Global Protection Cluster

HRP COSTING METHODOLOGY OPTIONS

1. GENERAL GOOD PRACTICES

- Country teams should not envision changing costing methodology unless there is a strong rationale to do so, and the below points are well understood.
- Country teams should prepare well before the planning and costing processes start and define the timeline and costing methodology beforehand.
- The agreed-upon methodology should reflect consensus, so the preferred methodology is actively supported by all clusters/agencies
- Once the methodology has been agreed, based on existing country capacity and expertise, brief key stakeholders on the process and request for support as needed.
- As some categories of intervention lend themselves more readily to applying cost drivers than others – i.e. shelter vs. protection estimating the effect of some activities, such as case management or protection monitoring, might require additional time and/or resources from Country Teams.
- The process must be clear, and no unexpected changes (such as setting a ceiling at a late stage for example) should be accepted.
- During the year, OCHA and partners should actively participate in ensuring that FTS is updated.

I. What is the scope of the plan to be costed?

IN BLUE:
The Humanitarian Needs Overview looks at ALL the humanitarian needs. We don't want to cost that.

IN ORANGE:

Discussions among actors will then identify (starting from the right):

- The needs that will NOT be covered: for example by lack of access, or because they're below the emergency levels
- The needs that will be covered by actors that are not within the HRP, for example: Host government, support within communities, MSF, ICRC, IFRC.
- And the response that will make the Humanitarian Response Plan. The dark orange bar represents "the humanitarian response that is proposed under the HRP, by actors who participate to the joint approach". It is this dark orange part that needs to be costed.

There is a misconception that the HRP costing should cover the full response, including the out of HRP response. This cannot be as the non-aligned actors do not want the UN to publish an appeal with their financial requirements in it.

2. UNIT-BASED COSTING OF HRPS

Rather than taking individual projects as a starting point of the collective budgeting exercise, in unit-based costing the clusters develop average costs for the delivery of different *units* of humanitarian goods or services. The result is not a definitive price tag for a set of projects, but an initial estimation of how much a joint response will cost based on the volume of need.

I. Overview

Unit-based costing for humanitarian appeals refers to a method of estimating overall resource needs for a humanitarian response plan (HRP), using data about the average costs per sectoral activity, per person served, or per item delivered. This average unit cost can then be multiplied times the anticipated need in different population planning groups, to arrive at an expected total. This calculation allows a country operation to focus its HRP on the overall estimated cost for the planned response, in line with the humanitarian needs overview (HNO) and the country's strategic objectives and necessary activities, rather than the projects and programmes submitted by partners in the appeal.

In this approach the costs per sector are determined on a unit cost per person per type of activity; sectors identify humanitarian activities, with indicators and targets, and present these in the sector response plans. The HCT/IC must decide whether activities/services identified are grouped by intervention area (e.g. higher level outputs) and costed at this level, or whether smaller supporting activities under each intervention area (e.g. training, facilities repair, service operation) are costed separately. For each planned unit, an estimate budget is established using a unit-based costing method, and these sector budgets form the total HRP budget. Projects are not vetted, nor registered in OPS during the initial budgeting process, which is based on anticipated need and average unit costs only.

Projects can be added at a later stage, if the country team decides, for example in a Flash appeal**:** initial requirements may be unit based/estimates at the onset of the emergency, then, when the appeal is revised, projects are elaborated, and the requirements are the total of projects requirements. In unit-based costing, the responsibility for costing the HRP lies more with the clusters, and less with the agencies.

Advantages

- The approach promotes participation by all actors in the response planning process, without requiring the disclosure of detailed project information by organization.
- Reduces transaction costs related to project planning and vetting and possible complications due to government engagement in this process.
- The planning and budgeting process of the HRP is less influenced by organisation's concerns about projects and funding requirements, encouraging more cohesive planning and prioritisation.
- The methodology promotes improved strategic coordination and coherence of appeal documents.
- If the HCT has the right capacities and data in place, rapid application is possible in sudden onset crises, and it allows for easier revisions.
- Organisations and sectors are under less time pressure during the HRP process, with a lighter administrative burden, particularly on organisations, prior to the launch of the appeal.

