-143231-C-GENEVA

V4 Submission Date: February 7, 2021

Submitted to: HPC Costing Focal Points Group

ACRONYMS

ACTED	Agence d'Aide à la Coopération Technique Et au Développement
CRS	Catholic Relief Services
ERC	Emergency Relief Coordinator
FAO	Food and Agriculture Organization of the United Nations
(G)CLA	(Global) Cluster Lead Agency
HC	Humanitarian Coordinator
HCT	Humanitarian Country Team
HPC	Humanitarian Program Cycle
HRP	Humanitarian Response Plans
IASC	Inter-Agency Standing Committee
ICCG	Inter-Cluster Coordination Group
INGO	International Non-Governmental Organization
IOM	International Organization for Migration
IRC	International Rescue Committee
MC	Mercy Corps
NNGO	National Non-Governmental Organization
NRC	Norwegian Refugee Council
STC	Save the Children
UN OCHA	United Nations Office for the Coordination of Humanitarian Affairs
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WASH	Water, Sanitation and Hygiene
WFP	World Food Programme
WHO	World Health Organization

DEFINITIONS

Activity: A sub-component of a project that contributes to a project objective. Activity typically refers to an award (such as a contract or cooperative agreement), or a component of a project (Walls, Tulloch, & Harris-Van Keuren, 2020)

Cluster/Sector: Clusters/Sectors are groups of humanitarian organizations, both UN and non-UN, in each of the main sectors of humanitarian action. They are designated by the Inter-Agency Standing Committee (IASC) and have clear responsibilities for coordination. There are 11 global clusters (i.e., camp coordination and camp management, early recovery, education, emergency telecommunications, food security, health, logistics, nutrition, protection, shelter, water, sanitation, and hygiene) (United Nations Office for the Coordination of Humanitarian Affairs, 2021).

Costing: Throughout this report, "costing" refers to monetary forecasting methodologies used by Humanitarian Country Teams for estimating the financial requirements of humanitarian response plans. The overall humanitarian response plan budget represents the financial amount estimated to be required to achieve the objectives of the plan. To be clear, costing, in this report, does not refer to methodologies such as cost-economy, cost-efficiency, and cost-effectiveness often used for concurrent or retrospective evaluation purposes.

Humanitarian Response Plan (HRP): The HRP is the strategic framework that guides an HC/HCT-led humanitarian response. It is consolidated by OCHA on behalf of the HC/HCT. An HRP outlines the coordinated response by humanitarian agencies to meet the prioritized needs of the affected population in a given territory/country over a defined period of time. The HRP budget represents the financial amount estimated to be required to achieve the objectives of the plan. HRPs are based on need and not on funding expectations, no HRP is funded in its entirety.

Hybrid Approach: Establishes financial requirements using unit-based costing and follows with detailed project planning at a later stage to provide more detail to the initial calculations[1]

> **Delayed Project Planning:** A hybrid approach, this costing method first establishes costs through a rough unit based costing, and at a later stage following up with a coordinated project planning process.[2] The 2017 HRP Costing Methodology Options Paper describes this method as useful for sudden-onset crises as in the first days of an emergency it is unreasonable to expect actors to spend time on registering projects, and vetting them. Once the project planning process

---

[1] *HRP Costing Methodology Options Paper, 2017. While a definition is provided here, it is being used as a starting point for understanding the broad conceptualization of the method. This definition should not be construed as a generally agreed upon understanding. An important part of this research is to obtain a better understanding of the variation among the hybrid methods being used to create HRPs.*

[2] *The assessment/planning/costing of the intervention is ongoing at agency/org level from the very start; what the HPC should be doing is promoting an alignment around common/agreed strategic objectives cutting across these individual/operational response plans. The HPC is not a primary project planning process, it is a secondary (at best parallel) project alignment process.*

is complete, the new project-based budget requirements replace the initial unit-based budget requirements. This process can be complemented by a revised appeal document (United Nations Inter-Agency Standing Committee, 2017)

