Value for Money of Multi-year Approaches to Humanitarian Funding

Courtenay Cabot Venton, April 2013
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Executive Summary

Introduction
Despite continued efforts to improve humanitarian funding, there is on-going criticism that aid frequently arrives too late. The UK Government’s Department for International Development (DFID) has committed to improve the quality of funding by increasing the predictability and timeliness of UK funding, with one of its mandates to agree to multi-year funding for humanitarian crises. This paper is a desk-based study that attempts to explore in detail the cost-effectiveness of multi-year approaches to humanitarian programming at country level.

Cost Effectiveness of Multi-year Humanitarian Funding

Comparison of Humanitarian Funding Models
This paper specifically seeks to evaluate the cost effectiveness of 1) annual late response funding; 2) annual early response funding and 3) multi-year funding. In the quantitative analysis presented in the report:

- **Annual late humanitarian funding** is considered to be the counterfactual - i.e. the benefits listed below are in comparison to this scenario.
- **Multi-year humanitarian funding** is expected to result in the full range of benefits.
- **Annual early response funding** sits in the middle; it is expected to bring benefits beyond late response; however, it does not result in the full range of benefits that can come about from a multi-year response.

Potential Benefits of Multi-Year Funding
Multi-year humanitarian funding has the potential for numerous benefits, which will lead to not only a more efficient response, but also better outcomes for beneficiaries:

- **Lower operational costs** – multi-year funding can result in decreased costs of aid, for example through reduced procurement and ITSH\(^1\) costs, reduced staff costs, savings on proposal writing and reduced currency risk.
- **Flexibility for early response** – Agencies can react more appropriately and/or quickly to changing conditions, resulting in reduced caseloads, levels of needs, and loss of life.
- **Predictability** of funding allows more strategic partnerships and better planning, and can facilitate pre-positioning of stocks, pooling orders, leverage of additional funds, as well as cost savings from making long term investments, and facilitating the choice of the most appropriate interventions.

Typology of Humanitarian Emergencies
The benefits of multi-year funding will vary depending on the type of crisis:

1. **Protracted crises** (e.g. drought in the Horn of Africa): There is a clear imperative for multi-year funding in protracted crises, including fragile and conflict affect states. Countries that are long term recipients of aid (i.e. those with protracted crises) received 68% of total humanitarian assistance in 2009.\(^2\) These are crises that we know will last for years, hence longer term

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1. Internal Transport, Storage and Handling
funding makes sense. The largest potential areas of savings are believed to be operational, facilitated through early response and longer term planning, as well as administrative - staff costs and ability to preposition stocks.

2. **Predictable and regular rapid onset events** (e.g. flooding in Bangladesh): There is also a strong argument for multi-year funding in rapid onset events, if they are predictable and regular, and hence can benefit from cost efficiencies that can come about through pre-positioning and longer-term measures to reduce risk, as well as measures that build preparedness and longer term resilience. The magnitude of savings is likely to be highest for operational and administrative costs, as with protracted crises.

3. **Unpredictable, rapid onset events** (e.g. the earthquake in Haiti): At first glance, this category is not as intuitive for multi-year funding. However, in the case of large-scale sudden onset events, humanitarian funding is often required for at least 2 or 3 years, as agencies move through the different stages of the disaster management (DM) cycle. Many of the high order of magnitude cost savings in the first two categories are simply not realized because they are not feasible for an unpredictable event (e.g. pre-positioning, early procurement, decreased caseloads). Rather, the significant area of cost saving relates to the ability to initiate long term planning throughout the DM cycle as a result of multi-year funding.

### Evidence of Quantifiable Benefits of Multi-Year Funding

The evidence is presented according to three categories:

- Administrative cost savings;
- Operational cost savings; and
- Outcome cost savings.

#### Administrative Cost Savings

Multi-year funding has the potential to deliver administrative cost savings on multiple levels, and NGOs consulted felt that this could be a substantial area of cost savings, as compared with the current model of late response annual funding. Potential cost savings include: reduced staff costs; reduced proposal writing; improved currency conversion; and leverage of additional funds.

#### Operational Cost Savings

Operational cost savings refer to procurement, transport and logistics, prepositioning of stocks, and the ability to plan and operationalise long-term interventions. Operational cost savings were analysed on a sectoral basis, with a focus on the food and nutrition sectors, as these are the largest components of humanitarian response. The main report also provides limited evidence on water, health, shelter, and other sectors.

Evidence on cost savings for **food**:

- **Limited** evidence exists that the unit cost of food aid is reduced by 1/2 to a 1/3 of the original cost if procured early to achieve lower unit and transport costs.
- **Strong** evidence exists that response time can be decreased by half through flexible funding.
- **Limited** evidence suggests that this time saving can result in reduced food deficits, though there is a good deal of variation.
• **Strong** evidence suggests that predictable funding can allow agencies to procure food from the least expensive source, with savings from WFP suggesting that savings could be between 23% and 33% of the cost of commodities on average.

• **Limited** evidence suggests that predictable funding can facilitate decisions such as sourcing locally; however, this is very context specific, and raises potential issues over quality. By contrast, where it is successful, it can stimulate local markets.

**Evidence on cost savings for nutrition:**

• **Limited** evidence that local sourcing can lower unit costs of commodities and transport costs: specific to “Ready-to Use Therapeutic Food” (RUTF), air freight of RUTF increases the landed cost by 100%, and sea freight by 10%.

• **Strong** evidence exists that the cost of treating severe acute malnutrition (SAM) can be up to four times more expensive than treating moderate acute malnutrition (MAM).

• **Strong** evidence that it costs twice as much to avert a death of a child using community based management of SAM as compared with complementary foods for the prevention of acute malnutrition.

• **Limited** evidence exists that the cost of preventative measures, for example HINI (High Impact Nutrition Interventions) is 8-15% of the cost of treating SAM. While this evidence is anecdotal, it is unlikely that these costs will vary significantly.

**Conclusions**

The evidence, both qualitative and quantitative, strongly indicates that multi-year humanitarian funding can result in cost efficiencies throughout the DM cycle. The quantitative evidence for the extent of these cost efficiencies is limited, and in some cases the evidence is very context specific and therefore hard to generalize. Nonetheless, **the quantitative and qualitative evidence that does exist clearly indicates that substantial value for money gains can be made by shifting to multi-year humanitarian funding.**

These gains can be demonstrated along all three components of the value for money results chain.

• Economy requires that the cost per unit of input be minimised. The evidence suggests that multi-year funding can bring significant gains across a range of inputs, including material costs, transport, storage, and salaries.

• Efficiency dictates that the cost per output should also be minimised. The evidence suggests that multi-year funding can facilitate early response, which in turn reduces caseloads, or the cost per person reached.

• Effectiveness measures the cost of achieving the intended outcome of the activity. Multi-year funding has the potential to not only deliver cost effectiveness in terms of outcomes (e.g. lives saved, DALYs gained, improved health); it can also facilitate interventions that have longer term impacts that yield benefits beyond the lifetime of the response.
Recommended next steps include:

- **Establish a forum for bringing together relevant stakeholders on this topic.** There is a lot of interest in this discussion, and likely to be more information coming available that can be used to build the case.

- **Investigate potential funding modalities for multi-year funding.** This paper lays the groundwork for justifying the value for money of multi-year funding. Further work is required to investigate the specific modalities for establishing funding mechanisms, and their relative ability to contribute to and maintain VFM.

