



UNIT-BASED COSTING METHODOLOGIES FOR HRPS AND PROTECTION CLUSTERS



This paper aims to stimulate thinking and initiate a discussion on unit-based costing methodologies for Protection Cluster Humanitarian Response Plans (HRPs). The intended audience for this paper at this stage is the Global Protection Cluster Coordination Team and Protection Cluster Coordination Teams at country level.

Input and comments are explicitly sought to enhance the technical understanding of unit-based costing of HRPs for protection, as well as the implications for coordination and protection action in humanitarian crises.

The contents and proposals contained in this paper are based on a desk-review of existing literature, (best-)practices collected through interviews with Protection Cluster Coordination Teams and staff, and practical experience of the author.

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INTRODUCTION

The humanitarian coordination architecture at country level aims to ensure humanitarian responses in highly complex natural and man-made disaster contexts are as efficient and effective as possible. A key element in achieving this aim is the strategic response planning process within the framework of the OCHA facilitated Humanitarian Programme Cycle (HPC), a core element of which is the HRP. In recent years the IASC Principals have initiated a discussion on improving the HPC, especially the HRP.¹

Part of this HPC improvement process focuses on the manner in which HRPs are costed in order to increase transparency, credibility, and accuracy – ultimately to better address the needs of affected populations. Through a consultative process OCHA has developed a ‘living’² guidance/tip-sheet laying out proposed methodologies for costing of HRPs. The guidance/tip-sheet has moved forward the ongoing discussion by proposing three methodologies for consideration.

One of the proposed methodologies is unit-based costing – currently already in use in a limited number of crises.³ At this stage it is not expected that unit-based costing will be the proscribed costing method for all HRPs worldwide. However, adoption of the methodology and ongoing discussions on the topic at country level has resulted in requests to the GPC for guidance for Protection Clusters.

This paper aims to stimulate thinking and initiate a discussion on unit-based costing methodologies for Protection Cluster HRPs. It also aims to be of practical use for country level Protection Clusters in two ways. First, the paper offers an overview of pros and cons of the methodology for the protection sector and Protection Cluster HRPs, aiming to assist Protection Clusters in deciding at Humanitarian Country Team and Inter-Cluster Coordination Group level whether to advocate for and/or adopt the approach. Secondly, the paper – drawing on a review of existing documentation and key informant interviews – discusses differing approaches to determining unit costs and offers guidance on the practicalities of applying the methodology.

Section 1 provides a brief overview of the HNO/HRP development process to provide a framework for the subsequent sections.

Section 2 lists benefits of the unit-based costing methodology and requirements for the Protection Cluster to successfully adopt and implement the approach. The section also lists risks of adopting the approach and provides potential mitigation measures.

Section 3 discusses the three identified approaches to establishing unit costs for protection activities and aims to provide practical guidance.

Section 4 provides a list of recommendations to enhance the work of Protection Clusters in relation to unit-based costing and associated processes.

¹ Five workstreams have been established by the IASC Principals with the intention of improving the process for the cycle of 2020. They are: Purpose of HRP – strategic planning tool and fundraising tool; Strengthening inter-sectoral needs and response analysis in the field; HRPs to be articulated around desired humanitarian outcomes; Establish collective monitoring and accountability framework; Capacity to implement the HPC. For more information see the GPC Briefing Note the HPC improvement process via:

<http://www.globalprotectioncluster.org/assets/files/improvement-of-the-humanitarian-program-cycle-hpc-briefing-note.pdf>

² OCHA, HRP Costing Methodology Options guidance/tip-sheet (2018). Via: https://www.humanitarianresponse.info/sites/www.humanitarianresponse.info/files/documents/files/hrp_costing_methodology_options.pdf. This paper is to be amended when further best practices become available.

³ The 2017 HRPs where unit-based costing was used are: Afghanistan, Burundi, CAR, DRC, Ethiopia, and Yemen.

Note on HRPs and unit-based costing

The HRP serves three purposes. First, and primarily, based on an analysis of needs in the Humanitarian Needs Overview (HNO) HRPs aim to define the strategy and operational approach of the broader humanitarian community in a crisis. HRPs are intended to both direct and align the (ongoing) humanitarian response, including by influencing inter-agency and organisational planning, to achieve collective results and protection outcomes for affected people.⁴

Secondly, HRPs establish target output figures of the response and related financial requirements to implement the interventions deemed necessary to achieve the established objectives. By providing a budget for the planned interventions the HRP also serves as a resource mobilisation tool.

Finally, HRPs and their accompanying Results Monitoring Frameworks (RMFs), aim to make the work of decisionmakers within and out of country easier and more effective while also enhancing transparency and accountability and thereby serve as a strategic management tool for the broader humanitarian response. Throughout the year, HRPs influence a number of processes related to coordination and strategic decision making such as response gap and duplication identification (at strategic level), resource allocation through Country-Based Pooled Funds (CBPFs), the design of flash appeals, etc.

Unit-based costing aims to further contribute in fulfilling these three purposes. Compared with the traditional approach to the costing of HRPs (based on a sum of the budgets of projects approved by respective clusters) the unit-based costing approach offers a better set of tools to assist decision makers in a humanitarian response. Unit based costing relies on identifying a unit cost reflecting a service delivered or other activity at a certain cost. The overall budget of the HRP would then be

established by multiplying by the number of units planned to be provided with the cost per unit across the response. This aims to result in the HRP being more needs driven and systematic in its planning process, in addition to enhancing transparency, flexibility, accuracy, and – ultimately – credibility of the HRP.

Note on protection and specialised protection activities and unit-based costing

The IASC Policy on Protection in Humanitarian Action distinguishes between the aim of the humanitarian community to work towards protection outcomes for affected people, to mainstream protection into humanitarian action, and to implement specialised protection activities. Out of these

⁴ A tension exists between directing a response and aligning existing activities of humanitarian organisations. Directing implies an ‘authoritative’ approach where strategic leadership – the HCT, ICCG, or clusters in this case – determines priorities and organisations design and target their interventions accordingly. In contrast, aligning a response takes into account ongoing activities and aims to find ways of ensuring these ‘building blocks’ are incorporated in a response plan that addresses identified needs in the most complementary way possible. This tension will continue to exist due to the respect for diversity within the humanitarian system as well as the way donors decide on allocating funding. This paper accepts this tension, but proposes a process for developing an HRP based on a detailed collective protection risk analysis which aims to ensure a context specific response guided by the intention to collectively achieve protection outcomes for affected people (see section 1). For an extensive discussion on this topic, see: Paul Knox Clarke and Leah Campbell on behalf of ALNAP, Exploring Coordination in Humanitarian Clusters (2015), p 16-35.

three distinct areas of action, this paper is primarily concerned with these specialised protection activities as they are the main focus of Protection Cluster budgets in HRPs and thus unit-based costing

An indexing of 18 Protection Cluster HRPs for 2018 illustrated that most Protection Cluster response plans have a strong focus on specialised protection activities. Out of 63 cluster specific objectives/outcomes, 43 objectives have a strong focus on specialised service delivery. In contrast, 25 objectives/outcomes focus on monitoring, advocacy, policy development, and capacity building (some objectives contain both the former and the latter). Furthermore, out of 283 indicators used, 127 specifically focus on service delivery and/or material assistance and 70 focus on awareness raising and training activities (70% of all indicators).⁵

For the protection sector and Protection Clusters adopting unit-based costing methodology offers a number of opportunities which are related to the aims of the methodology. The 2013 GPC commissioned independent study on protection funding in complex emergencies recommended *inter alia* to enhance funding for the sector chance to move forward – at project / specialised protection activity level – with a process of adopting a ‘simpler, clearer conceptual framework for protection’ and in ‘efforts [that] could be made to better plan, manage and report on protection results.’⁶ In short, unit-based costing could potentially contribute to further professionalisation of planning processes and coordination of protection activities, specifically specialised protection activities.

1. COORDINATION PROCESS RELATED TO HRP DEVELOPMENT

In order to position the discussion on methodologies for unit-based costing of Protection Cluster HRPs, this section provides a broad overview of the proposed HRP development approach and follows guidance offered in the IASC Policy on Protection in Humanitarian Action and other relevant documents/reports.⁷

When Protection Clusters develop a structured and context-specific HRP a number of workshops will have to be organised. These workshops are in line with the broader HPC and are relevant both when unit-based costing or another methodology is used. In order to ensure ownership and a comprehensive planning process, cluster-wide participation is required.

Key coordination actions for development of a Protection Cluster HRP are:

1. *Needs analysis workshops*: cluster partners, at sub-national and national levels, collectively analyse protection risks and needs, situations of vulnerability, as well as coping capacities of affected populations, based on available data, on contextual knowledge and understanding of practitioners, and where feasible engagement with affected people.
2. *Response development workshop*: cluster partners agree on appropriate responses to the identified protection risks and needs, taking coping capacities and voices of affected communities into account.