> **Marketplace Approach:** In this HRP costing hybrid approach, the budget requirements are developed using a unit-based costing analysis. Once these have been established, agencies present projects through the OPS. Cluster coordinators vet projects for complementarity with the cluster strategy, but do not exclude/reject project submissions in case there are duplications between several projects. Projects are considered as plans, or expressions of interest at the stage of project submission, and the total budget requirements remain unit-based. The sum of the project requirements is irrelevant for the total budget requirement since there might be gaps and overlaps (e.g. two agencies can present similar projects for the same groups or locations, if they wish so). This approach allows for a more "open" competition among projects and shifts the responsibility of selecting projects from the clusters to the donors, and allows all interested partners to compete for funding on this marketplace. There is no fixed timeline for the uploading of projects, which gives more flexibility to partners and does not add to the heavy workload during HRP production (United Nations Inter-Agency Standing Committee, 2017)

Project: A set of defined activities, planned by a project owner (i.e. a humanitarian organization), to assist 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 establishes these parameters, with a narrative part, a budget breakdown, a timeline, and indicators with targets (United Nations Office for the Coordination of Humanitarian Affairs, December 2020).

Project-Based Costing: A method in which the financial requirements for each section of a given response plan (i.e. typically broken down by "sectors" that may/may not align to IASC "Clusters") correspond to the sum of all projects that have been vetted and cleared for inclusion in the respective sections of by the accountable, in-country focal points for each section (e.g. clusters, sectors, other designated technical leads, the ICCG, HCT, etcetera). Sometimes referred to as "traditional costing" (United Nations Office for the Coordination of Humanitarian Affairs, December 2020). Where present, Cluster Coordinators (or technical leads designated by the HCT) ensure costs are appropriate and are aligned with activities and outcomes (United Nations Inter-Agency Standing Committee, 2017).

Unit-Based Costing: A costing method in which the financial requirements of a sector correspond to the sum of the estimated costs of activities that would be required to deliver on the objectives of a sector plan (United Nations Office for the Coordination of Humanitarian Affairs, December 2020).[3] This method uses data about the average costs per sectoral intervention, per appropriate unit (i.e. person served, item delivered, etc.) based on analysis of similar projects in similar contexts as much as possible. This average unit cost can then be multiplied times the anticipated set target for each intervention area, to arrive at an estimate total. The process links the key humanitarian activities, with indicators and targets to the financial requirements of the humanitarian response plan, broken down by sector. Sometimes referred to

---

[3] *Unit-based costing entails establishing generic/abstract units per sector, and estimating their approximate cost. It does not provide a means to actually cost all activities in a sector response plan. However, it does provide a means to estimate the total cost of the activities that would be required to meet an overall target (in practice the plan may target less than the full needs).*

as "unit costing", "alternative costing", "cluster costing", "activity-based costing", "project less costing" and "ABC" and "UBC". The IASC-agreed term is unit-based costing (United Nations Inter-Agency Standing Committee, 2017).

Unit-Cost Driver: In the HRP budget, the unit cost which best explains the activity, service or outcome. The overall cost would then be established as unit cost 'driver' multiplied by the number of units provided, set against the cost per unit across the HRP response (United Nations Inter-Agency Standing Committee, 2017). For instance, the unit cost driver of an NFLC program might be a classroom since most of the costs scale based on the number of classrooms and teachers supported, rather than the number of students who pass through that classroom.