- **Evaluate DFID country portfolios for potential cost savings.** Using the rules of thumb and evidence presented here, select several case study countries to evaluate the business case for multi-year funding (e.g. if DFID had taken a multi-year approach to financing our food support programmes in country X for the past 3 years, the cost would have been £x as opposed to the £y amount DFID spent, delivering a cost saving of £z for delivered outputs/outcomes).
## Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>CAP</td>
<td>Country Assistance Programme</td>
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<tr>
<td>CBHA</td>
<td>Consortium of British Humanitarian Agencies</td>
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<td>CERF</td>
<td>Central Emergency Response Fund</td>
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<td>CHF</td>
<td>Common Humanitarian Funds</td>
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<td>DALY</td>
<td>Disability Adjusted Life Year</td>
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<td>DEC</td>
<td>Disasters Emergency Committee</td>
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<td>DFID</td>
<td>Department for International Development</td>
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<td>DM</td>
<td>Disaster Management</td>
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<td>DRR</td>
<td>Disaster Risk Reduction</td>
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<td>ERF</td>
<td>Emergency Response Fund</td>
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<td>FAO</td>
<td>Food and Agriculture Organisation of the United Nations</td>
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<td>FPF</td>
<td>Forward Purchase Facility</td>
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<td>FTS</td>
<td>Financial Tracking Service</td>
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<td>GLS</td>
<td>Global Logistics Service</td>
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<tr>
<td>HABP</td>
<td>Household Asset Building Programme</td>
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<tr>
<td>HINI</td>
<td>High Impact Nutrition Interventions</td>
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<td>HLB</td>
<td>Humanitarian Logistics Base</td>
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<td>IASC</td>
<td>Inter-Agency Standing Committee</td>
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<td>ICRC</td>
<td>International Committee of the Red Cross</td>
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<td>IFRC</td>
<td>International Federation of the Red Cross</td>
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<td>IPC</td>
<td>Integrated food security Phase Classification</td>
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<td>IYCF</td>
<td>Infant and Young Child Feeding</td>
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<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>MAM</td>
<td>Moderate Acute Malnutrition</td>
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<td>MT</td>
<td>Metric Ton</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<td>OFSP</td>
<td>Other Food Security Programme</td>
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<td>P4P</td>
<td>Purchase for Progress</td>
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<td>PPA</td>
<td>Programme Partnership Agreements</td>
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<td>PSNP</td>
<td>Productive Safety Nets Programme</td>
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<td>RUTF</td>
<td>Ready-to Use Therapeutic Food</td>
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<td>SAM</td>
<td>Severe Acute Malnutrition</td>
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<td>TLU</td>
<td>Tropical Livestock Units</td>
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<tr>
<td>U5</td>
<td>Under 5 (years of age)</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNICEF</td>
<td>UN Children’s Fund</td>
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<td>VfM</td>
<td>Value for Money</td>
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<td>WASH</td>
<td>Water, Sanitation and Hygiene</td>
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<td>WFP</td>
<td>World Food Programme</td>
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1 Introduction

1.1 Introduction to the Study

Despite continued efforts to improve humanitarian funding, there is on-going criticism that aid frequently arrives too late. The recent crises in the Horn of Africa and in the Sahel have reminded the world that, while the system of delivering timely aid is improving in certain respects, it still falls well short of what is required to meet needs in a timely manner.

The UK Government’s Department for International Development (DFID) has committed to improve the quality of funding by increasing “the predictability and timeliness of UK funding, for example by making early pledges to appeals, agreeing to multi-year funding, supporting global and country-level pooled funds, fast track funding and pre-qualifying NGOs and private sector partners.”

This paper is a desk-based study that attempts to explore in detail the cost-effectiveness of multi-year approaches to humanitarian programming at country level, to enhance Value for Money (VfM). It is assumed that multi-year funding will facilitate early response to disasters and as a result deliver better results, as well as bring wider efficiency gains as a result of consistency of funding.

1.2 Approach

The study began with a scoping phase, in which relevant literature was reviewed and summarized, and data gaps identified. The scoping paper found that readily available data on cost efficiencies of multi-year funding was relatively sparse and anecdotal, with the food and nutrition sectors having the most analysis.

In order to fill some of these gaps, a period of consultation was undertaken with key actors in the humanitarian sector, across a range of donors, Non-Governmental Organisations (NGOs) and academics. Annex A contains a full listing of consultation undertaken for this paper. Consultations were used to talk through the key benefits that stakeholders would see from multi-year funding, as well as any drawbacks, and specifically to seek out data on the cost efficiency implications of a multi-year approach. This report presents and summarizes the findings.

1.3 Structure of the Report

The report is structured as follows:

- Section 2 contains an assessment of the potential benefits, as well as drawbacks, of multi-year humanitarian funding.
- Section 3 provides a brief summary of current funding mechanisms, and describes some of the implications of a potential shift to multi-year funding.
- Section 4 draws conclusions and recommends next steps for further analysis.

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2 Cost Effectiveness Assessment of Multi-Year Funding

2.1 Qualitative Assessment of Benefits

Potential Benefits of Multi-Year Funding

Both the literature and the consultation identified a wide range of benefits from multi-year humanitarian funding. Indeed, the overarching conclusion, with full consensus, is that multi-year humanitarian funding, particularly for protracted crises, is imperative.

The potential benefits of multi-year funding that were raised in the literature and through consultation include the following. Some of these are quantified in the following section, others can only be assessed qualitatively:

- More predictable resource flows can enable pre-positioning and planning to promote more efficient, cost-effective and timely operations. Timeliness can be key in reducing disaster loss – i.e. intervening before impacts escalate.

- Relief items, particularly food, can be procured at favourable market rates.

- Longer term, reliable funding provides flexibility to promote more cost effective approaches e.g. installing water systems rather than water trucking.

- Along similar lines, it allows partners to develop long-term strategies, which enables them to invest in the whole Disaster Management (DM) cycle, from relief, to recovery, reconstruction and longer term disaster risk reduction. It is not possible to design a disaster preparedness programme on a 6-monthly basis – there is not enough time to do the preparatory work, to build capacity, etc. The Red Cross, for example, is mandated to engage with government Disaster Risk Reduction (DRR) plans, and this is not possible in such a short timeframe. While some agencies do make longer term plans under the presumption that they will receive funding, or by underwriting activities with funding from other budgets, clearly this does not sit easily as an ongoing strategy.

- Importantly, it also allows partners to develop and follow through on exit strategies, or transition strategies to more of a development model (noting that exit strategies are not necessarily feasible or appropriate in certain contexts, such as fragile states, or within a certain timeframe). This also forces agencies to think through a long-term plan, and how to transition populations to greater self-sufficiency, rather than always relying on short term, ongoing humanitarian aid.

- It allows partners to study the context more carefully, and develop more participatory approaches by getting feedback from affected populations, and adjusting programmes so that they deliver better results. Combined with more long-term strategies, multi-year funding

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Walton, 2011.
should lead to a more informed, and hence better response, supporting the delivery of sustainable outcomes.

- **Agencies can maintain staff** (and partners) over the longer-term – reducing staff turnover (and attendant costs) and sustaining and building expertise and contextual knowledge. This is particularly an issue with local staff, where a great deal of time is invested in **training and capacity building**. Long-term contracts were also felt to attract a different type of person – someone who is invested in long-term gains. Finally, it was highlighted that multi-year funding could help to avoid **security threats**. The current system results in staff changes that can severely disrupt community relations. One agency consulted gave an example of having to close down their local office as short term funding ran out, and then trying to hire everyone back a month later when the next round of funding came through. Multi-year funding would allow agencies to not only make sure that the staff are in place, but it also gives them the ability to build the capacity of national partners, especially where standing capacity is key to address spikes in need.

- **Significant time saving associated with proposal writing.** NGOs cited this as possibly the biggest area of potential saving for them. A number of consultees mentioned that, in the short term, there could be a dis-benefit here – humanitarian proposals and their associated log frames can be quite light to write, as donors are much more flexible given the emergency status, whereas longer-term funding proposals often require more work. AusAid also pointed out that funding over a year kicks up a number of additional internal processes that can be time consuming. However, consultees were unanimous that overall, the burden would be significantly lighter once funds are set up.

- These savings would be repeated on the donor side. For example, **DFID would see significant time saving associated with proposals.** DFID would not have to produce as many business cases, and tendering and contractual costs would decrease. While there could be new costs associated with monitoring longer-term investments, these should be minimal by comparison.

- Further to this, proposal writing often falls at the same time as more detailed monitoring and evaluation would take place for next phases of work. As a result, the Monitoring and Evaluation (M&E) is not as rigorous as it could be. **Time to do more rigorous M&E would result in significant quality and targeting gains.**

- **Multi-year funding can help to meet the inevitable peaks in need** through flexible allocations between financial years. Similarly, contingency funding can be built in to expand operations if needs increase, and triggered as appropriate. Multi-year funding can also enable NGOs to move money between budget lines to respond to crises as needed.

- Multi-year funding should support a package of quality services for beneficiaries, rather than short-term measures, and hence there is likely to be **an increased sense of “customer satisfaction”**.
Limitations of Multi-Year Funding

The feedback from consultation was unanimous that multi-year funding, especially for protracted crises, was a “no-brainer”. The only concerns raised were related to some of the institutional barriers that need to be overcome in order to facilitate such a model. Some points of concern include:

- There is a real concern that “multi-year” funding may not actually provide as much predictability as hoped. Though the difference is slight, “multi-annual” funding refers to funding that comes for more than one year, but which requires re-application each year, and hence many of the benefits of “multi-year” (in other words, having a known flow of funds over subsequent years) are lost. Many donors’ budgets and funding is still set on an annual basis, and therefore many of the potential benefits listed above are not realized. Therefore the design really needs to focus on true multi-year funding.

- Multi-year funding requires a balance between flexibility and accountability – several consultees raised the concern that recipients will lose momentum in year 2, and mechanisms need to be put in place to ensure that each year is rigorous and accountable. This needs to be balanced with ensuring that funds remain flexible enough to address needs as they arise. By contrast, numerous consultees highlighted that multi-year funding is already “tried and true” in other contexts (e.g. development financing, core funding, etc), and therefore would argue that this concern is unfounded.