Disadvantages

- It can be difficult to estimate unit costs for some sectors/areas such as protection, coordination, or multi-sector activities. This may make the process take longer, or decrease the precision of the final resulting budget.
- As there is no peer review and vetting process, there is weaker quality control in the project planning phase, including the identification of duplications or gaps in a sector's overall intervention package, and use of quality assurance tools such as the gender marker.
- Loss of transparency and accountability to donors and HQs, since the reduced incentive to use OPS and FTS systems may decrease the reporting of funding received and the accuracy of FTS data.
- Difficulties related to financial and activity tracking, and the absence of a clear overview of participating organisations during initial planning phases makes sector coordination more challenging.
- Security/access aspects and their implication on the costing of activities are complicated.
- For calculating the cost of multipurpose cash, there needs to be clear coordination between the different sectors involved.
- Lack of visibility into which agencies or organizations are making the appeals, potentially impacting access to donor funding.

Preconditions for unit based costing

- Buy-in from all sectors and agencies ahead of the planning process.
- Solid baseline information on number of people in need and (unit/activity) prices is needed to generate trustworthy cost estimates.
- Strong, functioning sectors to ensure sound, well-informed costing methodology and inclusive coordination in the absence of a closed list of projects and partners.
- HC leadership is required to apply this methodology across the sectors.
- Understanding within each sector on key principles of unit cost methodologies, and agreement to a coherent approach within and across sectors for costing key activities/services and common cost drivers (e.g. common elements across sectors like community-volunteers, transport etc.) and/or investment in bringing in technical expertise to bring all cluster coordination teams to a similar capacity to lead cluster/sector process.
- Agreement by partners and sectors to share minimum information on participating partners and activities implemented within the HRP framework with OCHA in order to enable response monitoring and financial tracking, post-appeal. This would also include agreement on where/how this information is stored/managed, and if made publicly available in some form.

II. Methodology: Step by Step Guidance for Unit-Based Costing

This section describes the process for applying unit-based costing to develop the budget for an HRP, given the context in which you are working and the activities necessary to serve the population needs. The accuracy of the estimate resulting from this process depends heavily on the quality of the data that goes into it, about population needs and average unit costs of providing goods and services. More information on challenges in finding appropriate average unit cost data is available in section III.

Step 1: Describe the main cost drivers

At the beginning of the HPC planning cycle, Clusters/sectors are recommended to provide a short description of the predominant cost drivers, which will help to shape the average cost of providing goods and services in that particular context. This is an essential element of the budgeting process, making it possible to understand different price tags per activity and link them to operational realities on the ground. Common examples of cost drivers in the context of humanitarian operations are wage levels for skilled or unskilled labor, prices of key inputs such as medical supplies or construction materials, or the concentration of the population being served. Cost per unit will almost always be calculated with reference to past interventions under comparable conditions. Where relevant, the analysis of cost drivers should also include references to past or on-going projects implemented either in a similar context. To try to identify contexts for which past project costs may be relevant, you should assess:

- physical access (geography and climatic conditions);
- security costs (e.g. hard security measures, mandatory use of armoured vehicles, necessity in-country flights instead of overland travel to reduce security risks)

Almost all of these features are likely to vary from place to place, so it is impossible to find a perfectly comparable environment from which to draw data. This is why identifying the particular cost drivers that affect the kinds of programs that will be necessary in this response is important, as it helps you determine which of the many potential cost drivers are most important when identifying comparable responses to draw data from.

***Example*: Identifying cost drivers for legal aid programs in the Middle East**

In Iraq, both refugee and internally displaced populations require a variety of legal services, from acquiring documentation to legal representation in court for wrongful detention cases. These services are often provided through a case management model, where legal case workers assess the legal needs of their clients and connect them to the right services. This structure means that (1) much of the costs of the program are the personnel salaries associated with direct services, and (2) the exact services provided may vary a great deal from case to case, and there is no single package provided.