⁵ The 18 HRPs analysed are from the following crises: Afghanistan, Burundi, Cameroon, CAR, DRC, Ethiopia, Iraq, Libya, Mali, Niger, Nigeria, oPt, Somalia, South Sudan, Sudan, Syria, Ukraine, and Yemen. oPt is not included in the analysis of indicators as no HRP results monitoring framework was available.

⁶ Murray and Landry on behalf of the GPC, *Placing protection at the centre of humanitarian action: Study on Protection Funding in Complex Humanitarian Emergencies* (2013), p. 8.

⁷ See section 3 of the IASC Policy on Protection in Humanitarian Action (2016), p. 5-9. While the guidance in the Policy is describing a process at HCT level, the steps and principles are equally relevant for the development of a Protection Cluster HRP and both processes (and documents) would supplement each other. See also: ICRC Professional Standards for Protection Work (3rd edition, 2018), chapter 2, p. 37-54. Further, elements of the proposed process have been inspired by: https://drc.ngo/media/2113379/actionaid_safety-with-dignity.pdf.

3. *SAG and (technical) cluster meeting*: establish targets for each of the proposed interventions and an agreed-upon unit cost.
4. *SAG and cluster meeting*: prioritise these responses and develop/agree on the RMF.

It is important to note that the below approach depends on a number of factors: 1) information management capacity dedicated to the cluster (despite the fact that OCHA is developing a number of online tools to support clusters and HCTs in information management), 2) adequate protection related data collection – both on protection risks/violations and programming – and a willingness to share relevant information (in line with applicable principles), 3) clear communication to cluster partners on how the process enhances the overall humanitarian response as well as resource mobilisation to ensure commitment and participation, and 4) a timely start to the HPC process.

The proposed collaborative HRP development process is sometimes seen as a time-consuming distraction from actual response implementation and practical coordination activities; however, given the complexity of protection concerns/risks and the protection response, the large diversity of actors and perspectives, and the need for collective and complementary action to achieve protection outcomes the proposed process is seen as a critical coordination action that has an impact beyond the development of the HRP alone.⁸

The proposed process aims to align the understanding of the protection situation and required responses across protection cluster members, aims to generate ownership of the final HRP, enables identification of best practices in programming and areas of complementarity (or gaps in interventions), and provides staff of cluster partners with practical ‘building blocks’ for project design through collective brainstorming exercises. In this regard, as mentioned above, conducting the process in a joint and inclusive manner is as valuable – if not more valuable – than the outputs (especially for smaller organisations with limited technical capacity).

To support these benefits, it is important that clarity exists amongst cluster member organisations around the proposed process which can be achieved with clear communication on process and decision-making points, required inputs, and expected outputs and outcomes. As observed in a 2015 ALNAP study on humanitarian coordination: “When working with lots of different organisations that may not know one another well and have their own ways of doing things, establishing some common understanding about how information will be gathered/analysed/used and what the process is for making decisions goes a long way towards creating a successful Cluster.”⁹

The below table details the various steps in the HRP development process. In relation to unit-based costing, the development of activity categories is particularly important as the outputs/outcomes of these activity categories will be the units that will be costed to form the HRP budget. Proposed actions and outputs that are specifically related to unit-based costing are underlined for clarity.

HPC Phase	Protection Cluster Action	Output
Needs Assessment & Monitoring	<ul style="list-style-type: none"> • Ensure a desk-review of available information / a survey of the information landscape is conducted 	<ul style="list-style-type: none"> • Systematised data on protection violations, the protection situation, and

⁸ See for example: <https://odihpn.org/magazine/coordinated-needs-assessments-the-value-of-a-collaborative-process/>. See also: ICRC Professional Standards for Protection Work (3rd edition, 2018), chapter 5, p. 91-101.

⁹ This observation was deemed to be particularly relevant to information management and decision-making procedures. Knox Clarke and Campbell on behalf of ALNAP, Exploring coordination in humanitarian clusters (2015) p. 82. Via: <https://www.alnap.org/system/files/content/resource/files/main/update-exploring-coordination-in-humanitarian-clusters.pdf>



<p>(continuous, including analysis)</p>	<p>and informs information collection initiatives</p> <ul style="list-style-type: none"> • Across the cluster, collect data in harmonised manner (ie. using similar methodologies or indicators) to ensure comparability • Ensure integration of relevant and standardised indicators in multi-sectoral assessments • Expand evidence-base by involving (protection) actors from within and outside of the cluster in data collection, sharing, and analysis • Efforts should be made to include information from affected populations 	<p>copied capacities of affected communities, enabling consistent and continuous analysis</p>
<p>Analysis (large-scale prior to HNO development; throughout the HPC continuously)</p>	<ul style="list-style-type: none"> • Based on available data and discussions within the Protection Cluster, develop an overview of protection risks/violations for analysis at sub-national level • Organise protection risk-analysis workshops in sub-national clusters • Involve representatives of affected communities at suitable moments in the analysis • Compile information from the sub-national levels and complement and validate analyses at national level <u>including agreement on the cluster People in Need figure (including per specific risk where possible, evidence-based assumptions are often required)</u> 	<ul style="list-style-type: none"> • An overview of protection risks/violations, prioritised by prevalence, scale, and severity and supplemented by a vulnerability and coping capacity analysis – separated by AoR • A qualitative analysis of the protection situation supplemented by quantitative information • Cluster HNO submission including <u>People in Need figure</u>
<p>Strategic Planning & Resource Mobilisation</p>	<ul style="list-style-type: none"> • Organise protection response-design workshops within the AoRs resulting in an agreed-upon overview of responses to identified protection risks within respective areas of expertise • Work within the SAG to establish cluster objectives and prioritise and condense the matrix of activities into <u>top-line activity categories and related output and outcome indicators</u> – ideally based on the indicator registry – to be proposed to the broader cluster membership 	<ul style="list-style-type: none"> • A matrix detailing <i>inter alia</i> – in a contextualised manner – for each of the identified / analysed protection risks: <ul style="list-style-type: none"> ○ responsive action ○ remedial action ○ actions to enhance the protection environment / prevention ○ stakeholders to be targeted with advocacy / capacity building

	<ul style="list-style-type: none"> • Cluster member organisations develop and submit top-line project sheets for the upcoming year which include an indicative total of individuals targeted per activity • <u>Organise a workshop/meeting with cluster member organisations which gathers inputs from various organisations to establish an average cost across the cluster for each of the categorised activities’ outputs or outcomes (units) and agree on output and outcome indicators for the RMF</u> • Cluster member organisations commit to report to the cluster via indicators established by the cluster using the activity categories • Gathered information / input and consensus within the cluster informs the drafting of the Protection Cluster HRP chapter, number of people targeted, and related budget, as well as finalisation of the RMF • To provide for adequate elaboration on approaches and strategy, as well as to ensure sufficient visibility for the AoRs and member organisations, a Detailed Cluster Response Plan can be drafted 	<ul style="list-style-type: none"> ○ intended outcome for at risk and affected populations • Protection vision and desired outcomes for the cluster • <u>Top-line list of activity categories and related indicators</u> • HRP cluster chapter including: <ul style="list-style-type: none"> ○ strategic approach and intended outcomes ○ cluster objectives ○ output and outcome indicators, <u>as well as units of measurement to enable unit-based costing</u> ○ <u>number of people targeted with respective activities and related cost</u> ○ RMF • <u>Documentation of the decisions and considerations which establish unit-costs</u> • Cluster specific index of planned / ongoing projects and programmes • Detailed Cluster Response Plan
<p>Implementation & Monitoring</p>	<ul style="list-style-type: none"> • The RMF informs the cluster 4W reporting mechanism design, using the established activity categories and indicators, allowing the coordination team to track progress / outputs per geographical unit, allowing for gap identification in the response when compared with available information on needs, as well as an immediate indication of costs to address the gap • Cluster members regularly share updates (potentially via the 4W) on funding status and levels, essential in the absence of accurate Financial Tracking System (FTS) records. • Initiate a process amongst cluster member organisations of sharing of protection information from project monitoring, complaints mechanisms, 	<ul style="list-style-type: none"> • Periodical monitoring reports • Funding overview for the cluster • Protection Cluster specific situation and implementation reports / gap analysis using quantitative and qualitative analysis

	and communication with communities initiatives to enhance outcome monitoring (qualitative and quantitative)	
Resource Mobilisation	<ul style="list-style-type: none"> • Dissemination of the Detailed Cluster Response Plan (with details of the unit-costs to enable engagement with donors) • In the course of the HPC, situation monitoring and gap analyses combined with unit costs can inform CBPF and Central Emergency Response Fund (CERF) allocations 	<ul style="list-style-type: none"> • Donor briefings (verbal and on paper) • Gap analyses based on monitoring of the situation and outputs reported by cluster members via the 4W and related budget (based on the unit costs) required to fill crucial gaps

Note on top-line activity categories

To successfully apply the unit-based costing methodology in the response planning process clusters are required to determine a set number of standardised intervention types, ensuring that the planning process builds on a manageable number of elements while leaving space for differences in approaches within these intervention types. This paper adopts the term activity categories for this classification of interventions.