- Many consultees highlighted that multi-year funding is only one piece of the puzzle. Recipients also need to change their processes to make best use of multi-year funding. For example, some organizations are required to write internal proposals on a yearly basis, even if they have multi-year funding. Others do not allow for funds to be passed from one year to the next, which undermines the ability of an agency to regulate spend according to need. Further, most Country Assistance Programmes (CAPs) are annual, so the overarching humanitarian funding framework within which most organisations operate is short term.

- Several consultees also highlighted the inefficiencies inherent in partner agency coordination (or lack thereof). In a crisis, all of the responding agencies tend to act in parallel, resulting in substantial cost inefficiencies. For example, local suppliers, who are already overstretched due to the needs of the crisis, often have to re-tool their machines for orders of the same product by each agency, to change branding or tracking. It was felt that multi-year funding would facilitate greater joint planning on the part of agencies, which could address some of these inefficiencies, because it gives them more scope to engage in a longer term and coordinated approach (clearly multi-year financing is not the only way to achieve this, but would amplify the efficiencies realized over annual funding).

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2.2 A Framework for Assessing the Quantitative Benefits of Multi-Year Funding

2.2.1 Scope of the Analysis
The previous section highlighted a range of benefits associated with multi-year humanitarian financing, some of which can be quantified, others of which are more qualitative in nature. For the purposes of a Value for Money (VfM) analysis, quantification of benefits is key to demonstrate the cost efficiencies that can be achieved by taking a multi-year approach, and the qualitative benefits will further add to this argument.

Comparison of humanitarian funding models
This paper specifically seeks to evaluate the cost effectiveness of 1) annual late response funding; 2) annual early response funding (e.g. shortly after the first failed rains, or within 72 hours of flood onset) and 3) multi-year funding. For this analysis, it is assumed that multi-year funding is truly multi-year (and not multi-annual), and therefore benefits from long term planning are feasible, and that multi-year funding facilitates early response.

In the quantitative analysis that follows in subsequent sections:
- **Annual late humanitarian funding** is considered to be the counterfactual - i.e. the benefits listed below are in comparison to, and therefore considered additional to, annual late response funding.
- **Multi-year humanitarian funding** is expected to result in the full range of benefits outlined below.
- **Annual early response funding** sits in the middle; it is expected to bring benefits beyond late response, as an early response can facilitate early action and greater flexibility over late response. However, it does not result in the full range of benefits that can come about from a multi-year response.

Because of the lack of specific quantifiable evidence for the cost savings that can be achieved, it was not possible to break out costs on the basis of all three categories of response. Rather, the table below contains a general categorisation of those savings that can be achieved. Throughout the evidence presented below, multi-year funding is compared against the counterfactual of late annual funding.

Categories of quantifiable savings
The table below highlights some of the specific quantifiable savings that could result from multi-year funding. This does not suggest that the data exists presently to quantify all of these cost items. The administrative costs are more general costs, whereas many of the operational and outcome based costs can be examined on a sectoral basis.

The table further highlights those cost savings that would be applicable under both an annual early response and a multi-year funding model (key: Early and multi-year), as well as those that are assumed to only be applicable to multi-year (key: multi-year only).
Three categories of savings are defined:

- **Lower operational costs** – multi year funding can result in decreased costs of aid.
- **Flexibility for early response** – Agencies can react more appropriately to changing conditions.
- **Predictability** of funding allows more strategic partnerships and better planning.

<table>
<thead>
<tr>
<th></th>
<th>Administrative</th>
<th>Operational</th>
<th>Changes in Outcomes</th>
</tr>
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<tbody>
<tr>
<td><strong>Lower operational costs</strong></td>
<td>• Staff costs (length of contract)</td>
<td>• Procurement prices</td>
<td>• Decreased case loads and levels of need</td>
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<td></td>
<td>• HQ staff time for developing proposals</td>
<td>• Transport and logistics</td>
<td>• Avoided lives lost</td>
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<td></td>
<td>• Reduced currency risk</td>
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<tr>
<td><strong>Flexibility for early response</strong></td>
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<tr>
<td></td>
<td>• Leverage of additional funds</td>
<td>• Prepositioning of stocks</td>
<td></td>
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<tr>
<td></td>
<td>• Pooling orders across implementing partners</td>
<td>• Cost savings from making long term investments</td>
<td></td>
</tr>
<tr>
<td><strong>Predictability of funding</strong></td>
<td></td>
<td>• Ability to choose most appropriate intervention</td>
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Typology of Humanitarian Emergencies

Multi-year humanitarian funding is applicable in a range of disaster scenarios, though the most obvious application is for protracted crises where significant amounts of pre-planning can be undertaken to facilitate more thoughtful and dynamic responses, resulting in cost efficiencies. However, it is also clear that multi-year funding can be helpful in predictable and regular rapid onset events, as well as for unpredictable rapid onset events where funding is required from relief through to recovery and reconstruction.

In order to facilitate the analysis, a typology of humanitarian emergencies is outlined below as cost efficiencies can differ across these groupings. It is important to note that the descriptions below are somewhat artificial - often countries or regions cannot be classified as one or the other but are in fact a mix.

1. **Protracted crises**: There is a clear imperative for multi-year funding in protracted crises.
   Countries that are long term recipients of aid (i.e. those with protracted crises) received 68% of total humanitarian assistance in 2009. These are crises that we know will last for years, hence longer term funding makes sense. However, caution is required when defining a protracted crisis, because these countries also experience rapid onset spikes in need, for

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6 e.g. limited availability of certain malnutrition treatments with late response; the sort of developmental benefits expected

7 “Global Humanitarian Assistance (GHA) Report 2012”, Development Initiatives, UK.
example, drought affected countries will also have severe floods in the rainy season, and while these can be predictable in some cases, they will nonetheless require a different kind of response.

2. **Predictable and regular rapid onset events:** There is also a strong argument for multi-year funding in rapid onset events, if they are predictable and regular, and hence can benefit from predictable funding (for example, flooding in Bangladesh). If we have a relatively good idea of where and when these types of events will occur, we can benefit from cost efficiencies that can come about through pre-positioning and longer-term measures to reduce risk, and build preparedness and longer term resilience.

3. **Unpredictable, rapid onset events:** At first glance, this category is not as intuitive for multi-year funding. Many of the gains that can come from pre-positioning or operational efficiencies are not relevant. However, in the case of large-scale sudden onset events, for example Cyclone Sidr in Bangladesh, the Pakistan floods, or the earthquake in Haiti, humanitarian funding is often required for at least 2 or 3 years, as agencies move through the different stages of the disaster management cycle. In these rapid onset events, relief has to be mobilized very quickly, with little time for analysis. However, at month four or earlier, agencies could be designing a good evidence-based recovery programme for the whole period that disaster management is required, instead of writing the proposal for the next 6 months of work. Further to this, in cases where we know that a large scale event is due (for example, Nepal earthquake), contingency planning and some degree of pre-positioning can be facilitated.

The quantitative evidence on the potential cost savings from a multi-year response is not detailed or strong enough to make an assessment of the specific cost savings that might be possible according to each type of emergency. However, based on stakeholder consultation and literature, a qualitative assessment of the order of magnitude of potential cost savings was attempted below, in Table 2. The table describes the potential cost savings, by type of emergency, according to whether they are believed to be high, medium or low magnitude. Clearly these will differ by type of implementing agency, context and scale of disaster.

Generally speaking:

- Protracted crises, and predictable rapid onset crises are believed to result in similar outcomes in terms of order of magnitude of cost savings. The largest potential areas of savings are believed to be largely operational, facilitated through early response and longer term planning, as well as administrative. The only perceived difference between the two types of emergency is a higher benefit from decreased case loads in a protracted crisis, compared with a higher benefit from avoided lives lost in the case of rapid onset, due to the significant effect that preparedness can have on reducing lost lives in floods for example.