A study of six legal assistance programs in Iraq by the International Rescue Committee found that the cost per case served had a median of $400, but actually varied between $98 and $1900 per case. This wide variation in cost per case could be explained by three main cost drivers:

- The wages of qualified legal staff: Across the six programs studied in Iraq, the costs of legal staff comprised at least 30 percent and in some cases up to 80 percent of total costs. As such, the local cost of trained and certified lawyers will be a major driver of the unit cost of legal case services. In contexts with more displacement where lawyers may be scarce, this is likely to drive the cost of legal assistance higher.
- The intensity and complexity of legal needs in the targeted population: One of the major factors which drove variation in the unit cost of legal assistance services was the kind of services needed. In

governorates where the legal needs of most IDPs was confined mostly to missing documentation, the unit cost of legal services was dramatically lower. However, in governorates where wrongful detention or eviction was more common, more hours of legal expertise was required, driving the unit cost up.

- The scale at which services are offered: The programs with dramatically higher cost per case in Iraq were those which operated at very small scale, serving 300 or fewer cases. Smaller programs tend to cost more per unit, because "fixed" costs like office rent, grant management, etc. are spread over fewer units of output. Once programs reached 300 or more cases, however, the unit cost seemed to level out.

Imagine you were an HC preparing a budget for a Middle Eastern country, and you wanted to identify which of these programs provided the most comparable basis for estimating unit costs. Given the cost drivers identified in the IRC study, you would want to focus on finding a program which had:

- Similar wage levels for trained legal staff. You might check by requesting a Supply Chain study of prevailing wages for this job set in the context in which you are operating.
- Similar kinds of legal needs among the target population. You would want to assess whether most members of the target population had complex legal needs requiring court representation, or simpler needs centered around documentation. This could be specifically explored during the needs assessment.
- What number of people you will be able to serve with a particular program. If the population in need is relatively small, or pockets of need are spread out in different areas which will be served by different NGOs, you should expect the unit cost of legal services to be higher.

Step 2: Define your units of measurement

The common approach to price activities in countries using unit-based costing is to multiply expenditures for delivering one unit of a good or service times the number of beneficiaries or end-users. The "unit of measurement" refers to the unit at which the cost of this activity is measured (e.g. per person, per household, per school, etc). The cost of the cluster activity is calculated by multiplying the cost per unit with the number of units targeted.

While the unit of measurement is often per person, this is not the only unit of measurement for all types of activities. In the health sector, for instance, the projected number of medical consultations may provide a more accurate and more relevant unit of measurement than the number of beneficiaries targeted.

For some interventions the number of people targeted does not affect the cost of service delivery as much as the number of communities covered, or discrete services given. This tends to be the case for efforts which are targeted at the community level, such as protection monitoring or piped water services. Take the example of documenting and reporting patterns of indiscriminate violence against civilians, which is a core protection activity. The target population of protection reports and other advocacy products can be government entities or members of non-state armed groups. Whether a protection report is shared with one or twenty individuals, or whether it is simply posted on the web has little if any impact on the cost of producing that report. Rather, the number of periodic reports or the number of staff required to document violations of international humanitarian law constitute more appropriate units of measurement.

Finally, there are certain cluster or sectoral activities, which cannot be sub-divided easily into smaller units. The establishment of an IDP monitoring mechanism is a case in point. If the monitoring mechanism is established in several geographic locations, then the region or district can be used as a meaningful unit of measurement. In case a disaggregation into different geographic units is not feasible, the activity (i.e. the monitoring mechanism) becomes the unit of measurement.

Ultimately, only the clusters/sectors can decide what is the most useful and relevant unit of measurement for different activities. A good rule of thumb is to consider the margin at which most of the costs for providing that good/service scale as more people are served. In other words, does the cost of providing this good/service increase with the number of individuals I cover within each household? With the number of households I serve, within each community? With the number of communities that I cover?