INTRODUCTION

This inception report pertains to the Humanitarian Response Plans (HRPs) costing methodologies consultancy (20-OCHA-143231-C-GENEVA). The purpose of this report is to document the consultancy objectives and the tasks required to achieve those objectives. The intended use of this report is to allow stakeholders to provide feedback on each section, obtain consensus, and then, once finalized, serve as a general roadmap for the duration of the consultancy. Also included in this report is a description of the consultancy deliverables and an estimated timeline to completion.[4]

RESEARCH OBJECTIVES

In 2017, the Inter-Agency Standing Committee (IASC) Principals agreed that Humanitarian Country Teams (HCTs) could opt to employ either a project-based or unit-based costing methodology, or a hybrid of the two, for their HRPs. The overarching purpose of the consultancy is to take stock of which methodology have been used and are currently being used by HCTs, to identify the advantages and disadvantages of each based on the perspectives of concerned stakeholders, and to document the wider impact of using different costing methodologies from one country to another in terms of inter-agency humanitarian coordination, monitoring, and financial tracking. Based on current practices, the consultancy will identify success factors, problems and gaps in the application of costing approaches and suggest ways to overcome these problems. The consultancy will thus contribute to sound and transparent HRP monetary forecasting procedures, applicable to a variety of sectoral and intersectoral interventions in various contexts, which explain the financial ask of an HRP. With this overarching purpose in mind, this consultancy has five primary research objectives:

1. Understand the recent history of costing methodologies used in HRPs: The first objective is to understand the history of costing methodologies used by HCTs and, if applicable, those HCTs' logic for transitioning from one methodology to another. This may include anticipated outcomes when changing from one methodology to another methodology, issues encountered when changing methodologies, and the impact on field-level and local cluster-level monitoring and financial tracking. This objective is not intended to be an extensive historical review. Instead, it will focus on the recent history of approximately 2010 forward.

2. Document the motivations, and advantages and disadvantages of each costing methodology as experienced by humanitarian organizations: The second objective is to document the motivations for using a selected costing methodology and the decision-making process that led to the selection of this method. For example, how the decision was made, when, by whom, and was it documented? The advantages and disadvantages of the methodologies may relate to established accounting systems, data collection tools, the usability of the figures in terms of accuracy and clarity of the budget, internal organizational capacity, and time burdens. Also included in this objective are the multiple and varied costing requirements placed on organizations by donors and the impact of those requirements.

---

[4] *This consultancy is "phase one" of potentially two phases. This document describes phase one. Phase two is dependent upon the outcomes and recommendations of phase one.*

3. Define and identify variations within the implementation of the three costing methodologies: While an HCT may state that it uses a specific costing methodology (i.e., project-based, unit-based, or hybrid) there may be methodological variations with the organizations that contribute to the HRP. For example, the HRP may use unit-based costing. However, the data and processes used for unit-based costing may be different within and across the participating organizations of the HRP, and across different HRPs that also use unit-based costing. This can potentially affect the comparability of HRPs that use the same costing methodology.

4. Understand the linkages and disconnects between an HRP costing methodology and the participating organizations' internal budgeting process: Presently, it is unclear how organization-level budgeting and the HRP costing methodologies intersect. For example, if an HRP uses unit-based costing, how are those unit costs derived, documented and shared? Also, are the unit prices applied in the HRP-level estimates consistent with the actual unit prices that agencies incur to deliver services? Conversely, if an HRP uses project-based costing, how do the organizations establish their budget that contribute to the financial figure of the sector/cluster and the entire HRP? Similarly, how do HRPs that use a hybrid approach method align with those organizations' budgeting processes? Therefore, the fourth objective is to understand the linkages and disconnects between HRP costing methods and the internal budgeting processes of the organizations that contributed to an HRP.

5. Understand the implications of varied costing methodologies across the wider inter-agency humanitarian coordination efforts: The final objective is to better understand the broader implications of the differences in costing methodologies as they apply to providing a coordinated humanitarian effort, including response and financial monitoring.

The result of this consultancy is not to identify which costing methodology is "best." Instead, it is to understand what is being used and why, and the implications within and across the humanitarian partners, global and local clusters, and the wider humanitarian efforts. This understanding will allow for informed decision-making by the IASC about how to resolve some of the challenges faced by the current state of HRP costing.