- Unpredictable rapid onset events have a very different profile. Many of the high order of magnitude cost savings in the first two categories are simply not realized because they are not feasible for an unpredictable event (e.g. pre-positioning, early procurement, decreased case loads). Rather, the significant area of cost saving relates to the ability to initiate long term planning throughout the DM cycle as a result of multi-year funding.
Table 2: Qualitative Assessment of the Order of Magnitude of Cost Savings  
(The comparison is made against the late response scenario. Savings related to multi-year only are indicated with a *)

<table>
<thead>
<tr>
<th>Type of Emergency</th>
<th>Magnitude</th>
<th>Administrative Savings</th>
<th>Operational Savings</th>
<th>Changes in Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protracted - e.g. Horn drought</td>
<td>High</td>
<td>Staff costs*</td>
<td>Prepositioning of stocks* / Procurement prices / Transport and logistics / Long term investments and planning* / Ability to choose most appropriate intervention*</td>
<td>Decreased case loads</td>
</tr>
<tr>
<td>Medium</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Low</td>
<td>Writing proposals* / Reduced currency risk / Leverage of additional funds / Pooling orders</td>
<td></td>
<td></td>
<td>Avoided lives lost</td>
</tr>
<tr>
<td>Rapid onset, predictable, e.g. Bangladesh flooding</td>
<td>High</td>
<td>Staff costs*</td>
<td>Prepositioning of stocks* / Procurement prices / Transport and logistics / Long term investments and planning* / Ability to choose most appropriate intervention*</td>
<td>Avoided lives lost</td>
</tr>
<tr>
<td>Medium</td>
<td></td>
<td></td>
<td></td>
<td>Decreased case loads</td>
</tr>
<tr>
<td>Low</td>
<td>Writing proposals* / Reduced currency risk / Leverage of additional funds / Pooling orders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rapid onset, unpredictable - e.g. Sidr, Haiti</td>
<td>High</td>
<td></td>
<td>Long term investments and planning* / Ability to choose most appropriate intervention*</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>Staff costs*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>Writing proposals* / Reduced currency risk / Leverage of additional funds / Pooling orders</td>
<td>Prepositioning of stocks* / Procurement prices / Transport and logistics</td>
<td>Decreased case loads</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Avoided lives lost</td>
<td></td>
</tr>
</tbody>
</table>
2.3 Evidence of Quantifiable Benefits of Multi-Year Funding

The aim with this section was to gather as much evidence as possible on the relevant cost efficiencies, or benefits, of multi-year funding. The evidence is often anecdotal. Even where the evidence is strong, it should always be taken with the caveat that cost efficiencies will vary significantly depending on local context. For example, WFP (World Food Programme) food prices can vary depending on where it is shipped from and where it is shipped to, the mix of food products included, whether it is supplied locally, and how easy it is to deliver to communities – all of which is context specific.

The following section is divided into three subsections with evidence on:

- Administrative cost savings;
- Operational cost savings; and
- Outcome savings (e.g. improved outcomes such as reduced morbidity and mortality).

These categories are not mutually exclusive, but do help to frame the analysis according to the types of cost savings.

2.3.1 Administrative Cost Savings

Multi-year funding has the potential to deliver administrative cost savings on multiple levels, and NGOs consulted felt that this could be one of the largest areas of cost savings, as compared with the current model of late response annual funding. The subsequent section looks at specific sector-based operational savings, and some of these administrative savings will be applicable to the sector-based allocations as well.

Reduced staff costs
Short term funding creates short-term contracts for many humanitarian staff - the inefficiencies of this system are substantial. Multi-year funding could facilitate the following savings:

- Costs associated with the hiring of staff (placing ads, interviewing, contracting, etc);
- Lower wage rates for long versus short-term expertise;
- Retained institutional knowledge; and
- Decreased disruption of local relationships (which leads to loss of trust with communities and local counterparts).

The cost of recruitment can vary: the International Committee of the Red Cross (ICRC) puts the cost of recruiting a new delegate at £15,000, and Save the Children UK estimates that recruiting a programme manager costs £5,000 to £6,000 (these are 2005 figures and therefore would be higher with inflation).\(^8\)

Reduced proposal writing
This was an area identified as a significant cost saving for agencies – many NGOs felt that it could be the biggest area of saving for them (although this is likely to be on a lower order of magnitude as compared with transport or procurement savings, for instance). Specific cost savings include:

- Reduced time spent writing proposals;
- Reduced costs associated with implementing proposals (contracting, etc);
- Higher quality proposals, as staff are writing proposals for a longer time frame, and hence incorporate a long term plan, elements of the DM cycle, exit strategies, etc; and
- Higher quality programmes, as proposal writing often occurs just as staff time could be usefully focused on programming, affecting quality.

However, it was very difficult for NGOs to estimate the amount of time spent writing proposals, as there are not typically dedicated people who just write proposals. It was estimated that approximately 50% of proposals get rejected for one agency, and this figure sounded about right to others – a significant waste of time and human resources.

It may be possible to make a rough estimate for potential savings, for example, if it’s possible to track the number of proposals that pass through DFID each year, with a rough estimate of the number of man days required per proposal.

Improved currency conversions
Humanitarian agencies are regularly converting large amounts of money into local currencies, which can be subject to high levels of fluctuation in exchange rates. The predictability of multi-year funding could help agencies to better manage this risk, for example through competitive bidding as seen in the WFP example below. Both annual early response and multi-year funding would likely facilitate cost efficiencies.

By way of example, WFP exchanged US$1.1 billion into local currency in 2010. Since 2007, WFP has made efforts to ensure good exchange rates are achieved, by using competitive bidding, focusing on operations involving large disbursements of local currency. This has led to improvements of 0.1–0.5 percent or more in currency conversion rates. Overall savings realized by competitive currency conversions for field offices are estimated at US$2.5 million per year, with annual savings in one of WFP’s largest operations estimated at US$0.9 million.⁹

Leverage of additional funds
A difficulty with the current system that was mentioned repeatedly is the lack of a consistent and predictable cash flow. Funding might start through one mechanism, but then follow on funding has to be applied for, with potential pipeline breaks in funding flows. Several agencies mentioned that early funding for a crisis can help to leverage additional funds, to mitigate against some of this “lumpiness” of funding. This was also cited in the evaluation of the Consortium of British Humanitarian Agencies (CBHA) Emergency Response Fund (ERF) – during the pilot, leverage was

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⁹ WFP (2011).
tracked in at least seven cases, where CBHA ERF grants leveraged 252% funding (2.5 times the original amount).\textsuperscript{10}

A decrease in disruption of funding flows is likely to increase efficiency in delivering of goods, though the evidence on this is slim. Both early response and multi-year funding are likely to achieve these efficiencies (indeed, CBHA was not a multi-year fund).

\subsection*{2.3.2 Operational Cost Savings}

Operational cost savings refer to the procurement, transport and logistics, prepositioning, and the ability to plan and operationalise long-term interventions. Operational cost savings were analysed on a sectoral basis, and as a result the following section provides an overview of the savings that could be made in food, nutrition, WASH (water, sanitation and hygiene), and shelter through multi-year funding and early response compared with late response.

Specific data on the ‘operational’ cost efficiencies of multi-year funding is sparse. The majority of evidence that does exist relates to food and nutrition interventions. Aside from the fact that data are more readily available for food and nutrition, there is a strong rationale for quantifying savings that can be made for these sectors. The diagram on the next page shows allocations of humanitarian aid by sector according to the Financial Tracking Service (FTS). It is clear that the largest proportion of humanitarian aid goes to food and health/nutrition, with other sectors such as water and sanitation, shelter and agriculture following behind.

Box 1: Cost Efficiencies from Pre-Positioning

To enhance efficiencies in both humanitarian and commercial logistics, the Government of Djibouti and WFP are developing a Humanitarian Logistics Base (HLB) in the port. During the recent Horn of Africa crisis, WFP had to operate expensive airlifts from Dubai to support the populations affected by the drought. The cost savings that could have been achieved if the shipments had been carried out by road from Djibouti would have been very large without compromising timeliness. The total project cost estimate is US$19.4m. It is estimated to result in a total net savings of between US$2m and US$4.3m per year (depending on throughput of aid). These savings are related to the various stages of the supply chain, from sea freight savings, to port handling, storage and transport. This estimate would result in a return on investment between 4.5 and 10 years.

While multi-year funding is not necessarily required to build an HLB, it does serve as an example of how pre-positioning, which can be facilitated through multi-year funding, can bring about significant cost savings.

Source: WFP HLB Fact Sheet, October 2012; WFP, HLB Vademecum for donors.

Figure 1: FTS - 2012 Humanitarian Allocations by IASC Sector

Note: A large area of funding was labelled “Sector not yet specified”. Because it was not clear what this category included, it was excluded from the pie chart above.

Food

Food is not only the largest portion of humanitarian funding, it is also the area where most evidence was documented in the literature relating to cost savings. There are a variety of cost savings that can be made on food aid under multi-year funding. Table 3 attempts to break out the evidence by category of cost saving. It is followed by some examples of innovative programming that are attempting to provide a more efficient response.