Example Units of Measurement Table:

Cluster	Intervention Type	Unit of Measurement
Education	School-Based Education Delivery	Per Class
Education	Infrastructure Rehabilitation	Per School
Education	Refugee Mainstreaming in Schools	Per State/Province
Food Security	Cash-For-Work Programs	Per Participant
Food Security	Agricultural Input Distribution	Per Family/Household
Health	Primary Health Services	Per Consultation
Nutrition	SAM Treatment	Per Child Served
Protection	Case Management	Per Case
Protection	Protection Monitoring	Per Community
Shelter		Per Family
WASH	Water Treatment	Per Person
WASH	Latrine Construction	Per Person

Step 3: Provide a cost range

The resources required to reach out to remote locations and inaccessible target populations are greater than those needed to provide services in more accessible areas. In war-torn places where service delivery requires an initial phase of physical capacity (re)construction (e.g. to rebuild war-damaged hospitals, schools or roads), unit costs can be several times higher the national average. To account for within-country variations, HRPs should provide a unit cost range – that is, a price scale with maximum and minimum costs per unit, based on the range of values for key cost drivers in that country.

Moreover, costs will inevitably vary across different organisations. Smaller, national organisations can sometimes deliver services at a lower price than larger, international ones. At the same time, national capacities are not always sufficient to cover all humanitarian needs. Certain delivery functions and coordination roles can only be performed and scaled up by international organisations. For activities that involve the delivery of material assistance, such as emergency food aid, large international organisations may be more cost-efficient, due to economies of scale and their ability to purchase inputs at a lower cost per unit.

Given that these unit costs are the basis for budget projections, it is crucial that they include all *support* and *indirect* costs which will be necessary to ensure delivery of services. Support costs can comprise a considerable proportion of the total average cost of delivering services, especially for procurement-heavy services like health consultations, or personnel-heavy services like case management. Ideally, your source data for average unit costs will be inclusive of all support and indirect costs, but this is something worth verifying when assembling that data. If it is only possible to find average unit cost figures which are restricted to direct costs, you will need to consider how to adjust them upwards to account for the necessary costs of support and indirect spending. There is no one blanket "rate" which can be applied across all clusters and outputs, as some outputs require much more back-office support than others.

In constructing these ranges, the information you gathered about past responses in different contexts may be helpful. If the country in which you are responding includes both high-density and low-density areas of population, you could use average unit costs from countries which match those characteristics to come up with the high and low end of your range.

Step 4: Indicate average unit costs

Average unit costs are the main reference for the calculation of overall costs per activity (see step 5, below). Note that the average unit cost is not always the mean of the cost range. The idea of providing a cost range is to indicate how much or how little the delivery of particular good or service may cost across different geographic locations. If the cost for the delivery of food supplies ranges between 60 and 100 USD per unit, based on the remoteness of the population being served, then the average unit cost could be closer to one extreme than the other. For example, in a country where the vast majority of the population lived in densely settled peri-urban areas, you would expect the average cost per unit to be closer to 60 USD than 100 USD. There is no generic formula to average unit costs, this can only be done at the cluster or sector-level, taking into account geographic variation as well as other parameters, such as coordination costs or cost incurred by innovation (e.g. pilot projects to test new delivery approaches).

Step 5: Calculate overall costs per activity

To calculate overall costs, clusters multiply average unit costs with the total number of units per activity. The budget of sectoral response plans included in HRPs is the sum of the costs per activity.

III. Challenges in Unit-Based Costing

A. Multisector Projects

Commonly during HRP planning, leads will identify projects which provide services spanning multiple sectors, such as comprehensive services for refugees in camps. The full costs of multi-sectoral services for specific beneficiary populations will not be obvious if an activity-based costing methodology is used, since the costs for this particular population would be embedded within the needs assessment/average costs of the wider population.

If having estimates of the costs for multisectoral services to specific populations (e.g. refugees, the disabled, those affected by a specific regional crisis within a country) is important for your response, then the unit-based costing exercise would need to specifically track those groups as components of the wider unit-based costing. Take, for example, a case of a crisis for which the population in need included both refugees and IDPs, and the UNHCR representative needed to be able to specifically identify the funding needs for the refugee population. For simplicity's sake, imagine that the population needs in this crisis covered two areas of work, WASH and Food Security. In that case, the total budget estimate for the response would be calculated as:

Typical Unit-Based Costing	$Budget = (Unit\ Cost_{WASH} * Population\ Need_{WASH}) + Unit\ Cost_{FS} * Population\ Need_{FS}$
Disaggregated Unit-Based Costing	$Budget = (Unit\ Cost_{WASH} * IPD\ Population\ Need_{WASH}) + Unit\ Cost_{FS} * IPD\ Population\ Need_{FS}) + (Unit\ Cost_{WASH} * Refugee\ Population\ Need_{WASH}) + Unit\ Cost_{FS} * Refugee\ Population\ Need_{FS})$

Using a disaggregated unit-based costing would allow UNHCR to still assess the costs of refugee needs specifically, while still maintaining the overall unit-based costing approach. If there were reason to believe that the unit cost of WASH or Food Security activities was different for refugees vs. IDPs, a different unit cost could be incorporated to increase the precision of the cost estimates. This could make the overall estimates more precise, though it also requires more data and more calculations.

B. Transversal Activities

In the project-based method of costing HRPs, activities which support delivery of services across multiple clusters may sometimes be incorporated as specific projects--for instance, a protection monitoring system that ensures access to Health, Education, and WASH services for the most disadvantaged. With project-based costing, the resources necessary to ensure that this "transveral" activity is in place are obvious as they are costed separately from the cluster-based costs of the supported services. In unit-based costing, however, ensuring adequate funding for these transversal activities means ensuring that those activities are included in the unit cost for different clusters.

Take, for example, the activity of community health promotion which supports people to access both WASH, Health, and Nutrition services. When conducting a unit-based costing, each Cluster lead would need to ensure that the unit cost for health services, or WASH services, or Nutrition services, was inclusive of the per-unit cost of that community health promotion. Taking latrine construction as an example, it is rare to implement latrine construction programs without a hygiene promotion campaign to accompany them. In this case, the "unit cost" for a latrine program ought to

be inclusive of the costs of the hygiene promotion campaign--that is how the costs of this transversal activity figure into the final budget estimate.

The need to include the costs of transversal activities in unit cost estimates has two major implications for conducting unit-based costings of HRPs. Firstly, exactly which transversal activities are included should be defined during Step 2 and Step 3. Secondly, when you are documenting the calculations for your unit-based costing, you should be transparent in exactly which transversal activities were included in your unit costs, so that this is obvious to people accessing this data in the future.

C. Documenting Your Calculations

Countries using unit-based costing should keep a minimum of information as to the reasoning and metric behind sectoral requirements to explain an increase or decrease in financial requirement per country from one planning cycle to the next. The Annotated Template for Unit-Based HRP Costing, attached to this note is meant to serve as an aide memoire that should help clusters to keep a written track record of the costing exercise.

The guidance would be disseminated and supported through the clusters. It should include:

- Estimates of the unit cost of serving individuals by sector, broken down by the specific activities that may be provided. Unit costs should include weighting for different contexts to estimate the effect of contextual factors, contingencies and risks. For instance, a cost per person for WASH services would be broken down into separate estimates of the cost per person for clean water delivery, latrine provision, and hygiene promotion. Such a data set would need to be produced in-country but collated centrally, so that methodology can be reasonably assured, and clusters can then share information across countries as necessary. For instance, when an HRP is being developed for a new country, this will allow data from other contexts to be surfaced and used.
- A clear framework for combining figures from needs assessments with projected unit costs to come up with a total budget envelope by sector.
- Guidance on how to adjust unit cost estimates based on anticipated risks in that response (e.g. security concerns, political risk, exchange rate risk).

This documentation can also serve another important function--helping future planners to determine whether the unit costs budgeted for were sufficient to deliver quality programming to the population in need in that context. If budgeted unit costs were insufficient to provide quality services, this is an opportunity for learning about the necessary resources to deliver services in future responses.

***Example*: DRC Unit-Based Costing**

In 2017, the Humanitarian Country Team (HCT) in the Democratic Republic of Congo (DRC) adopted a multi-year planning and budgeting strategy which used a unit-based costing methodology to develop budget estimates for each year between 2017 and 2019. The rapidly shifting situation, including new eruptions of violence in Kasai and the Kivus, meant that the multi-year plans had to be revised at the start of 2018, but it nonetheless provides a valuable example of the mechanics of unit-based costing in practice. In 2018, there were a total of 13.1 million people in need, of whom 10.5 million were directly targeted by the HRP. This total targeted population included a large number of IDPs, as well as a smaller population of refugees fleeing from South Sudan.