In the above described process of developing a protection response based on identified risks/violations Protection Cluster partners should have developed a detailed and contextualised overview of proposed responses. Frequently, due to the diversity and highly articulated nature of protection response activities, the number of proposed (or ongoing) interventions is too detailed for HRP development purposes since the resulting data and set of activities would be too complex and detailed to be usable. However, many of the proposed interventions will have characteristics in common and can be grouped together in activity categories. Due to the format of RMFs activity categories will also be linked to cluster HRP objectives, aiding in the categorisation of proposed responses. The Minimum Standards for Child Protection in Humanitarian Action (CPMS) offer a useful example of categorising responses in the section on Standards to Develop Adequate Child Protection Strategies.¹⁰

Once determined, the activity categories will be used to set planning targets for the response, serve as output monitoring indicators, and for the basis for the units to be costed in order to establish an overall cost for the Protection Cluster HRP. Crucially, the activity categories also form the basis for response gap analyses and potentially CBPF allocations (or resource mobilisation in general) as well as steer and delineate the Protection Cluster response by establishing a list of activities that are cluster 'approved'. Moreover, besides a planning tool, the activity categories will also function as a

¹⁰ Child Protection responses are sorted in four different categories: Case Management, Community-Based Mechanisms, Child Friendly Spaces, and Protecting Excluded Children. (The CPMS are currently being updated, further refining and clarifying the categorisation.) The way in which the Standards are drafted explicitly leaves space for the different categories to be adapted to the country context (a toolkit on contextualising the Standards is available. The CPMS (2012) is available via: <https://reliefweb.int/sites/reliefweb.int/files/resources/Minimum-standards-for-child-protection-in-humanitarian-action.pdf>

communication tool explaining what the planned specialised protection activities aim to achieve and how (by detailing intended outcomes for the affected individual, family, community per category).

It is to be noted that multiple activity categories as established by the Protection Cluster SAG can make a single protection project and are often interdependent for the results of the project (for example, a GBV response project can entail both multi-sectoral support to GBV survivors and awareness raising to reduce stigma and enable increased access to the services).

2. BENEFITS AND RISKS OF UNIT-BASED COSTING FOR PROTECTION

In order to assist Protection Clusters in deciding whether to adopt unit-based costing this section provides an overview of potential positive effects and perceived risks for broader protection action in humanitarian responses as well as Protection Cluster HRP related to adopting an unit-based costing approach (and a top-line categorisation of standardised specialised protection activities which is a prerequisite for the approach). Concomitant requirements for the Protection Cluster, as well as risk mitigation measures are proposed. In each sub-section perceived benefits are listed first, identified risks follow.

2.1 BENEFITS AND RISKS OF UNIT-BASED COSTING FOR PROTECTION IN HUMANITARIAN ACTION

The below tables identify benefits and risks related to adoption of the unit-based costing methodology for protection as a sector and effectiveness of protection action.

Benefits and requirements

Benefits	Requirements
unit-based costing and a related (top-line) categorisation or typology of standardised protection interventions would further <u>contribute to defining an element of a “common understanding or agreed operational approach to protection”¹¹</u> and “a simple conceptual framework with a universal terminology” ¹² at country level. This could positively affect the framing and internal and external understanding of the sector (benefits in this regard have been witnessed with the CPMS), and would be a contribution to further ‘professionalisation’ of the sector.	<ul style="list-style-type: none"> • A Detailed Cluster Response Plan, supplemented by an HCT Protection Strategy and possibly a Protection Cluster Strategy, would result in improved understanding of what the Protection Cluster aims to achieve. • Defined activity categories based on context would need to clearly detail intended positive and contextualised outcomes for targeted populations, communities, and individuals.
Defining standardised activities within the protection sector would <u>streamline the identification of areas of intervention where complementarities and synergies with other sectors can be found.</u>	<ul style="list-style-type: none"> • Discussion in the response workshops to identify interventions in other sectors that have a positive impact on relevant protection risks. • Shared protection outcomes can be defined in the HRP or, more likely, in the HCT Protection Strategy.

¹¹ Niland, Polastro, Donini, and Lee, on behalf of the GPC and IASC, Independent Whole of System Review of Protection in the Context of Humanitarian Action (2015), p 25.

¹² Murray and Landry on behalf of the GPC, Placing protection at the centre of humanitarian action: Study on Protection Funding in Complex Humanitarian Emergencies (2013), p. 8.

<p>Similarly, a clear framework for protection activities would assist in <u>communicating to decision-makers at country-level what the protection sector sees as its sole responsibility for intervention and where the broader humanitarian system, via the Centrality of Protection commitment, has protection responsibilities.</u></p>	<ul style="list-style-type: none"> • A note for the HCT and ICCG highlighting boundaries of the protection response and identified areas where system-wide actions are identified. • HCT Protection Strategy based on a sound protection analysis.
<p>The process of developing standardised activities at country level has the potential to leading to <u>higher quality protection specific proposals through ‘on the job’ capacity building of protection/project staff and by offering clearer ‘building blocks’ for organisations.</u></p>	<ul style="list-style-type: none"> • Participation of relevant staff in the HRP development process. • This can be supplemented by a contextualised checklist for protection proposals.
<p>Agreeing and communicating on a standard set of specialised protection activities would <u>provide clear, sector-wide, support for and prioritisation of activities that protection actors see as essential (training/capacity building for example), but are on occasion deprioritised by donors.</u></p>	<ul style="list-style-type: none"> • Clear justification for prioritisation of activities and explanation of intended outcomes
<p>unit-based costing would <u>generate useful information on the operating environment</u> in a crisis over time as it would require the Protection Cluster and cluster member organisations to define <u>how and why costs for activities change</u> over time and in different geographies.</p>	<ul style="list-style-type: none"> • Consistent tracking and updating of unit costs over multiple iterations of the HPC supported by quality information and knowledge management.
<p>The process of establishing unit-costs within a protection cluster <u>enables and potentially strengthens a process of basic contextualised standard setting</u> (ie. what is the number and level of staff required for providing a service) – a basic cluster function, but within the diverse protection landscape highly complicated.</p>	<ul style="list-style-type: none"> • Strong engagement of programme or project-management staff in discussions. • Thorough documenting of decisions, suitable for external audiences.
<p>The process of establishing unit costs – in its most detailed form - requires agreement on internal cost drivers per unit. <u>Defining these cost drivers reduces possibilities for undesired competition across agencies</u> by having to explain to donors why larger amounts per person reached are planned or spent. For example, organisations might offer lunches to people attending awareness raising sessions – organisations potentially provide a more expensive lunch as incentive for people to attend, drawing away people from other organisations’ activities or leading to attendees complaining during those activities.</p>	<ul style="list-style-type: none"> • Detailed documentation and overview of cost drivers per unit / output in the HRP accessible by external audiences, especially donors.

<p>Standardisation of activities facilitates establishment of an ‘intervention-logic’ and <u>improved harmonised sector-wide monitoring (indicator registry)</u>, enhancing the results-based nature of the cluster’s strategic coordination and providing clear overviews of outputs and results, potentially leading to increased funding for the sector.¹³</p>	<ul style="list-style-type: none"> • A well-designed RMF, establishing clear outcomes at sector-level, where possible using the indicator registry. • Strong information management capacity. • Detailed reporting on outputs and outcomes, as well as changes in the situation by cluster member organisations.
<p>Unit-based costing could <u>facilitate sector-wide analysis of cost efficiency and, depending on the quality of data, cost effectiveness</u>. This, would enable the sector to clearly, albeit at high-level, show how inputs lead to results, again potentially also leading to increased funding for protection.¹⁴</p>	<ul style="list-style-type: none"> • Strong information management capacity to monitor implementation and funding levels. • Willingness to share funding levels by cluster member organisations.
<p>An appropriately designed HRP and related project sheets, as well as an inclusive and participatory process, using standardised activity categories assists – at strategic level – in achieving ICRC Professional Standards of Protection Work. Standard 3.6: “all protection actors must specify their roles, protection objectives, institutional priorities and means of action.”</p>	<ul style="list-style-type: none"> • Developing the HRP (and its RMF) in a consultative and inclusive manner. • Clear and sufficiently detailed project sheets submitted by cluster member organisations. • Regular reporting of cluster member organisations on status and results of projects.

Risks and potential mitigation measures

Risks	Risk mitigation
<p>unit-based costing potentially reinforces the risk of a <u>preoccupation with service delivery</u> within the protection sector, overlooking broader protection trends and risks, and ignoring deeper analysis. This concern was voiced in the Whole of System review where the authors acknowledge the need for such activities, but identify a problematic a focus on outputs alone.</p>	<ul style="list-style-type: none"> • Following proposed actions set out through the InterAction Results Based Protection initiative and a trend towards a more holistic analysis of the protection situation in a crisis, especially within the framework of HCT Protection Strategies.