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11 Inter-Agency Standing Committee
12 FTS Website: http://fts.unocha.org/pageloader.aspx?page=searchreporting_display&CQ=cq061112174707ytf4shy0pp
Table 3: Potential Cost Efficiencies of Food Interventions

<table>
<thead>
<tr>
<th>Rationale</th>
<th>Lower Operational Costs</th>
<th>Flexibility for early response – decreased case loads and avoided lives lost</th>
<th>Predictability – cost savings from long term investments and ability to choose best investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early procurement and prepositioning facilitates decreased logistics and transport costs.</td>
<td>Multi-year funding can facilitate a faster response, reducing the overall food deficit (decreased caseloads) as intervention is taken before a population begins a downward spiral into food insecurity and asset depletion. More timely food assistance will complement preventative interventions to reduce the spikes in both moderate and severe acute malnutrition (discussed in the next section). There is currently insufficient evidence to quantify the link between timely food assistance and nutrition outcomes.</td>
<td>Predictable funding can allow agencies to source food locally, and put price parity arrangements in place (see WFP example below). Longer-term approaches can seek to build food security, for example through agricultural interventions.</td>
<td></td>
</tr>
<tr>
<td>Limited evidence exists that the unit cost of food aid is reduced by 1/2 to a 1/3 of the original cost if procured early.</td>
<td>Strong evidence exists that the response time through flexible funding can be decreased by half. Limited evidence suggests that this time savings can result in reduced food deficits, though there is a good deal of variation.</td>
<td>Strong evidence suggests that predictable funding can allow agencies to improve price parity decision-making, with savings from WFP suggesting that savings could be between 23% and 33% of the cost of commodities on average. Limited evidence suggests that predictable funding can facilitate decisions such as sourcing locally; however, this is very context specific, and raises potential issues over quality. By contrast, where it is successful, it can stimulate local markets.</td>
<td></td>
</tr>
<tr>
<td>• The estimated cost of delivering food aid under Ethiopia’s Productive Safety</td>
<td>• Through the Forward Purchase Facility (FPF), WFP has been able to halve the amount of</td>
<td>• WFP’s import parity approach works by comparing local with international sourcing costs</td>
<td></td>
</tr>
</tbody>
</table>

Evidence
## Lower Operational Costs

| Nets Programme (PSNP) was $487 per Metric Ton (MT) of food aid (2010/11), as compared with WFP figures for late humanitarian aid of $845 per MT. This estimate also includes internal transport, storage and handling costs.

- Other estimates suggest that the cost of food aid provided early in Ethiopia could be even lower; for example, World Bank (2009), "Project Appraisal Document for a Productive Safety Net APL III Project" cites a cost of $422 per MT (2009 data).

- A "Cost Benefit Analysis of the Africa Risk Capacity Facility" found that the cost could be even lower, citing an example of food aid in Niger where early food aid was 1/3 the cost of late food aid. The higher cost was on account of the need for processed commodities and more expensive transportation logistics (though it is not clear how much each of these contributed to the higher cost).

| Flexibility for early response – decreased case loads and avoided lives lost

- Time it takes to deliver food aid (down by 62 days from approximately 4 months). By assuring access to food/cash, the PSNP in Ethiopia seems to have reduced the annual food gap of recipients by 1.3 months (between 2006 and 2010). In the latter case this is specified as a reduction from 3.6 months to 2.3 months food deficit.

- The Household Economy Approach was used in Cabot Venton et al (2012) to estimate the food deficit over 5 years under a late response to a high magnitude drought in Kenya and Ethiopia. This was compared with the deficit under two early response scenarios, one assuming commercial destocking of 50% of animals, and the second added a package of interventions for animal health. In Kenya, the total deficit over 5 years (measured in MT) was 9% and 31% lower in the two early response scenarios. When combined with the decreased cost of food aid when procured early, the total cost of food aid was 50% and 62% lower than a late response, respectively. In Ethiopia, the total deficit and delivery times for food. An analysis of the price differences between the lowest and next-best quotes from suppliers for more than one third of all of WFP’s 2010 food procurement expenditure suggests that the import parity approach led to savings of between 23 and 33 percent (at least US$99 million) of the cost of commodities.

- The Purchase for Progress (P4P) programme of the WFP is being piloted in Ethiopia. Maize prices have remained approximately 50% below import price parity since 2008, and hence the savings from procuring locally could be at least 50% below international food aid costs (further savings can be made through the reduced import costs).

- In Pakistan, under a CERF (Central Emergency Response Fund) funded project, farming inputs distributed by the Food and Agriculture Organisation of the UN (FAO) motivated farmers to revive agriculture production and generated an estimated additional production of 4,752 MT of wheat, which would cost approximately US$3 million if it had to be delivered as food aid (against an FAO project budget of 1.2 million).

| Predictability – cost savings from long term investments and ability to choose best investment

- Delivery times for food. An analysis of the price differences between the lowest and next-best quotes from suppliers for more than one third of all of WFP’s 2010 food procurement expenditure suggests that the import parity approach led to savings of between 23 and 33 percent (at least US$99 million) of the cost of commodities.


<table>
<thead>
<tr>
<th>Lower Operational Costs</th>
<th>Flexibility for early response – decreased case loads and avoided lives lost</th>
<th>Predictability – cost savings from long term investments and ability to choose best investment</th>
</tr>
</thead>
</table>
|                         | over 5 years (measured in MT) was 38% and 72% lower (respectively). When combined with the decreased cost of food aid when procured early, the total cost of food aid was 64% and 84% lower respectively.  
* In Sudan, WFP has managed to bring about a 25% reduction of beneficiaries between 2009 and 2012, through a combination of better targeting but also adopting longer-term approaches. These number should be treated with some caution, given that the impact of the approach is yet to be assessed and overall the focus has been on reducing beneficiary numbers, with the risk that resilience is not actually being adequately built. | Part of the grain produced was being kept by farmers as seed for subsequent years. |

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18 WFP (2011). “Efficiency at WFP” Executive Board Second Regular Session
Examples of Innovation

The Purchase for Progress (P4P) programme of the WFP is being piloted in Ethiopia. “WFP in Ethiopia is working closely together with the government to enhance smallholder farmers’ marketing opportunities by securing them market opportunities through its food procurement. WFP is providing forward delivery contracts to 16 Cooperative Unions – with a total membership of half a million people - for a total of 30,000 MT of maize from the 2012/2013 growing season. This was made possible by using the collateral from the UK’s multiyear contribution to WFP Ethiopia. With predictable, multiyear funding, WFP was able to sign contracts with the farmers’ coops in advance of the planting season (9-12 months ahead of food deliveries). The WFP contracts enable farmer unions to access loans from commercial banks in Ethiopia (this right was previously restricted to exporters only), which in turn enables the cooperatives to purchase food from their members.”22 Clearly the benefits from this type of programme are not only local procurement, but also the stimulation of local markets and economies, assuming that the production is additional (and not simply being diverted away from other buyers).

The Forward Purchasing Facility (FPF) of the WFP started as a pilot, attempting to forward purchase food aid to get better prices, is now being scaled up, and is supported by core funding. Through the FPF, WFP has been able to reduce the amount of time it takes to deliver food aid by 62 days, and has reduced the cost of food aid procured internationally by 3.4%, saving WFP US$1.3 million as a result of advanced purchasing.23 The WFP is undertaking a more detailed comparison of spot prices against FPF prices for comparison later this year.

Safety Net Programmes are increasingly being used as a way of transferring aid, in the form of cash and/or food, on a predictable and timely basis. They can offer significant cost efficiencies depending on the model, as cash transfers avoid many of the logistic issues involved in delivering food. One of the largest and longest running safety net programmes is Ethiopia’s Productive Safety Net Programme (PSNP). A recent evaluation from IFPRI assessed the impact of the PSNP from its start in 2006, through 2010. Importantly, the study uses a dose-response function to measure the change in impact between receiving a one-year input from the PSNP, versus a five-year input. It also compares households participating in the PSNP alone, with those involved in some of the other components of the PSNP, namely the Household Asset Building Programme (HABP)/Other Food Security Programme (OFSP). Key findings include:

- Baseline evidence on the food gap was 3.6 months. This has been reduced by an average of 1.3 months, with participants in the PSNP having improved food security by 1.05 months, and those participating in both the PSNP and the OFSP/HABP having an increase in food security by 1.53 months.
- Livestock holdings also increase. Five years participation raised livestock holdings by 0.38 Tropical Livestock Units (TLU) (relative to participation for one year), and an additional 1.00 TLU with participation in both programmes.

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22 Pers Comm, Jacob Stefanik, WFP Rome.
Nutrition

It is increasingly the case that a fairly standard set of nutrition interventions is being employed to:

1. prevent undernutrition in all forms in non-emergency contexts;
2. prevent acute undernutrition and micronutrient deficiencies when emergencies arise; and
3. treat acute undernutrition and micronutrient deficiencies in both emergency and non-emergency settings.