Describing main cost drivers
One primary cost driver in the DRC was whether beneficiaries were refugees or IDPs, and the nature and length of their displacement. For refugees, their needs in terms of WASH and Health were likely to be more intensive than IDP populations.

Defining your units of measurement.
In the 2018 revision, the DRC team chose to use the beneficiary as the unit of measurement across all sectors. This simplified their calculations, as they did not have to track and incorporate different unit counts--e.g. number of households, number of districts, number of schools--into their budget projections. However, it relied on having reliable information on the average cost per *that unit* of measurement available to them. In this case, because of the multi-year use of unit-based costing as part of the HRP, average unit costs for this unit of measurement were available from prior years. For some clusters, these average unit cost estimates were updated between 2017 and 2018 to reflect the increased intensity of needs in that sector witnessed in 2017. This reinforces the importance of documenting your work during the process of unit-based costing.

Indicating average unit costs.
The clusters determined that average unit costs were likely to be different for refugee vs. non-refugee beneficiaries, and so they chose to define average unit costs differently for these two populations. This fits nicely with the description of transversal activities above, allowing UNHCR to separate out the unique costs of serving the refugee sub-population. UNHCR also determined that there were particular, non-sectoral costs associated with serving refugee beneficiaries, and included this as its own unit of service, with an associated average unit cost. Because these activities were only relevant for refugee beneficiaries, the average unit cost applies for refugees only.

Cluster	Average Unit Cost, Non-Refugees	Average Unit Cost, Refugees
Education	$65.00	$33.87
Food Security	$77.70	n/a
Health	$18.00	$20.67
NFI/Shelter	$38.40	$31.72
Nutrition	$99.30	$25.49
Protection	$8.30	$27.33
WASH	$11.40	$26.34
Non-Sectoral Refugee Response	n/a	$39.53

Calculating overall costs per activity.

Pulling information about the targeted beneficiary population from needs assessments, and using the average unit cost information they defined, the Humanitarian Country Team was then able to assemble an estimated budget for 2018.[1]

Cluster	People Targeted, not Refugees (Millions)	Average Unit Cost	Budget, not Refugees (Millions)
Education	1.7	$65.00	$110.5
Food Security	8.2	$77.70	$637.1
Health	10.5	$18.00	$189.0
NFI/Shelter	3.7	$38.40	$142.1
Nutrition	2.1	$99.30	$208.5
Protection	13.1	$8.30	$108.7
WASH	8.2	$11.40	$93.5

Cluster	People Targeted, Refugees (Millions)	Average Unit Cost	Budget, Refugees (Millions)
Education	0.2	$33.87	$6.8
Food Security	0	$-	$-
Health	0.6	$20.67	$12.4
NFI/Shelter	0.2	$31.72	$5.9
Nutrition	0.1	$25.49	$2.6
Protection	0.6	$27.33	$16.4
WASH	0.2	$26.34	$4.9
Non-Sectoral Refugee Response	0.6	$39.53	$23

At the end of this process, the HCT had an estimate of the budget needs for the 2018 response, which could be tied specifically to the population target numbers and the estimated cost per beneficiary of addressing key needs.

[1] For simplicity's sake we have excluded several other clusters from this table, and so the total budget from these two tables is slightly different than the total 2018 HRP budget for DRC.

3. Project-based costing

Preconditions

- Agreement by all partners for full public disclosure of their project on OPS / FTS
- OCHA in country is able to support in OPS usage - including OPS introductions, training and user support (in addition to the support provided by OCHA Geneva), and is able to manage and communicate on the overall process of project submission and vetting.

Methodology

The clusters/sectors identify humanitarian activities, with indicators and targets in line with the strategic objectives and present them in the cluster/sector response plans of the HRP. Subsequently, all sector members submit their projects, including project budgets, via the online project system (OPS) database. Cluster coordinators vet projects according to an agreed timeline and selection criteria2, and all projects are subsequently submitted to the HC for final approval.