¹³ “The perceived relationship between weak results reporting and underfunding seems consistent. The inability to report results annually is rated relatively high as a reason for underfunding in Fig 2.1, and both evidence as well as better results reporting are very highly-rated factors to increase funding to protection (Fig. 2.2), together suggesting that field actors widely recognise that results reporting is an area of weakness. This is confirmed by the survey response (Fig. 2.3) that only 23% of respondents report on results at the outcome-level (the level that donors are generally most interested in), and the view (Fig 2.4) of 64% of respondents that standardized indicators and monitoring is very important or important to obtaining better protection results. Donor and expert interviews corroborated the conclusion that the challenges of showing protection results are a significant limiting factor for funding.” Murray and Landry on behalf of the GPC, Placing protection at the centre of humanitarian action: Study on Protection Funding in Complex Humanitarian Emergencies (2013), p 35.

¹⁴ Murray and Landry on behalf of the GPC, Placing protection at the centre of humanitarian action: Study on Protection Funding in Complex Humanitarian Emergencies (2013), p 14. See also IRC’s cost analysis methodology:

<https://www.rescue.org/sites/default/files/document/963/guidancenote1-methology.pdf>

<p>Due to the fact the country protection response will have to be condensed in a set of standardised specific activities the risk of a <u>focus on predetermined responses</u> exists which could result in limited adaptation to changing contexts and/or emerging risk patterns.</p>	<ul style="list-style-type: none"> • Ensure activity categories are defined broadly enough in order to allow for flexibility and contextualisation in project and programme design of individual organisations. • This problem does exist already in the sense that coordinators monitor implementation using harmonised overarching indicators. • Engage in continuous protection analyses and qualitative monitoring of interventions, including at sub-national level, to allow for changes in approaches. • Communicate clearly to cluster member organisations, humanitarian leadership, and donors that interventions will be adjusted to changes in context and that the broader humanitarian system is crucial in achieving protection outcomes.
<p>Development of a <u>standardised framework for protection activities risks being inadequate due to the need for a strong and well-informed / evidence-based analysis</u> – capacity, resources, and data for which is often lacking.</p>	<ul style="list-style-type: none"> • Ensure protection information management systems and adequate staffing is in place to inform protection analyses.
<p>By establishing a standardised framework for activities, <u>the misperception could be created that by funding a certain type of activities, protection risks/violations can be comprehensively reduced</u>. However, in many instances this <u>may only be achieved by a variety of actors and sectors working in conjunction</u> towards a common desired protection outcome.</p>	<ul style="list-style-type: none"> • Ensure an HCT Protection Strategy is developed based on a comprehensive protection analysis, clearly outlining roles and responsibilities in line with the IASC Protection in Humanitarian Action Policy. • Identify clearly which protection outcomes are intended to be achieved through specialised protection activities, enabling identification of areas of humanitarian action where the broader humanitarian community contributes to achieving of collective protection outcomes. • Ensure consistent messaging and briefing to humanitarian leadership.
<p><u>Multi-layered, comprehensive</u> protection projects and <u>innovative methods could become less attractive</u> for organisations and donors due to a focus on implementing what the cluster has agreed to put forward as standardised activities to be planned and costed (due to a real or perceived focus).</p>	<ul style="list-style-type: none"> • Ensure regular monitoring and analysis of the protection situation inform stakeholders of the complexity of protection risks. • Communicate clearly that the categorisation should not restrict adoption of different approaches, but highlight to cluster member organisations that they would need to be ready to justify diverging from the standardised cluster framework.
<p>The possibilities for enhanced sector-wide monitoring <u>may lead to an over-emphasis on</u></p>	<ul style="list-style-type: none"> • Ensure adequate protection capacity, information management systems, and

<p><u>measurable indicators, while less easily captured and registered but meaningful outcomes are overlooked</u> and missed in analyses.</p>	<p>monitoring, evaluation, and analysis methodologies are in place to ensure positive and negative changes in context are registered.</p>
<p><u>unit-based costing might create the misguided impression that increased resources immediately lead to increased results.</u> Protection mostly depends on quality human resources which is often limited in availability and takes time to build up to sufficient capacity.</p>	<ul style="list-style-type: none"> • A realistic planning process, based on operational capacity would potentially temper expectations. • The need for qualified staff (<i>inter alia</i> Professional Standards for Protection Work), availability, and the time it takes to adequately train staff should be clearly communicated.

2.2 BENEFITS AND RISKS OF UNIT-BASED COSTING FOR PROTECTION CLUSTER COORDINATION AND HRPS

The below tables identify benefits and risks related to adoption of the unit-based costing methodology for country level Protection Cluster coordination and HRP development specifically. These are in addition to the benefits and risks identified in the above section.

Benefits and requirements

Benefits	Requirements
<p>Further <u>harmonise the work of the Protection Cluster and AoRs</u> by organising joint events and by participating in the same process, while also enabling clear identification of shared activities and ensuring complementarity or delineation.</p>	<ul style="list-style-type: none"> • Process is run in an inclusive and participatory manner. • Complementarities and shared activities are explicitly identified and arrangements are made to ensure monitoring results are comparable (through aligning indicators for example). Delineation of activities and reasons for separation should be clearly defined and communicated (through detailing why some similar looking activities are more expensive in costing for example).
<p>The process of HRP development and establishing unit-costs within the cluster <u>facilitates a coherent and joint up approach – including through developing a shared understanding of the broader protection situation – amongst cluster member organisations, contributing to the aim of achieving joint results.</u> In this regard, as mentioned above, the process is as valuable as the outputs by offering a form of on-the-job capacity building.</p>	<ul style="list-style-type: none"> • Process is run in an inclusive and participatory manner, both in relation to a joint analysis of the protection situation and the development of responses to identified concerns.
<p>The process results in a <u>strong strategic coordination and planning structure with various applicabilities throughout the HPC and in practical coordination work</u> (protection</p>	<ul style="list-style-type: none"> • Outputs of the proposed process(es) are collated and disseminated (for example in a Detailed Cluster Response Plan). This includes for example detailed definitions of

<p>analysis, 4W guided gap-identification, reporting) and a results-based RMF / logical framework for the Protection Cluster HRP chapter, building confidence in the Protection Cluster’s response.</p>	<p>proposed activities and intended outcomes.</p> <ul style="list-style-type: none"> • Information management capacity. • Adequate baseline and ‘realtime’ data on protection concerns and estimations of total people in need (a proxy often readily available is number of people displaced, however more specific data is required). • Tools for reporting and monitoring of activities are adjusted/developed and used by all cluster members.
<p>The process equips Protection Cluster coordinators with <u>response planning information that is readily applicable throughout the year</u>, this is especially relevant in relation to rapid response planning in-country sudden-onset emergencies. Adjustments in unit costs due to complex operating environment can be clearly communicated through for example the use of cost weightings (ie. due to logistical issues in the localised flood response the specialised protection activity is 1.2 times the original cost).</p>	<ul style="list-style-type: none"> • Agreement within the cluster on cost drivers and potential variations with related decisions well documented. • Information management capacity. • Adequate baseline and ‘realtime’ data on protection concerns and estimations of total people in need (a proxy often readily available is number of people displaced, however more specific data is required). • Tools for reporting and monitoring of activities are adjusted/developed and used by all cluster members.
<p>A <u>globally harmonised HRP and RMF approach results in stronger comparability and predictability</u> of the engagement of protection actors in a crisis, including by allowing organisations to adapt at global level in guidance to country operations.</p>	<ul style="list-style-type: none"> • Harmonisation of HRP formats at global level (driven by OCHA). • Alignment of planning methodologies, outputs, and especially indicators globally for Protection Clusters and commitments of protection focused organisations at GPC level. • Integration of these commitments in GPC member organisations internal guidance / operational procedures.
<p>A strong RMF, linked to unit-costs, <u>allows coordinators to communicate in an evidence-based manner to humanitarian leadership and donors on the HRP guided response</u>, especially to donors who are not adequately meeting funding requirement but expect protection outcomes and/or a large number of affected people to benefit (ie. link between input and output becomes clear, transparent, and agreed upon by the whole sector).</p>	<ul style="list-style-type: none"> • Clear communication on planned activities and related costs, especially also potential variations in cost for different caseloads/targeted areas (weighted), through a Detailed Cluster Response Plan.
<p>Greater <u>clarity in targeted population in relation to the budget request</u> can be achieved (ie. Protection Clusters routinely develop HRPs where large numbers of people are targeted for a relatively low cost due to the inclusion of Community Based Protection activities or monitoring targets, obscuring for example the</p>	<ul style="list-style-type: none"> • A note that accompanies the HRP or the Detailed Cluster Response Plan should include details of each activity category and unit cost (explaining clearly that awareness raising is cheap per beneficiary compared to case management).