These interventions can be loosely divided into behaviour change approaches (for example nutrition education and infant and young child feeding counselling) and those that involve the distribution / use of nutritional products.

Interventions that involve use of nutritional products are similar to food interventions in terms of the operational cost savings that can be realized. Pre-positioning and setting up of local supply chains for emergency nutrition supplies will clearly reduce operational costs, though there is not much evidence on the magnitude of this change.

Efficiencies could also be gained for behaviour change approaches through multi-year funding. It can take significant time to achieve changes in nutrition-related practices. Multi-year funding could enable agencies to invest in capacity to deliver effective behaviour change interventions and potentially improve the quality and effectiveness of the interventions. These approaches could also help to prevent deterioration in the nutritional status of vulnerable groups when shocks arise, assuming that families have the resources, time and opportunity to follow best practices.
Table 4: Potential Cost Efficiencies of Nutrition Interventions

<table>
<thead>
<tr>
<th>Rationale</th>
<th>Lower Operational Costs</th>
<th>Flexibility for early response – decreased case loads and avoided lives lost</th>
<th>Predictability – cost savings from long term investments and ability to choose best investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sourcing of nutritional interventions is cheaper if pre-positioned/procured in advance. Long term funding can help to facilitate local supply chains, such that emergency shipment measures are not required (to the same extent).</td>
<td>Prevention and early treatment of acute malnutrition can prevent a decline of nutrition status, thereby decreasing caseloads. Acute malnutrition is one of the leading causes of death, especially with children under 5 (U5). Early treatment should avoid lost lives. More timely food assistance (discussed in the previous section) will complement preventative interventions to reduce the spikes in both moderate and severe acute malnutrition. There is currently insufficient evidence to quantify this link.</td>
<td>Long-term investments in nutrition are varied and numerous. Further, the interaction between various interventions, other health complications (such as spikes in malaria or diarrhoea), and outcomes is complex. Nonetheless, longer term measures to build food security are likely to be less expensive than emergency response.</td>
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</table>

**Rule of Thumb**

| Limited evidence that local sourcing can lower costs: specific to Ready-to Use Therapeutic Food (RUTF), air freight of RUTF increases the landed cost by 100%, and sea freight by 10%. |
| Strong evidence exists that the cost of treating severe acute malnutrition can be up to four times more expensive than treating moderate acute malnutrition per case. |
| Strong evidence that it costs twice as much to avert a death of a child using community based management of Severe Acute Malnutrition (SAM) as compared with complementary foods for the prevention of moderate acute malnutrition. |
| Limited evidence exists that the cost of preventative measures, for example HINI (High Impact Nutrition Interventions) is 8-15% of the cost of treating SAM. While this evidence is anecdotal, it is unlikely that these costs are going to vary significantly. |

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24 Komrska, J. "Increasing Access to Ready-to-Use Therapeutic Foods (RUTF).” UNICEF
<table>
<thead>
<tr>
<th>Evidence</th>
<th>Lower Operational Costs</th>
<th>Flexibility for early response – decreased case loads and avoided lives lost</th>
<th>Predictability – cost savings from long term investments and ability to choose best investment</th>
</tr>
</thead>
</table>
| • RUTF plants can be established close to source if long term need and funding is established. | • The treatment of a moderately malnourished child costs US$40-80 per child per year. The treatment of severe acute malnutrition costs $200 per episode (this would treat 1 child for 2 months), so there are large potential savings from preventing a child from reaching this state.  
• The cost per death averted associated with complementary foods for the prevention of moderate malnutrition is US$26k. The cost per death averted of community-based management of SAM is US$52k, or double the cost. | • DFID Business Case for Kenya shows the cost of SAM per treatment (GBP 129), Moderate Acute Malnutrition (MAM) (GBP74) and preventative (HINI) (GBP20).  
• DFID Business Case for Ethiopia: $196 per beneficiary for treatment of acute malnutrition; $44 per beneficiary for treatment of moderate acute malnutrition; $15 per beneficiary for Infant and Young Child Feeding (IYCF) promotion. |
Water
Water is a key priority in a humanitarian crisis, and can be very expensive to deliver. In particular, the use of water trucking is an often prevalent and costly measure to meet immediate needs. Estimating the cost efficiencies associated with water is complex – the cost of trucking can vary significantly depending on how remote the population is, and longer term measures such as drilling boreholes can have very different costs depending on the depth required to reach the water table, and the cost/availability of local parts.

In the case of water, the first two categories of cost efficiencies - operational cost efficiencies and reduced caseloads - are less relevant. The main benefit of multi-year funding would be the ability to make better programming decisions for the long term, such as putting in water infrastructure, setting up water management committees, etc.

Evidence in this area is anecdotal, due to the reasons cited above. A few examples include:

- A DFID Ethiopia business case for support for refugees estimates the cost of delivery of safe and sufficient water over the first year of the programme, including water trucking until the construction of boreholes is complete, at $40 per beneficiary. Subsequently, the same service can be delivered for $20 per beneficiary once the initial construction investment (which is costly) is replaced with lighter care and maintenance. The cost of providing the same service through water trucking alone is $97 per year. Although water trucking provides a necessary and temporary measure for water provision, the construction and operation of a permanent water supply system results in immediate cost savings of $57 per beneficiary over the first year and $77 per beneficiary over subsequent years.

- Oxfam Ethiopia estimated that trucking 5L of water per day (basic survival quantity only) to 80,000 people in Harshin, Ethiopia for five months costs more than US$3m, compared with US$900,000 to rehabilitate all the non-operational local water schemes. This is equivalent to $38 per person for five months of water via trucking, as compared with $11 per beneficiary to rehabilitate water pumps, which have the additional benefit of supplying water beyond the crisis year.

Health
Health interventions are similar to water, in that the greatest gains from multi-year funding are likely to result from better long term planning. Certainly there will be gains from reduced procurement costs for medical supplies, pre-positioning, and early response that can treat any wounds or illness before they become severe. However, some of the greatest gains could be from opportunities to:

- Build health systems and community health platforms (these can be included within humanitarian health responses if sufficient time, resources and priority is dedicated to this);
- Sufficiently strategise over a multi-year period, and not always be “reactive” in their programming; and

• Build strong health systems which are more resilient to future crises, saving money in the longer term.

Shelter
Transitional shelter is not appropriate in all circumstances, and there are numerous models and styles (and hence costs) of transitional shelter. Because transitional shelter can be more expensive than temporary shelter (it is typically higher quality to enable longer term shelter before moving people into permanent housing), multi-year funding can facilitate amortization of costs over several years.

DFID Ethiopia calculated the difference in cost in transitional shelter, specifically between a short-term option, and a longer-term solution that would be facilitated by multi-year funding in the Dolo Ado refugee camp:

"While transitional shelter per unit is more expensive than tents, the lifespan of the transitional shelter is 4 years whereas the harsh conditions in Dolo Ado mean that tents require replacing every 4 months. Therefore the cost of housing one family in a transitional shelter for 4 years is $690, whereas housing the same family in a tent costs $5,400. The cost saving of one shelter is therefore $4,710 over a 4-year period. For the 1,100 shelters proposed this amounts to savings of over $5 million per year. In addition to the above unit cost savings there are additional benefits conferred by the provision of transitional shelter including enhanced protection and privacy through lockable doors and better protection from cold and damp. Corrugated iron sheets can be taken with the family for construction of shelter in the event of return."[30]

Other Sectors
Clearly, there will be similar benefits in other sectors, as a result of the flexibility to make long-term choices. For example:

• AusAid cited a gender-based example in Dadaab refugee camp in Kenya, where one year funding only allowed them to provide counselling for gender based violence. With multi-year funding, they were able to provide a package of interventions that gave a range of support[31].

• Local production of jerry cans in Sudan reduced the cost by 33%. Further, the location of the jerry can production allowed for shorter transport to site, saving over 50% of the cost of transport.[32]

[31] Pers comm., Jo-Hannah Lavey and Claire James, AusAid.
2.3.4 ‘Outcome’ Cost Savings

The sectors outlined above are highly inter-related and the operational cost savings from multi-year funding or early response in one sector will have knock-on impacts on other sectors and, crucially, on subsequent outcomes for affected populations. It is difficult to quantify this; however, one approach is to examine the consequence of multi-year, early or late response on the prevalence of acute malnutrition and mortality. This helps to illustrate potential ‘outcome’ costs savings that can be achieved through these different funding approaches. This has been alluded to in the nutrition-specific sector analysis. However, the preventative nutrition-specific activities included in this analysis will only go part of the way to preventing increases in acute malnutrition when disasters occur. Acute malnutrition is influenced by multiple factors, including food insecurity, sub-optimal care practices and poor access to water, sanitation and health services. Effective action in each of the sectors described above (either because of multi-year investments or early response) should contribute to preventing an escalation in acute malnutrition, which remains a common feature of ‘unmanaged’ humanitarian emergencies.