The total sector budgets are calculated as the sum of the approved project budgets. The total budget, as listed in the HRP and financial tracking service (FTS), is the sum of all sector budgets. Main responsibility for costing lies with Agencies and (I)NGOs, vetting process lies with the Clusters

Advantages

- Already familiar to UN agencies and NGOs.
- Peer-review of projects strengthens sector internal dynamics and allows for quality check of submissions, and for coherence with sector response plans.
- This process provides an overview of response capacity. Looking at planned projects, sector coordinators have a vision of who is intending to do what where, which facilitates identification of potential gaps in the response, as well as duplication of projects.
- When well-coordinated, produces a solid picture of financial needs. Also, provides visibility to participating organisations vis-à-vis donors. This gives donors easy access to information about organisations on the ground to facilitate their funding decisions.
- Financial tracking is simplified with projects registered in the OPS database, clearly indicating which organisations are participating in the HRP, in which sector and for which activities.
- Does not require specific programming expertise from clusters/sectors to estimate budgets/ cost individual activities.

Disadvantages

- The process can be time consuming and heavy, especially for organisations who have already secured funding.
- Aggregate of projects rather than a coherent picture of needs of affected populations
- Lacks transparency and cost comparability within projects to facilitate better cost effectiveness
- The process can be lengthy and seen as static, and revising projects can be seen as cumbersome, thereby discouraging country teams of updating the financial ask in changes in the situation.
- The approach may lead to over-budgeting as organisations inflate funding needs to cover their project costs.
- Local partners may be discouraged from participating in the process due to difficulties with OPS.
- The process is less suitable for a sudden onset emergency (i.e. Flash Appeal)

2 Can be found here: https://docs.unocha.org/sites/dms/CAP/2014_SRP_guidance-27_Sep_2013_EN.pdf

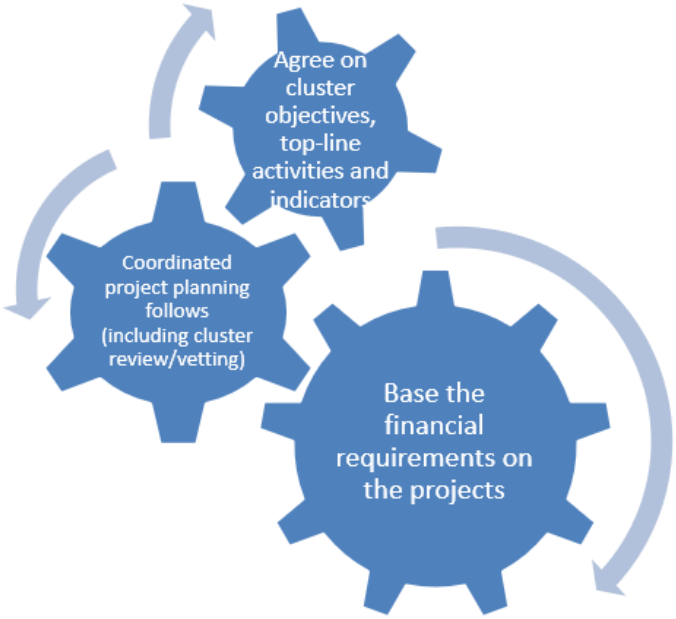
Global Protection Cluster

Methodology

Project based requirements from an HRP are simply the sum of the requirements of all projects collected through the coordinated project planning process. This process takes place after the strategy and the cluster response plans have been developed. Clusters first determine their cluster objectives and key activities, linked to the strategic objectives; these then serve as the basis for project development.
A coordinated approach to project planning prevents duplication, ensures a proper division of labour amongst partners, and can facilitate agreements on criteria for project selection within the clusters.

I. Possible stages of the process (to be defined in-country at the onset of the process)

1. **The cluster agrees to an internal division of labour** to coordinate implementation and ensure coverage of main needs. Take into account those humanitarian actors that do not register their planned actions on the Online Projects System (OPS), as well as the Government's response, to avoid duplication.
2. **The cluster establishes criteria for the selection** (and possibly classification) of projects, with guidance provided by the HC/HCT as needed. Establish these criteria in advance to set the direction of the process, including concerns expressed by the affected population. Setting categories--such as [now vs later], [east vs west], [before planting season vs after] can enable the HCT to programme for prioritising the response to the most urgent (or time-sensitive) requirements.