<p>significant per case cost of legal assistance or case management activities).</p>	
<p>When using unit-based costing, where cluster partners develop <u>separate project sheets</u> (including to be used in resource mobilisation), it would be useful/important for organisations to <u>define if and why their unit-cost differs from cluster standard, including for geographical regions or caseloads for example</u>. This would contribute to two issues:</p> <ol style="list-style-type: none"> Increased transparency and accountability of cluster partners in project development. Alignment of cluster partners' project design with agreed upon cluster standards (minimum cluster function) since unit cost includes very basic (but insufficient on its own) standards for programming due to defining of cost drivers. 	<ul style="list-style-type: none"> Submission of accurate project sheets per organisation, including details on financial requirements, target population per activity category, and (potential) locations targeted. Organisations willing to provide details of internal financial planning process. Minimum standards (for purposes of HRP or drawing on cluster or internationally agreed minimum standards – for example the CPMS).

Risks and potential mitigation measures

Risks	Risk mitigation
<p>The process of establishing a unit cost and accurate HRP is <u>time and resource intensive</u>, requiring multiple meetings/workshops and ideally involving multiple staff per organisation (including programme management staff). This is problematic in an environment where the process-burden of coordination is already frequently lamented and where its results/benefits for individual organisations are questioned.</p>	<ul style="list-style-type: none"> Ensure benefits for the sector and individual organisations are defined and communicated, including through in country briefings during cluster meetings and through development of an GPC agreed guidance note. Ensure visibility is offered through donor briefings and a detailed cluster response plan.
<p>In many crises crucial and timely (baseline) <u>data related to protection is incomplete or hard to acquire/establish</u>, especially on needs but also on what outputs actually achieve in terms of changing the situation for affected communities. This complicates the planning process and becomes <u>especially problematic with defined targeted caseloads for each of the activities</u> (that ultimately determine the budget).</p>	<ul style="list-style-type: none"> Ensure protection monitoring systems and a population data management system is in place (or advocate for its establishment), and work towards comparability and complementarity of different systems (for example MRM and other Protection Monitoring systems). Harmonise indicators for assessments across organisations, including outside of the Protection Cluster, to ensure a broad evidence-base.
<p><u>Reduced 'enforced' oversight and a lack of overview of planned projects and programmes</u> due to an absence of OPS. This potentially leads to a reduced role of the cluster and cluster coordinator in the response due to the further</p>	<ul style="list-style-type: none"> A clear (bilateral) coordination relationship to be established between organisations and the coordinator, and especially between donors and the coordinator.

<p>strengthening of the bilateral relationship between donor and organisation implementing the project, and reduced consultation.</p>	<ul style="list-style-type: none"> • Joint planning processes involve cluster partner organisations at the outset of the response. • Ensuring an agreement is made within the cluster to submit brief project sheets similar to OPS concept notes.
<p><u>Reduced chances to uphold quality in proposals</u>, ensured through a peer-review, for projects to be included in the HRP OPS list.</p>	<ul style="list-style-type: none"> • Notes on the different activity categories should specify what is considered part of the activity category. • Ensure organisations submit a brief but sufficiently detailed project sheet. • Cluster coordinator to engage with donors on the issues the cluster has identified and the package of responses, including their standards. • Ensure donors are aware of the lack of peer-review due to an absence of OPS.
<p>The quality of protection specific project proposals is often considered to be low and not adapted to the context/too formulaic. <u>unit-based costing potentially reinforces a ‘one-size-fits-all’ approach, rather than ensuring organisations tailor responses to the local context.</u></p>	<ul style="list-style-type: none"> • Involve ALL cluster members in the response design workshop. • Coordinator should make every effort to stimulate workshop participants to think outside of the frameworks that are frequently already used. • A separate brainstorming session within the SAG, prior to the response workshop and based on identified protection concerns, would further strengthen discussions surrounding responses.
<p>The tendency to establish <u>a dollar amount per person targeted across a cluster</u> (ie. the Shelter Cluster’s average unit cost is 50USD per individual reached) <u>grossly misrepresents the complexity and the diversity of the protection response.</u></p>	<ul style="list-style-type: none"> • Refrain from agreeing to the use of a cost per beneficiary figure for the full cluster response as this is not representative of what is actually achieved with potentially allocated funding. • At a bare minimum, the cost per beneficiary should be split per cluster objective (as defined in the RMF).
<p>There is <u>no sector-standard/guideline for deciding what the total number of people targeted by specialised protection activities</u> should be in unit-based costing HRPs. Normally this question is solved by the total number of individuals targeted by individual organisations within their OPS proposals, leading to a total which relates to the capacity of implementation by actors in country. This complicates the decision-making process and would <u>potentially reduce the credibility of the budget</u> for the cluster specific response plan.</p>	<ul style="list-style-type: none"> • Project sheets would provide an indication of implementation / absorption capacity. • The SAG would be able to agree on a set of activities that are easily scalable with increased funding and mark these as such, while more technical activity categories (legal assistance for example) could be marked as requiring significant investment when targets are increased.
<p><u>Budgets for organisations that otherwise might have been comparatively low will potentially be</u></p>	<ul style="list-style-type: none"> • Through the Detailed Cluster Response Plan and briefings (or a note accompanying the

<p><u>'artificially' increased in line with a unit cost that is higher</u> because it averages unit costs across various organisations.</p>	<p>HRP) donors and cluster members would need to be made aware of how the average cost was calculated (ie. what is included, years of experience of staff, etc.).</p>
<p>There is a <u>difference in funding required for the establishment of a new service and the funding required for the maintenance of an already existing service</u>, unit-based costing can obscure this and create misperceptions.</p>	<ul style="list-style-type: none"> • Activity category descriptions / minimum quality standard descriptions can be used to clarify why and how much the unit-cost would increase in the year of establishment of a service.

3. APPROACHES TO ESTABLISHING UNIT COSTS

An essential element of the HRP is the budget attached to interventions aimed to achieve the desired outcomes and objectives. This section details methodologies identified to be in use by Protection Clusters to develop unit-costs for HRP planning, enabling Protection Clusters to make an informed choice on which methodology is most suited for each context (organisational and coordination) and informs Protection Clusters on how to apply the methodologies. Costing of proposed activities is possible when the components of a response have been determined by the Protection Cluster and the SAG: the activity categories and related output or outcomes. They will need to be costed.

In order to adequately establish the cost per output or outcome for each activity, a meeting with Protection Cluster partners should be organised where both technical protection staff and project management/programme staff participate. This meeting should have three main outcomes: 1) validation of minimum quality standards per activity category, 2) agreement on organisations reporting to the cluster using established indicators, and 3) agreement on cost per output for each activity category.

While developing standardised unit costs requires significant staff time and resource investments during the initial stage, in later iterations (for HRP mid-year review for example) the agreed upon cost and criteria on which this costing is based can be updated, reducing the time investment. Costing should for example be updated based on changes in the operating context such as reduced access, inflation, etc.

In consultations with Protection Clusters three distinct approaches to unit-based costing have been identified:

- basing the unit cost on figures used by Cluster Lead Agencies (CLAs),
- basing the unit cost on an approximate cost-distribution process based on activities, the budget, and targets of planned projects, and
- going through a detailed consultative process for each budget line relevant to the unit.

The approaches are described below, ranked from least accurate but also less time consuming to develop to most accurate and demanding more time investment.

These methodologies have been used prior to the release of the OCHA guidance/tip-sheet. The third methodology follows the OCHA guidance/tip-sheet most closely.

When assessing these methodologies, it is useful to keep in mind that these figures are used for planning purposes and mainly offer an 'initial estimation of how much a joint response will cost based on the volume of need and agreed scope of the response'¹⁵, ie. variations from organisation to organisation remain a reality and are acceptable (with the note that this should be clearly documented

¹⁵ OCHA, HRP Costing Methodology Options guidance/tip-sheet (2018), p. 8.

and communicated). Furthermore, establishing a unit cost inevitably relies on a number of assumptions, this is unavoidable but may affect the accuracy of the established unit cost.

Moreover, except for CBPF allocations, the Protection Cluster is not directly involved in bilateral funding agreements between donors and cluster partners (ie. a donor makes a funding decision based on concept notes from organisations which have the freedom to propose targets and budgets for projects). Only when donors follow the HRP and pay heed to Protection Cluster documentation, including on unit costs, the cluster functions as an intermediary between the donor and organisation implementing activities; in these cases the line of reporting on organisation outputs and results is seen as to be primarily between the donor and implementing organisation. However, the consultations have highlighted situations where donors and organisations actively use the established unit-costs in relation to refining project concept notes and grant-agreements.

3.1 COSTING METHODOLOGY 1: ADOPTING PLANNING FIGURES OF CLAS (AND OTHER CLUSTER PARTNERS)

In this approach Protection Cluster and AoR Coordinators consult with programme and project staff of CLAs (an on occasions with a limited number of cluster partners) to determine the average cost per beneficiary (or other unit of output chosen) for planned activities. CLAs frequently have a set of projects planned that are similar to responses planned for the broader cluster in the HRP and have practical experience in planning and implementing these activities and are therefore a useful source of planning information. Practically, this approach frequently results in the Protection Cluster and AoR Coordination Teams developing a list of proposed costs which is then debated, amended, and agreed with.