METHODOLOGY

There are eight methodological steps and four deliverables for this consultancy. Each is described below.

1. **Conduct Desk Review**

The first step is to conduct a desk review in consultation with headquarter (HQ) interlocutors. The relevant documents are provided by OCHA and the IASC partners. The documents include background materials on humanitarian affairs and coordination, country-level HRPs, costing studies undertaken by consultants, IASC documents, emergency response evaluations, cluster-level documents, organization-level documents, HPC costing meeting notes, and written inputs of partners prepared specifically for the purpose of this consultancy. Each document will be reviewed, and dialogue and exchanges with HQ interlocutors will be noted. In the course of this consultancy, HQ interlocutors will be interviewed twice.

The first time will take place during this desk review to help inform the data collection tool, and the second time will take place after the data collection tool is completed. This will be discussed more below. The purpose of this desk review is to understand the context and variation in costing that currently exists.

2. Determine Stakeholders, Data Collection Sequencing, and Data Collection Method

The second step is to determine from whom the data will be collected, in what order those individuals will be queried, and how the data will be gathered from those individuals. Below is a drafted list of stakeholders. This list is subject to change as individual stakeholders are identified.

- All Global Cluster Coordinators: These represent all 11 clusters.

- Organization representatives at HQ: These interviewees at Headquarters represent INGOs and UN agencies within the top HRP recipients between 2016 and 2020.

- Field Office representatives: Interviewees from a selected number of countries. The countries proposed represent different costing methodologies, have recently changed their costing methodology in their HRPs or are new to the HRP. These include:
    o HPC stakeholders;
    o HC, OCHA, ICCG, Cluster Coordinators; plus
    o 8 Countries from each country and cluster-
        ▪ Top 3 UN/middle 3 UN/bottom 3 UN (9 in total) HRP 2020 funding recipients per FTS data;
        ▪ Top 3 NNGO/middle 3 NNGO/bottom 3 NNGO (9 in total) HRP 2020 Funding recipients per FTS data; and
        ▪ Top 3 INGO/middle 3 INGO/bottom 3 INGO (9 in total) HRP 2020 Funding recipients per FTS data.

- Representatives of organizations working on disability in humanitarian action: These organizations might encounter unique challenges or opportunities for each of the different costing approaches.

- Donor representatives: These represent top donors between 2016 and 2020 to the HRPs, plus those interested (Switzerland, Luxembourg, Belgium, and Sweden).

Table 1 depicts the list of stakeholders, sequence, and proposed data collection method for each. It is understood that some flexibility will be needed based on the availability of interlocutors.

Table 1. Draft List of Stakeholders by Cluster, Country, or Organization and Data Collection Method

1. Global Clusters *Interviews*	2. HQ Organizations *Interviews*	3. Field Offices			4. Disability in Humanitarian Action *Group Interview*	5. Donors *Interviews*
		3a. HPC Stakeholders *Survey to HPC stakeholders in country plus interviews (3b)*	3b. HC, OCHA, ICCG, Cluster Coordinators *Interviews*	3c. Categories of Organizations (UN, INGO, NNGO) per Cluster *Interviews*		
Camp Coordination and Camp Management	ACTED	Afghanistan	TBD	TBD	TBD	European Commission (European Union)
Early Recovery	CRS	Burundi				USAID (United States)
Education	DRC	DRC				Auswaertiges Amt (Germany)
Early Telecommunications	FAO	Iraq				FCDO (United Kingdom)
Food Security	IOM	Somalia				EDA (Switzerland)
Health	IRC	South Sudan				Federal Public Service Foreign Affairs (Belgium)
Logistics	MC	Sudan				Ministere des Affaires etrangeres et europeennes (Luxembourg)
Nutrition	NRC	Zimbabwe				SIDA (Sweden)
Protection	OCHA					
Shelter	STC					
WASH	UNHCR					
	UNICEF					
	WHO					
	WFP					

3. Develop Research Questions and Data Collection Tools (Deliverable)

In order to ensure that the data collected correspond to the objectives of this research, overarching research questions related to the wider study and specific research questions for each group of stakeholders will be created. These research questions will guide what data will be collected from each group of stakeholders and ensure that the correct data are collected from the most appropriate people.