The first step in attempting to quantify ‘outcome’ cost savings is to identify what ‘successful’ multi-year or early responses would look like and to link this to acute malnutrition as an outcome. A number of countries that are repeatedly affected by humanitarian crises now use the Integrated food security Phase Classification (IPC) to establish the severity of a crisis. The IPC classifies the situation in a region into one of five categories, based on information relating to household food insecurity, acute malnutrition prevalence, mortality and other issues (see Annex C). This tool provides one option for quantifying ‘success’ and for linking this to acute malnutrition and mortality outcomes:

- **The multi-year funding scenario:** it is reasonable to assume that if multi-year investments in the various sectors described below are in place, a region that experiences a shock such as drought should remain at least in the yellow IPC phase classification (i.e. moderately food secure).
- **The late-response scenario:** based on experiences over the past few years, it is also reasonable to assume that if funding comes late in a crisis, a region affected by drought would likely reach the red phase (i.e. a humanitarian emergency). NB: IPC has only declared famine once so far in its history (in parts of Somalia in 2011).
- **The early response scenario:** It is difficult to determine what phase a region would reach if a response was early but not supported by longer term investments based on real contexts. For the purposes of this analysis, we have assumed that a region affected by drought could sit between the yellow and orange phase (i.e. borderline acute food and livelihood crisis).

Using this categorisation, the ‘outcome’ costs of the different funding approaches would be driven by caseloads of acute malnutrition, as well as the ‘cost’ associated with loss of life. Table 5 illustrates the potential increases in acute malnutrition and mortality for each of these scenarios, together with the cost associated with treating acute malnutrition and with increased mortality. These costs should be taken into consideration alongside the efficiencies and savings that can be gained for each sector for the different funding approaches that are outlined below.
**Table 5: Outcome costs of multi-year, early response and late response**

<table>
<thead>
<tr>
<th>Phase Classification</th>
<th>Estimated prevalence of MAM and SAM</th>
<th>MAM/SAM caseload (children &lt; 5 for 6 months)</th>
<th>Estimated Value of loss of life per day</th>
<th>Estimated cost of SAM/MAM treatment for 6 months, for a population of 20,000 children U5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-year</td>
<td>2. Moderately food insecure</td>
<td>4.5% MAM 0.5% SAM</td>
<td>MAM: 1,170 SAM: 130</td>
<td>USMR: 1/20,000/day @ US$28,505 = US$28,505/day</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MAM/SAM caseload (children &lt; 5 for 6 months)</td>
<td></td>
<td>MAM: 1,170 * US$80 = US$93,600</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>SAM: 130 * US$200 = US$26,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Total = US$119,600</strong></td>
</tr>
<tr>
<td>Early response</td>
<td>3. (Borderline) Acute food and livelihood crisis</td>
<td>8.5% MAM 1.5% SAM</td>
<td>MAM: 2,210 SAM: 390</td>
<td>USMR: 2/20,000/day = US$57,010.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td>MAM: 2210 * $80 = US$176,800</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>SAM: 390 * $200 = US$78,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Total = US$254,800</strong></td>
</tr>
<tr>
<td>Late response</td>
<td>4. Humanitarian Emergency</td>
<td>12.5% MAM 2.5% SAM</td>
<td>MAM: 3,250 SAM: 650</td>
<td>USMR: 4/20,000/day = US$114,020</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>MAM: 3250 * $80 = US$260,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>SAM: 650 * $200 = US$130,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Total = US$390,000</strong></td>
</tr>
</tbody>
</table>

These costs have been based on the following assumptions:

- Population of 20,000 children under-5 years. Cost per day of crisis.
- Copenhagen Consensus used for Value of a Statistical Life. "With a life expectancy of 60 years, a 3% discount rate, and a DALY (Disability Adjusted Life Year) value of $1000, a life saved (in infancy) is worth around $28,505. The same calculation at a DALY value of $5000 implicitly values a human life saved at birth at $142,525 with a 3% discount rate." The lower estimate of $28,505 is used here to be conservative.
- Incidence and prevalence of SAM and MAM are calculated for each phase. It is not particularly clear for any particular GAM prevalence what SAM is likely to be, but it was possible to make reasonable estimates for this using data from Kenya (see table below). It was assumed that each phase would last for 6 months.

---

3 Implications for Humanitarian Funding

3.1 Introduction

The discussion above suggests that there is a very strong argument for multi-year humanitarian funding, and lays out some of the evidence to support this. The next question, then, is how does the humanitarian funding architecture need to change to facilitate a more effective response?

It was not within the scope of this paper to address this question. This is a large topic of discussion, and quite complex, as different structures may help different types of crises. However, through the consultation, conversation invariably led to a discussion of some of these issues and next steps.

This section provides a brief overview of the current approaches to humanitarian funding (so that we know where we are starting from), followed by a summary of some of the key relevant points raised in consultation. This is by no means meant to be comprehensive, but rather it is hoped that it will start the conversation for the next steps following on from this report.

3.2 Current Approaches to Humanitarian Funding

Humanitarian funding currently comes from many different actors and operates through various channels. Traditionally, this funding has come mostly in the form of direct grants from donors to individual agencies. "Humanitarian response in the past has been hampered by financing modes that are inherently supply-driven and reactive." As a result, most funding has been short term, designed to address the needs of the emergency as it arises. And in many cases it arrives late – in the case of slow onset events such as drought, actual aid on the ground can arrive 9 months after the first failed harvest (it typically takes 3-4 months from appeal to delivery of aid), and there are often stories of aid arriving when the crisis has already passed. The costs of late humanitarian aid can be significant – time delays result in populations cycling into a deep crisis. The survival deficit or gap of affected populations has worsened, and agencies are forced to rely on interventions that may not be the most cost effective. By contrast, early response can result in significant savings - a 2012 study for DFID (Cabot Venton et al, 2012) found that early response to drought in Kenya could save $21 billion over 20 years, equivalent to over $1billion per year.

A study commissioned by the Good Humanitarian Donorship initiative summarizes the four primary mechanisms for humanitarian financing that currently exist:

- **Bilateral, project based funding to agencies.** This mechanism gives the donor the most flexibility and control, as it is typically based on an agreed proposal detailing activities that will be undertaken. As a result, it is perhaps the most inflexible mechanism for agencies. It is perhaps the least efficient funding mechanism, due to the significant paperwork and

35 IBID.
staff time requirements. Bilateral funding can also create a disincentive to coordination across agencies.

- **Core funding to international organizations.** Core funding is typically unrestricted funding that is contributed annually to humanitarian agencies. Core funding offers the most flexibility to organizations, because it is unrestricted. Core contributions are largely targeted to United Nations (UN) agencies (though they are also given to NGOs), and have been reasonably predictable over the last decade. This funding modality has the most direct benefit in terms of building preparedness, operational capacity, and facilitating timely response.

- **Global pooled funding.** The last decade has seen an increase in efforts to pool humanitarian funding, in order to improve predictability and coordination. While these funds are a step towards multi-year funding, they are mostly operated on an annual or biannual basis. The Central Emergency Response Fund (CERF) is a global pooled fund started in 2006. The CERF provides an unprecedented source of advance, flexible funds. The CERF is available to UN agencies, which is then sub-granted in some cases to NGOs. Feedback suggests that flexibility is lost as projects become more prescribed. Some agencies have also perceived higher levels of transaction costs with the CERF, as a result of the UN overheads.

- **Country level pooled funding.** Two types of funds exist, the Common Humanitarian Funds (CHFs) and the Emergency Response Funds (ERFs). These funds have brought similar benefits, and faced similar issues, to the CERF.

**Figure 2: Contributions to the Three Main UN Pooled Humanitarian Funding Mechanisms**

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3.4 Designing Multi-Year Humanitarian Funding

As stated previously, it is not within the scope of this paper to identify the appropriate mechanisms for multi-year funding, and indeed it is likely that several mechanisms will be required. However, three key issues came up repeatedly in consultation, that have a bearing on the design and implementation of multi-year humanitarian funding, which in turn will affect how well it delivers cost efficiency gains. These are discussed in greater detail below.

How do we address the humanitarian/development divide?
There was a great deal of discussion around how multi-year funding fits in with the current strands of humanitarian and development funding. Many consultees raised the concern that multi-year funding, when it begins to invest in longer term measures, begins to look more and more like development activity. How do funding recipients report this against their humanitarian mandate? How can longer-term activities be allocated and reported against humanitarian goals? How does this fit with development funding streams, especially when development programming receives far more funding than humanitarian? There was a real concern that already limited humanitarian funding could be diverted to increasing development activity as it moves further along the DM continuum. How do we also ensure that development actors come to the table, so that there is a meeting in the middle? It was clear that multi-year humanitarian funding could help to blur the humanitarian/development divide, but there is also a need for development programmes to tackle chronic humanitarian issues where possible.