The approach does offer a relatively workable but rough and opaque indication of costs that can be expected per beneficiary / unit for each activity category and could be useful when time constraints or a lack of willingness to engage within the cluster on the topic of costing. Involving other cluster partners further refines the unit cost the cluster can arrive on: a broader set of inputs delivers a costing figure that more closely resembles the average of a planning cost across the cluster. Potentially this method has a positive, if somewhat top-down, impact on the establishment of indicators as they can be aligned with the CLA's indicators.

However, the approach does have a number of drawbacks: 1) the costing per unit is not fully owned by the broader cluster due to the limited number of organisations involved in establishing the cost, 2) the process does not accurately establish the total package of cost drivers / minimum quality standards that are included in the unit-cost thereby reducing the potential communication / advocacy benefits for cluster partners in advocacy with donors, 3) the established unit cost can potentially be influenced by organisations' funding requirements (as well as be dominated by a limited number of engaged speakers in a meeting), 4) transparency of the process is sub-optimal, and 5) the resulting unit specific cost is potentially not taking overhead costs accurately into account (over- or underestimating).

Overall, this approach does yield a workable figure for planning purposes, although, for reasons listed above, the approach does not achieve all potential benefits unit-based costing can yield. It is therefore proposed to be seen as the least preferred option for Protection Clusters adopting unit-based costing.

3.2 COSTING METHODOLOGY 2: ALLOCATING APPROXIMATE COSTS ACROSS OUTPUTS PER PROJECT

In this approach Protection Cluster and AoR Coordination Teams request cluster partners to provide and approximate percentual breakdown of the total budget requests per concrete output in respective concept notes / project proposals. This means that the approach is most feasible after cluster partners have developed project concept notes for the upcoming year since potential changes in the context limit the appropriateness of using older data, nor would concept notes address possibly emerging challenges and protection risks/violations.

The methodology is best explained using an example: a protection project has three major outputs (legal assistance, community awareness raising, and training) and organisations would indicate the estimated percentage of the project budget spent per activity. Once the percentages are defined, the concept notes / project proposals are shared with the Protection Cluster Coordination Team. This allows – when all data from organisations is combined – the Cluster Coordination Team to make an approximate determination of average cost per unit across all planned activities within the cluster. The calculations provide figures for the budget per activity which, when divided by the target output / unit figure, offers an approximation of cost per target output / unit for each organisation. In turn, this can be averaged across the various proposals from different cluster partners. The unit cost becomes increasingly reflective of the average across the cluster when the calculations are weighted, ie. taking the size of respective targets into account, when averaging the cost per activity output.

The calculations would look as follows:

Organisation A	Organisation B
Total project budget request is \$1 million	Total project budget request is \$2 million
Targets for the year: Legal assistance target: 1500 individuals/cases Awareness raising target: 20,000 individuals Training of duty bearers target: 400 individuals	Targets for the year: Legal assistance target: 4000 individuals/cases Awareness raising target: 50,000 individuals Training of duty bearers target: 100 individuals
Organisation estimates percentage of funding per activity: Legal assistance: 60% Awareness raising: 25% Training: 15%	Organisation estimates percentage of funding per activity: Legal assistance: 75% Awareness raising: 20% Training: 5%
Calculated totals per activity per target output / unit: Legal assistance: $\$600,000/1500 = \400 Awareness raising: $\$250,000/20,000 = \12.5 Training: $\$150,000/400 = \375	Calculated totals per activity per target output / unit: Legal assistance: $\$1,500,000/4000 = \375 Awareness raising: $\$400,000/50,000 = \8 Training: $\$100,000/100 = \1000

The above calculations provide a unit cost that can be averaged across different organisations. For example: one person assisted with legal assistance would cost an average of $\$400 + \$375 / 2 = \$387.50$.

However, this average is not fully representative of the actual average cost per target output due to the fact that organisation A targets less individuals for legal assistance than organisation B (for example due to efficiencies of scale).

To ensure the unit cost is reflecting the true weighted average cost per output across the cluster combined totals within activity categories (target outputs and budget) across the broader cluster will have to be established. This means that the budgets and target totals related to similar activities would have to be added up. Similar to the calculation above, the total budget and target across the cluster would have to be established and divided. This would result in the following calculations:

	Budget for activity	Target for activity	Average cost per output / unit
Legal assistance org. A	\$600,000	1,500	\$400
Legal assistance org. B	\$1,500,000	4,000	\$375
Across cluster	\$2,100,000	5,500	\$381.82

Awareness A	\$250,000	20,000	\$13
Awareness B	\$400,000	50,000	\$8
Across cluster	\$650,000	70,000	\$9

Training A	\$150,000	400	\$375
Training B	\$100,000	100	\$1,000
Across cluster	\$250,000	500	\$500

This approach yields a fairly accurate indication of unit costs across the cluster, provided a number of information points are available and the values are precise: most importantly the estimation of the percentage distribution needs to be as accurate as possible and the various activity target outputs / units should be comparable. Further, when each cluster partner that contributes a detailed project proposal (or sheet) to the process is willing to share this publicly a measure of transparency is achieved. This approach can also be applied retroactively, ie. after concept notes / project proposals for the yearly cycle have been submitted. The accuracy of the approach improves greatly when the cluster has established activity categories and indicators (the target outputs / units in the above example) prior to organisations developing concept notes / project proposals, assuming organisations incorporate this categorisation in their concept notes (or accurately define which of their indicators should be counted towards the clusters' unit costs). Finally, procedurally the approach is fairly straightforward: the required calculations can easily be automated in an excel sheet and cluster partners do not necessarily participate beyond allocating percentages of the total project budget per activity (and validating the established unit-costs).

However, there is also a number of issues with this estimation approach: 1) the fact that this approach is most easily applied retroactively can limit the benefits for the strategic context-specific response planning process which includes the establishing of activity categories (ie. the response planning process remains supply-driven), 2) agreement on minimum quality standards (cost drivers per unit) across the cluster are not necessarily required for this approach which would reduce the resource mobilisation related advocacy value of the unit-based costing approach, and 3) the resulting weighted average unit cost is comparatively more influenced by bigger organisations due to the relative weight / size of their interventions in the calculation process.

Overall, many of these drawbacks can be mitigated by following through the proposed process described earlier in this paper: notably the establishment of activity categories based on identified

needs and agreement on minimum quality standards for each activity category prior to developing concept notes / project proposals. Given that this approach is unlikely to result in many of the benefits unit-based costing could yield and carries the potential for inaccuracies due to the fact figures are based on percentage estimations rather than thorough deliberation, it is seen as an option that can function when time-constraints inhibit a more detailed unit cost determination process.

The retroactive applicability of establishing a unit cost potentially is helpful for Protection Clusters when flash appeals or CBPF allocations are designed, including when the HRP does not use unit-based costing.

It is also notable that this approach can be further refined when steps 3 and 4 of the below described methodology are incorporated.

3.3 COSTING METHODOLOGY 3: CONSULTATIVE AND DELIBERATIVE PROCESS PER COST DRIVER

In this approach the Protection Cluster Coordination Team and cluster partners engage in a detailed process of defining elements that contribute to the cost per activity output / unit. This approach follows the methodology proposed in the OCHA unit-based costing guidance/tip-sheet most closely and is, while process heavy, the most accurate (and in the long-term useful) unit-based costing methodology. However, the approach has only been field tested once. The steps put forward in the OCHA guidance/tip-sheet allow the cluster to arrive at a detailed and evidence-based cost per activity category and related unit / indicator.

The consecutive steps in this approach, to be taken in consultation with as many cluster partners as feasible, are: 1) define your units of measurement related to the activity categories and indicators, 2) describe the cost drivers, and 3) indicate average unit costs.¹⁶ These steps would need to be followed for each of the activity categories established for the HRP and depend on heavily on the established minimum quality standards per activity (which can be established or refined during discussions related to step 2).¹⁷

It is worth noting that the quality of the outcomes of this approach rely on the quality of the data available and generated throughout the discussions that provides the inputs for this process at each respective step. Further, as described in the OCHA guidance/tip-sheet, it is essential for the Protection Cluster to maintain a detailed record of considerations and decisions taken in each of the steps highlighted below to enhance transparency and enable evidence-based advocacy surrounding the costing of the Protection Cluster HRP and individual cluster partner budgets.

Step 1: define your units of measurement

Once a set of activity categories to be included in the HRP has been established Protection Cluster partners should agree on the most appropriate unit of measurement of outputs and/or outcomes to be costed. The cost for each unit will be established in subsequent steps and can differ significantly from activity category to activity category. In line with the original objectives of the unit-based costing approach Protection Clusters should aim to use the highest level of detail feasible. Further, the unit of measurement is an essential element in the Protection Cluster's monitoring of the HRP: cluster

¹⁶ The order of steps diverges slightly from the OCHA guidance/tip-sheet (step 1 and 2 have been switched) to ensure greater clarity and sense of purpose in the discussions. Steps 3 and 5 of the OCHA guidance/tip-sheet are discussed below this section as they are relevant for each of the three identified costing approaches.