It is estimated that this consultancy will rely on mixed methods with data being gathered through interviews, group interviews, and surveys. To ensure data consistency, data collection tools will be created for each approach. The interview and group interview protocol will allow for a guided, but more fluid conversation, and surveys will be designed to capture very specific information from specific stakeholders. Below is a beginning outline of the data that will be collected through interviews, group interviews, and surveys. Upon approval of this Inception Report, the overarching research questions and stakeholder specific research questions will be drafted and the appropriate content for each stakeholder and data collection method will be created. The research questions will not be noted on each data collection tools. Instead, there will be an "internal" copy which will include the research questions and an "external" copy which will be used for data collection. For example, the survey distributed to individuals will not have the research questions listed.

1. Introduction
   a. Name
   b. Organization
   c. Role in HRP costing process

2. Current and Past Costing Methodological Approaches Used for HRP Estimations
   a. Current approach
      i. Years of use
      ii. Perceived strengths and weaknesses of the current methodology
         1. Links and disconnects to internal budgeting processes
         2. Links and disconnects to monitoring and financial tracking
         3. Organizational capacity
   b. Historical methodological approaches
      i. Decision making- how did an HCT decide which methodology to use? Who was involved in the decision-making process? How was the decision documented?
      ii. Motivation-perceived versus actual advantages and disadvantages
      iii. Context-specific factors
      iv. Issues encountered when transitioning from one costing methodology to another methodology
3. Methods Tracker
   a. Step-by-step process for current methodology (e.g., step 1 of unit-based costing is "describe cost driver" how were those cost drivers identified? (United Nations Inter-Agency Standing Committee, 2017)
   b. Sources of unit data
   c. Individuals involved
   d. Internal and external systems utilized

4. Costing Methodological Support and Guidance
    a. Type of guidance requested and received and from whom (e.g., on data collection, establishing unit costs, etc.)
    b. Method of receiving guidance and timeliness
    c. Available tools and guidance documentation
        i. Level of helpfulness of the existing tools and guidance documentation
        ii. Guidance or tools that are missing and if provided could be helpful.

5. Transparency
    a. Methodological transparency
        i. Existing efforts
        ii. Perceived transparency efforts of other organizations, clusters, etc.
        iii. Suggestions
        iv. Thoughts and concerns

6. Wider Coordination Efforts on Costing
    a. Coordination (at OCHA level)
    b. Cluster coordination
    c. Broader monitoring and financial tracking
    d. Providing a coordinated humanitarian effort

7. Suggestions
    a. How could your current costing practice be strengthened (e.g., in terms of models and guidance)?
    b. What is missing in your current costing approach that if included would help it "work better"?
    c. What hurdles, if removed, could help progress costing efforts?
8. Final Thoughts

4. Collect Data (Deliverable)

Once the research questions and data collection tools are finalized, data collection will begin. A "Data Collection Checklist" will be created to track all data collection actions. For example, for individuals who are due to be interviewed, the Data Collection Tracker will document the individuals name, organization, stakeholder group, number of times interviewed, and the date of each interview. The checklist will also document upcoming interviews and group interviews, and the estimated dates for those interactions. Furthermore, the Data Collection Checklist will track when surveys are received and from whom. For increased transparency, this checklist can be made available to the HPC Costing Focal Points Group for ease in following the progress of the consultancy and to assess if additional individuals should be added or replaced given restrictions in schedules and the timing of the consultancy.

For interviews, it is estimated that each interview should take on average one hour and group interviews will last approximately 90 minutes. The notes and transcripts will be submitted as a deliverable for this

consultancy. In some instances, interviewees may need to be assured of the confidential nature of their responses to encourage honesty. If necessary, these responses will be noted as "anonymous" in the report.