3. **Organizations design projects** based on the assessed needs, response boundaries, strategic objectives and cluster objectives/activities. The projects should be designed according to the expressed needs and concerns of the affected population. Then agencies and NGOs upload projects on OPS.3
4. Allow **sufficient time for partners** to submit well-designed projects. Ensure all participants get the required time and guidance, particularly if they are new to the process.
5. **Clusters peer-review the projects** using the established selection criteria as a basis for vetting. Ensure fair and transparent representation in the peer review panel. Projects are endorsed only if they address the identified needs, correspond to the agreed division of labour, are realistically costed and can be implemented.
6. **OCHA publishes** the approved projects electronically on the FTS website, where everyone can view all details alongside the HRP document.

Projects can have any start or end date within the period covered by the plan. The HCT decides how to group or sort projects (different countries have different clusters, but projects can also be sorted according to other criteria such as inter-cluster groupings or themes if these are more convenient).

Projects can be revised on OPS at any time to react to situations evolving and shifts in the division of labour.

II. Multiyear, multi sector or multi agencies projects

For multi-agency projects, each organization should separate out their component and related budget requirements and upload these onto OPS as one project with several appealing agencies.

For multisector/cluster projects, the HCT should decide, at the onset of the process, what the peer review process should look like. Refugee multisector projects must be tagged as such, and should be reviewed by UNHCR.

Multi-year projects should split their requirements into the (approximate) amount per year.

III. Simplifying the project-based costing process in certain contexts

In specific contexts, in particular for Flash Appeals, it can be interesting to only upload basic information such as Agency, cluster, title of project and requirements. This means, though, that clusters have to vet projects with a minimal level of information, which works well in sudden onset situations for example. If the flash appeal is revised, it is usual that Agencies will then add more information as part of their project sheets on OPS.

IV. The hybrid method

There have been a few attempts to combine unit and project based costing.

1. **Delayed project planning** in the case of sudden onset – first establishing costs trough very rough unit based costing, then, a few weeks or months later, going through coordinated project planning. This method is useful for sudden onset crises as in the first days of an emergency, it is absurd to ask all actors to spend time on registering projects, and doing vetting, while they have so many urgent things to do. The total requirements were then switched to the sum pf projects.
2. The **Marketplace approach** – tested in CAR and in Burundi. In this approach, the requirements are unit-based. Once they are calculated, Agencies present projects through the OPS, but there is NO vetting – all projects are part of the "market". The total requirements remain unit based, as the total dollar amount of the projects is irrelevant since there might be gaps and overlaps (two agencies can present similar projects for the same groups, if they wish so). This allows for a more "open" competition among projects and shifts the responsibility of selecting projects from the clusters to the donors. As this has only been tested once (Burundi is ongoing) it is difficult to assess the validity of this approach – however, country team members in CAR who were consulted mentioned that they felt the method added a burden on both Agencies and cluster coordinators, and did not yield the expected simplification of the process.

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V. The new OPS – making project-based costing more transparent and accountable

The project module – the upgrade from the OPS system – was piloted in Libya and Chad for the 2018 cycle, and should be used for all countries for the upcoming cycle. Some of the features include:

- More flexibility, allowing for custom fields on the project sheet.
- Better navigation, visualisation for projects and mapping features
- Integrated with other HPC tools (components) such as the Response Planning and Monitoring Module (RPM), Financial Tracking Service (FTS), 3Ws etc.
- Supports linking projects to caseloads or activities as defined in the strategy.
- Enhanced breakdown of requirements and caseloads in multi-cluster, multi-organisation and multi-year projects
- Supports market place approach (projects outside HRPs) and acknowledges out of HRP activities, to ensure better coverage of needs

It should be noted that at time of writing this tip sheet, the development of the projects module is still under way – therefore, due to customers' feedback the features might vary.