¹⁷ Some useful guidance in relation to minimum quality standards already exists. For the CPIE AoR the Child Protection Minimum Standards offer a useful source.

partners will be requested to report on their implementation using the unit of measurement as an output indicator (which also means that the unit of measurement could form a component of an outcome indicator).

Choosing the most appropriate unit of measurement depends on a number of closely interlinked issues:

1. What unit conveys in the most relevant and accurate manner the output or outcome, as well as overall purpose, of the activity?
2. What unit offers a meaningful measurement for planning and monitoring when reduced to the lowest level of detail?
3. What unit is suitable and feasible for monitoring and reporting on progress of implementation by cluster partners?
4. What unit adequately represents the investment of resources required to reach the output or outcome of the activity?

For example, for an activity such as case management the most relevant unit to be costed could be one closed case. This is a relevant and accurate way of reflecting the output of the activity, it is a meaningful measurement for planning, cluster partners maintain records on the number of cases closed, and is suitable to compare against resources invested (and thus adequately represents the resources required per output).

For an activity such as protection monitoring the most feasible and meaningful unit of measurement for costing and planning could be coverage of a community or district rather than the number of reports published or even number of people consulted (however, both figures can remain a useful indicator for monitoring and reporting).

Step 2: describe the cost drivers

Once the activity categories and units of measurement across the cluster have been determined all relevant elements that make up the total cost per output or outcome can be established. Drivers of unit costs per activity across the cluster are both internal to cluster partners projects and contextual (related to the operating environment and target population for example). Contextual factors will be discussed in more detail in the section on providing a cost range – step 3.

It is important to maintain awareness during this step that the unit cost reached is meant to provide an indication for planning purposes – cluster partners that diverge from the unit cost can elaborate on reasons for their budgeting in concept notes and proposals directly with potential donors.

Determining the internal cost drivers requires a budget for each unit to be established line by line. Minimum quality standards across the cluster will have to be used (when available) and/or established and agreed upon for each activity output or outcome (which can be achieved during these discussions as the discussions on internal cost drivers is nearly identical to the minimum quality standards per activity). This also means that any support costs and overhead would need to be factored in to the calculation. The basis for this budget per unit is information from operational organisations on respective costs used for budgeting within their own organisations (historical and planned).

To ensure the unit cost is representative of the costing for activities across cluster partners, three approaches to reaching an agreement on the costing of each of the internal cost drivers making up the unit cost (each ‘budget line’) are possible: 1) organisations reach agreement on an average cost per internal cost driver through a deliberative and consultative process, 2) organisations’ budgets (historical and planned) are compared line by line in a manner similar to the unit-costing method

described in the previous section (approximating unit costs across outputs per planned project), or 3) a project that was implemented previously deemed to be offering the most representative and comparable basis for estimating the unit cost is used as a model.¹⁸ Most likely a combination of the three approaches is most practical, while option 2 is likely to result in a more accurate estimate while options 1 and 3 are relatively less labour intensive.

In order to enhance clarity and structure, determine internal cost drivers per unit, and to aid calculations it is useful to divide the internal cost drivers of the unit cost in three categories:

- Direct costs – costs that can be clearly identified with, or linked to, the unit of measurement: ie. staffing cost, procurement cost, etc.
- Direct support costs – costs that clearly support the unit of measurement. These costs can sometimes be somewhat remote to direct costs and apportioned in some way: ie. rent and running costs of a facility, staff partially engaged in overseeing a project, etc.
- Indirect costs - costs that cannot be clearly identified with, or linked to, the unit. These are the overheads: ie. organisational management, laptops, etc.

Per category cluster partners should list the main elements (cost drivers) influencing the unit cost in line with the determined unit of measurement and minimum quality standards. Through agreement on (or adherence to) the minimum quality standards and an agreement on the average cost for each of these cost drivers the unit cost can be established.

For activities that generate a single output such as the delivery of a dignity kit (the unit) this is a relatively straightforward process of listing procurement and distribution costs, transportation costs, and an apportioned amount for overhead costs. Most organisations will have to split budget lines of ongoing or planned projects across different units (for example, a project could entail distribution of dignity kits as well as case management which would fall in two separate units to be costed). Cluster members should apportion the cost for overhead and other shared costs between the activities (units) using one of the three methods described above (primarily based on knowledge of their operations and past experience).

When the unit to be costed is related to service delivery the process requires further calculations and agreement related to the minimum quality standards, notably the staff time required per unit. For example, when determining the unit cost for an activity such as legal assistance where it has been decided to treat a closed case as a unit to be costed the following determinations would have to be made through deliberations and analysis of historical monitoring data from cluster partners:

- Average number of cases a case worker can cover per month
- Number of months required for a case to be closed

This allows for a calculation of the total number of cases a case worker will close on average per year: if a case worker can cover on average 25 cases per month and a case on average requires 4 months of work before it can be closed, a case worker can close 75 cases per year (ie. $25 \times 3 = 75$).

¹⁸ Option 3 is put forward in the OCHA guidance note/tip-sheet. It is suggested to look specifically for a project that uses the most common wage levels, addresses similar needs amongst the population (in the example of legal assistance, similar types of cases as they take on average a similar amount of time), and an average total of people to be assisted to take into account economies of scale.

When the average wage of a legal assistance case worker is included in the calculation an average direct cost of the case workers contribution to the unit (ie. a legal assistance case closed) can be determined.

The results of these calculations will need to be supplemented by additional internal cost drivers (other direct costs, direct support costs and indirect costs), again calculated per unit. Following the example of legal assistance, the calculations could include (all figures are examples):

- Direct costs:
 - Average wage of team leader (oversees 6 case workers which means 450 closed cases per year)
 - Educational materials distributed per case
- Direct support costs:
 - Average wage of project manager (spends 50% of time on legal assistance; oversees 3 team leaders)
 - Rent and running costs of facility and number of cases covered in facility (12 case workers work in facility)
 - ICT cost (laptop and communication) per case worker
- Indirect support costs:
 - Average wage per month of country director (spends 5% of time on legal assistance project)

The calculation of the unit cost for legal assistance would result in a calculation as follows:

Unit = legal assistance case closed	Average months required per case = 4	Month	Year	Per Case
DIRECT COSTS				
Case worker	Average salary	\$700	\$8,400	\$112
	Average number of cases per case worker	25	75	
Team leader	Average salary	\$1,500	\$18,000	\$40
	Average number of cases per team leader (oversees 6 case workers)	150	450	
Educational materials	1 distributed per case			\$2
DIRECT SUPPORT COSTS				
Project manager	Average salary	\$1,500	\$18,000	\$6.67
	Estimated time spent on legal assistance	50%	\$9,000	
	Average number of cases per project manager (oversees 3 team leaders)	450	1350	
Rent + running costs of facility	Rent + running costs for facility housing 12 case workers 2 team leaders	\$350	\$4,200	\$4.67
	Number of cases closed in facility	300	900	

ICT cost per case worker	Laptop + mobile phone per case worker		\$650	\$8.67
INDIRECT SUPPORT COSTS				
Country director	Average salary	\$4,500	\$54,000	\$2
	Estimated time spent on legal assistance	5%	\$2,700	
	Average number of cases indirectly supported (oversees 1 project manager)	450	1350	
Final unit cost				\$176.01

The most important figures in the above calculation are the direct costs as they make up the majority of the internal cost driver; however, the calculation of average overhead costs – especially the management costs – per case representative of the different organisations across the cluster is complex.

An alternative to the method described above to calculate the management cost per case (agreement between cluster partners on a standard number of cases supported, average salary, and percentage of time spent) would be the adoption of a standard percentage of management overhead added to the unit cost (for example, the widely used 7% of overhead cost could be adopted – the reasoning behind the selected percentage would need to be clearly explained per unit as some activities would require more support than others). This would result in the following calculation:

Unit = legal assistance case closed	Average months required per case = 4	Month	Year	Per Case
DIRECT COSTS				
Case worker	Average salary	\$700	\$8,400	\$112
	Average number of cases per case worker	25	75	
Team leader	Average salary	\$1,500	\$18,000	\$40
	Average number of cases per team leader (oversees 6 case workers)	150	450	
Educational materials	1 distributed per case			\$2
DIRECT SUPPORT COSTS				
ICT cost per case worker	Laptop + mobile phone per case worker		\$650	\$8.67
Total unit cost prior to overhead				\$162.67
INDIRECT SUPPORT COSTS				
Organisational management + facility costs	Agreed percentage of overhead per unit - 7%			\$11.39
Final unit cost				\$174.05

Once for each of the activity categories (and thus units) a cost has been determined and agreed upon the most important figures for further calculations are established.