In order to capture the highest quality data, multiple interviews with individuals may be necessary. This will allow those individuals who have multiple roles in the HPC to speak from their different perspectives. For example, individuals in the ICCG may also be cluster coordinators. Additionally, due to the distribution of responsibilities (e.g., budget and finance), a single person, unit, or department may not be solely responsible for those duties.

Follow-up questions, if needed, will be conducted by email or phone call. As with all interviews, group interviews, and the return of surveys, these follow-up interactions will be documented on the Data Collection Checklist.

5. Data Analysis

SALT will use a mixed-method strategy to evaluate data gathered in this research. Interviews and group interviewed will be analyzed using grounded theory (Glaser & Strauss, 1967). The grounded theory approach requires that researchers analyze qualitative data and connect themes to concepts and categories. Survey data will be analyzed with grounded theory and simple statistical techniques. Given the small number of surveys expected, there is little requirement to use more complicated methods of statistical analysis for comparing within and beyond groups.

The data analysis will correspond to the research questions previously determined. However, flexibility will be needed for responses that were not anticipated and these important data will be documented and reported as well.

6. Write Report (Deliverable)

The primary deliverable for this consultancy is a report detailing the findings based upon the research questions and discoveries and providing recommendations. A draft of this report will be provided to the HPC Steering Group for comments and feedback. Adjustments will be made and the final version will be submitted. The report will not exceed 20 pages and will be submitted in English. The objective is to keep the report brief and reader friendly. However, more detailed information will be housed in annexes and appendices.

7. Present Findings (Deliverable)

The results of the report will be presented to the HPC Steering Group as a report and in a PowerPoint format. The presentation will be designed for the HPC Steering Group to be used for their own future internal presentations. The presentation is estimated to take 60-90 minutes and serve as the concluding task to this consultancy. The presentation will be in English.

8. Ongoing Communication

Throughout this consultancy, at least one phone call per month will be scheduled to appraise the HPC Costing Focal Points Group (who will update the HPC Steering Group) on progress and discuss any

challenges that may arise. Additional phone calls can be scheduled as needed and emails are always available.

TIMELINE

Given the outcome of this consultancy is not predisposed, and the report will not be available before April 2021, it is expected that if changes are suggested and agreed upon by OCHA and the IASC partners, the changes will not be relevant until the 2022 HRP cycle. This will allow time for adjustments to the existing costing processes and procedures, and organizational capacity building if needed. The overall timeline for this consultancy depends on the number of interviews and survey, the availability of stakeholders, turnaround time of survey responses, and the overall response rate of survey participants.

REFERENCES

Glaser, B., & Strauss, A. (1967). *The Discovery of Grounded Theory: Strategies for Qualitative Research.* Chicago: Aldine Publishing Company.

United Nations Inter-Agency Standing Committee. (2017). *HRP Costing Methodology Options.* Geneva: United Nations Inter-Agency Standing Committee.

United Nations Office for the Coordination of Humanitarian Affairs. (2021, February 3). *What is the Cluster Approach?* Retrieved from OCHA Services Humanitarian Response: https://www.humanitarianresponse.info/en/coordination/clusters/what-cluster-approach

United Nations Office for the Coordination of International Affairs. (ND). *OCHA Services Frequently Asked Questions.* Retrieved from Humanitarian Response: https://www.humanitarianresponse.info/en/coordination/clusters/frequently-asked-questions

Walls, E., Tulloch, C., & Harris-Van Keuren, C. (2020). *Cost Analysis Guidance for USAID-Funded Education Activities.* Office of Education, Bureau for Economic Growth, Education, and Environment (E3). Washington: USAID. Retrieved from https://www.edu-links.org/sites/default/files/media/file/USAID%20Cost%20Analysis%20Guidance_Final%20Feb20_0.pdf