In order for the Protection Cluster and organisations to adequately use the figures it is imperative to maintain a detailed record of how each figure in the above described calculations was reached. This is most useful for organisations when discussing project proposals with donors, allowing for detailed explanations how budgets are established and highlighting how the budget relates to the outputs and outcomes of a project. For Protection Clusters the calculations can serve as a reference point in potential contingencies and pooled fund allocations, future iterations of the HPC, and can be used to make cluster wide cost efficiency calculations – in addition to the HRP planning process.

Step 3: provide a cost range

For planning purposes contextual factors also influence the actual cost of implementing activities. For example, the cost of implementing activities in a remote area are likely to be higher than the cost for implementing an activity in an easily accessible area. This is why clusters can provide a cost range for each unit, ie. a minimal and maximum rate. Again, historical and planning figures are instructive in this regard.

While the impact of contextual factors on a unit cost (and thus the variance in unit cost) might give the impression that the methodology is inadequate for countrywide planning, explicitly recognising that not all implementation will and can follow the cluster agreed unit cost is also an opportunity to better communicate on budget requests and to strengthen financial planning, in addition to enhancing transparency.

In order to achieve this, it is proposed to adopt a system of weighting which can be used by both the Protection Cluster and organisations. For example, security and logistical costs for implementing an activity in a remote insecure district are higher than in a district close to the capital city. To account for this divergence the unit cost used for planning in this area could be weighted 1.25 (ie. multiplied by a factor of 1.25). Thus, building on the above example, legal assistance per closed case would cost $\$176.01 * 1.25 = \220.01 per unit in the remote and insecure district. When sufficiently detailed information on people in need is available or estimated (per unit per district) this can significantly enhance the accuracy of the planning and budgeting of the HRP. The Protection Cluster can provide an evidence-based table of factors potentially influencing the weighting of the unit cost, further enhancing transparency in the planning process (and thus effectively providing a cost range).

For cluster partners, other factors could also influence their budgeting at project level and thus result in a divergence from the cluster agreed unit cost. For example, a smaller organisation would be able to operate slightly cheaper than a larger operation while still maintaining the same minimum quality standards – the organisation can propose to implement an activity with a weighting of 0.9 of the unit cost. As the funding relationship is between the organisation and donor (who should be aware of the unit cost and calculations leading to it), the smaller organisation should communicate to the donor on the reasons why they would be able to implement below the agreed unit cost.

Step 4: HRP strategic planning average unit cost

Focusing on the strategic planning level, rather than on the individual activity / unit level, this step enhances accuracy and further refines the costing of the overall HRP budget. For ease of calculations and to distinguish clearly between the individual activity / unit level this decision point is included as a separate step.

As highlighted above, differences in unit cost might exist between secure and insecure or rural and urban areas. This becomes relevant when assessments have shown that populations in the most vulnerable situations or most in need of protection interventions are present in areas where a higher weighting factor would apply. When the Protection Cluster decides to predominantly target populations in these areas the average unit cost for the activity in the HRP increases and thus affects the overall budget of the HRP. This should be taken into account when determining the overall budget.

The calculations for this step depend on accurate data on the operating environment and an evidence-based estimate of the total number of people in need of different types of protection activities in different areas of the country. To adequately calculate the average unit cost for the HRP a table with weighted unit costs for each administrative zone (to the highest level of detail feasible while maintaining a realistic approach) and the total number of units planned to be implemented (targeted)¹⁹ for each administrative zone should be created.²⁰ When finalised, the planning table would provide the following information:

Legal assistance (unit cost of closed case = \$174.05)	Unit cost weighting (context)	Cost per unit in region	People in Need (PiN)	HRP implementation target - units	Total cost for target per region
Region A (urban & secure)	1	\$174.05	4,000	4,000	\$696,200
Region B (rural, mountainous & insecure)	1.15	\$200.16	5,000	3,000	\$600,472.50
Region C (rural & insecure)	1.1	\$191.46	8,000	5,000	\$957,275
Region D (rural & insecure)	1.1	\$191.46	11,000	5,000	\$957,275
Region E (rural & secure)	1.05	\$182.75	6,000	4,000	\$731,010
Total			34,000	21,000	\$3,942,232.50
HRP strategic planning average unit cost	(=\$3,942,232.50 / 21,000)				\$187.73

This HRP strategic planning average unit cost is most useful to provide an indication of the unit cost in the specific circumstances in the country during the development of the HRP.

When the above process is concluded for each activity, the overall budget for the Protection Cluster HRP can be determined.

¹⁹ While setting implementation targets falls outside of the scope of this paper, it remains an essential part of costing HRPs. In consultations Protection Clusters using unit-based costing indicated to generally use a combination of- or one of two methods: 1) building on implementation capacity witnessed in the previous year and foreseen in the current year or 2) aspirational targets taking into account the number of people in need of a particular activity.

²⁰ Often OCHA – as general lead in the HRP process – provides planning tables at this level of detail which can be adjusted for this specific Protection Cluster purpose.

The consultative and deliberative process per cost driver methodology results in the most detailed and contextualised unit cost, as well as HRP budget. The stated advantages of the unit-based costing approach are most pronounced when this labour-intensive process is conducted. Benefits to the Protection Cluster are both internal in terms of collaboration in planning, adherence to standards, evidence-based strategic planning, etc. and external in terms of enhanced transparency and accountability, professionalisation of planning processes, and potentially resource mobilisation.

However, the methodology also has a number of drawbacks: 1) the granularity of data required to complete the calculations is very high, both on programming and on protection risks/violations, and at times impossible to attain in practice, 2) since the approach aims to achieve a high level of detail through inclusion of a large number of variables a risk exists of stacking different assumptions on top of each other, resulting in potential significant margins of error while the impression of absolute accuracy is given, 3) the approach requires significant time investment from both the Cluster Coordination Team and cluster partner staff, as well as a willingness to share potentially sensitive financial information, and 4) elements of the approach have not been field tested and would benefit from further refinement, notably the inclusion of overhead and management costs.

When cluster partners are well informed of the process and benefits for both organisations and the sector as a whole, as well as for affected populations, the consultative and deliberative process per cost driver methodology is a feasible approach to establishing an HRP. The methodology would also benefit from greater standardisation across the protection sector: a global harmonisation on standard units of measurement and standard indicators for certain activities, as well as minimum quality standards, would greatly smoothen and facilitate the process.

4. RECOMMENDATIONS

This section provides recommendations to enhance the work of Protection Clusters in relation to unit-based costing and associated processes.

- GPC to consider decision that a protection monitoring system – led by the cluster – is a required element of each cluster as a ‘foundational’ protection activity. Advocacy at global level to donors and key organisations, especially the Cluster Lead Organisation, in this regard is helpful (not least due to the fact that this connects with the stated aims of the UNHCR Internal Note for UNHCR Representatives on Protection Leadership in Complex Emergencies). If standardised establishment of a protection monitoring system is unfeasible, a concerted effort is to be made to 1) facilitate harmonisation of assessment indicators across all cluster members, 2) integrate a number of key indicators in non-protection specific assessments (ie. nutrition surveys), and 3) attempt to collect a baseline of protection related information by using the same indicators in centralised multi-sector assessments with countrywide coverage where possible. This also has the benefit of ensuring non-displaced populations are considered.
- Similarly, the GPC could advocate for the country level Protection Clusters to be supported consistently by an inter-agency communication with communities system implemented by CLAs.
- In country agreement on unit-based costs and the methodology to establish is a fairly daunting coordination and information management task. In light of the multitude of calculations it

again highlights the necessity for each Protection Cluster to have strong information management capacity in place.

- In consultations a variety of approaches to HRP design and costing approaches was identified across and within Protection Clusters was identified, potentially leading to complications in communicating outside of the Protection Cluster on the strategic approach and HRP of the Protection Sector – this potentially negatively impacts funding for the sector. GPC and its AoRs at global level to agree on a preferred approach for HRP development and work towards harmonising terminology and processes to increase predictability and ways of communication on the strategic planning of the sector.
 - Provide detailed practical guidance in relation to response planning to ensure harmonisation across the sector, elements of this paper can be adapted and – when approaches are agreed upon at global level – reworked in a practical guide for Protection Clusters and AoRs.
 - Develop and adopt a template for country-level Protection Clusters, including AoRs, for the development of a yearly Protection Cluster Detailed Response Plan. This ensures coherence in objective setting and outward communication. This paper offers an initial proposal.
 - Agree on guidance internally within CLAs to adopt cluster agreed upon indicators in partnership agreements at country level (for UNHCR operations cluster indicators should be included in PPAs).
 - Protection Information Management WG should be tasked with developing a standardised methodology with context adaptable criteria for establishing the HNO People in Need figure.
- Pursuant to the IASC Protection in Humanitarian Action policy, GPC to consider initiating a process of consultations for the development of Minimum Standards of Protection Programming similar to the CPMS, focusing on the specialised protection activity elements of protection in humanitarian action. Consultations have identified the benefits the CPMS have on strategic planning processes, including unit-based costing by virtue of having established sector-wide agreed upon minimum quality standards.