Many consultees felt that the humanitarian/development divide was no longer applicable. The focus should be on helping a community in need - what issues are they facing and how can we help to address them? This perspective is very much facilitated by a focus on reporting against outcomes - if actors collectively agree that their minimum objective is to keep people below emergency thresholds for malnutrition, this can be addressed through a whole mix of measures. It was felt that multi-year funding helps to focus on outcomes as well - it facilitates a programme based approach, as opposed to single year funding, which is more project/output based. Multi-year funding can also help to break down sector-based silos, by allowing more long-term thinking.

Quite a few people mentioned that DFID’s fragile states concept has been a very useful one, with relevance to this discussion. The concept has helped to blur the humanitarian/development divide, as it defines a state that is not necessarily in a humanitarian crisis, but equally not appropriate for development programming.

“DFID defines fragile states as: ‘those where the government cannot or will not deliver core functions to the majority of its people, including the poor’”

“It is recognised that delivering aid in these contexts cannot be ‘business as usual’, and that fragile situations require a co-ordinated, cross-sectoral approach that combines support to state building and peace building and uses whole-of-government approaches. But fragile states are 'under-aided', even against allocation models that take their performance into
account. Aid flows are excessively volatile, poorly coordinated, and often reactive rather than preventive.\textsuperscript{37}

What about the institutional changes that are required to facilitate multi-year humanitarian financing?

The aim of this report was to specifically look at some of the cost efficiencies that can arise as a result of multi-year humanitarian financing, but of course consultation around this issue raised a number of issues about the institutional and legal changes that would be required. Some of the points raised included:

- How do you adjust the procedures to facilitate multi-year? For instance, monitoring and evaluation – donors like short-term initiatives because they can measure and show results. What sort of procedure can be put in place to ensure accountability without being onerous – for instance, yearly reporting? What sort of mechanism can be used to facilitate a shift in spend as needed, without having to apply for approval? In other words, if an agency needs to shift from longer term programming to more of a crisis mode to deal with a spike in need, how can this be facilitated without applying for a separate funding stream?
- As discussed briefly above – it is not just donors that need to adjust their funding, but also recipients that need to change the way they programme. For example, some NGOs are not set up operationally to carry over funds, some require internal yearly reporting, etc.
- Disbursement issues need to be ironed out. Funds to pooled funds, for instance, are erratic. Each donor works on the basis of their own domestic legal framework for disbursing funds. Having a multi-year agreement is one step, but it also needs to specify when funds will come through so that there are not cash flow issues. Predictable fund disbursement is essential for effective programming.

\textbf{Box 2: DFID PPAs}

DFID currently uses PPAs – Programme Partnership Agreements – as one of their main support mechanisms to Civil Society Organizations. PPAs are unrestricted and hence very flexible, and as a result provide some useful evidence on some of the benefits from multi-year funding. An external review of PPAs by ITAD found that “having access to a multi-year funding agreement for unrestricted funding has allowed PPA-funded agencies to better plan activities in a way that unrestricted income generated from other sources does not always allow organisations to do.”\textsuperscript{38} Interestingly, their evaluation of the PPAs found similar impacts to those discussed in this paper. Specifically, the top four benefits of the PPAs are that they enable NGOs to:
- Invest in strategic organisational development
- Invest in innovate programmes and approaches
- Increase sector networking and sector-wide learning
- Strengthen organisational systems and processes

Interestingly, by far the most significant challenge recorded by NGOs has been measuring the impact of strategic funding.

\textsuperscript{37} http://www.gsdrc.org/index.cfm?objectid=4D340CFC-14C2-620A-27176CB3C957CE79
\textsuperscript{38} Brady, R and R. Lloyd (2012). “Assessing the Added Value of Strategic Funding to Civil Society.” ITAD
How can we balance accountability and flexibility?
This dichotomy was raised in almost every conversation. On the one hand, in order for multi-year funding to be effective, it must be as flexible as possible, to respond to needs as they arise, and this requires a great deal of trust that money will be spent in the most effective way possible. At the same time, flexibility can be in conflict with donors’ need to report against their spend, so as to be accountable to their taxpayers. How can we maximize flexibility, while ensuring that we are all accountable for how funds are spent? Increasing evidence suggests that money will be spent more wisely if it can be spent early in a crisis, even if we get it wrong. But that is a complicated message to convey to the taxpayer.

Then again, it was highlighted that we already use such models – for example, core funding is multi-year, and requires much less accountability – there is far greater ability to be flexible over whether it is spent on overheads, staffing, programming, etc. It was also highlighted that NGOs are typically required to be much more accountable than some of the other agencies that receive similar funds, yet many of them have a long history of working successfully to achieve intended aims, and have built a relationship of trust with donors.
4 Conclusions

4.1 Conclusions

The evidence, both qualitative and quantitative, strongly indicates that multi-year humanitarian funding can result in cost efficiencies throughout the DM cycle. The quantitative evidence for these cost efficiencies is limited, and in some cases the evidence is very context specific and therefore hard to generalize. Nonetheless, the quantitative and qualitative evidence that does exist clearly indicates that substantial value for money gains can be made by shifting to multi-year humanitarian funding. These gains can be demonstrated along all three components of the value for money results chain:

- Economy requires that the cost per unit of input be minimised. The evidence suggests that multi-year funding can bring significant gains across a range of inputs, including material costs, transport, storage, and salaries.
- Efficiency dictates that the cost per output should also be minimised. The evidence suggests that multi-year funding can facilitate early response, which in turn reduces caseloads, or the cost per person attended to.
- Effectiveness measures the cost of achieving the intended outcome of the activity. Multi year funding has the potential to not only deliver cost effectiveness in terms of outcomes (e.g. lives saved, DALYs gained, improved health); it can also facilitate interventions that have longer term impacts that yield benefits beyond the lifetime of the response.

Importantly, under longer term funding, agencies would have the flexibility and the ability to gather more systematic information (for instance nutrition surveillance, or HEA outcome analysis) that can really guide multi-year funding so that it is targeted well, and so that it can respond to changing needs throughout the DM cycle.

4.2 Next Steps

This study has helped to pull together some of the evidence that exists on cost efficiencies of multi-year funding. However, there are still significant data gaps. A lot of the evidence gathered here was not publicly available, or was not easily found by doing an internet search. A further difficulty is that the data required for this analysis comes from disparate agencies, and relates to different sectors, and so requires quite a wide net of consultation.

At the same time, there is a very high level of interest from all parties on this subject. Consultees were keen to find ways to contribute evidence to the debate, but it was not always straightforward.

Establish a forum for bringing together relevant stakeholders on this topic. This would help to extend the consultation to a wider group of organizations, and people within organizations (consultation for this study was over a month, and there may be many others who have relevant information). A conference, perhaps to launch this study, but very much as a starting to point to
generate more discussion and information sharing, could be fruitful. Along similar lines, establishing a **portal or online forum** for people to add evidence that can be amalgamated to add to this report, could be very helpful. Quite a few consultees mentioned that they are undertaking relevant studies in 2013 that could augment this analysis and feed into a wider process.

**Investigate potential funding modalities for multi-year funding.** A variety of existing models were raised as examples of ways in which multi-year funding could be addressed. For example, the DFID PPAs (see Box 2 above), core funding, and the Disasters Emergency Committee (DEC) all offer potential models for multi-year funding that could be built upon. Clearly, much more analysis on the pros and cons, and applicability of different models for different contexts, is needed. Because this was not a core focus of this work, there may be ongoing work in other agencies with regard to this topic. However, it clearly needs to be tied in with a value for money assessment as the type of mechanism could influence the level of value for money achieved.

**Evaluate DFID country portfolios for potential cost savings.** Using the rules of thumb and evidence presented here, select several case study countries to evaluate the business case for multi-year funding – based on portfolio investments, how much could be saved using multi-year funding (e.g. if DFID had taken a multi-year approach to financing our food support programmes in country X for the past 3 years, the cost would have been £x as opposed to the £y amount DFID spent, delivering a cost saving of £z for delivered outputs/outcomes).
## ANNEX A: Consultations

<table>
<thead>
<tr>
<th>Name</th>
<th>Organisation/Role</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DFID</strong></td>
<td></td>
</tr>
<tr>
<td>Shaun Hughes</td>
<td>DFID Ethiopia</td>
</tr>
<tr>
<td>Chris Porter</td>
<td>DFID Kenya</td>
</tr>
<tr>
<td>Juliette Prodhan</td>
<td>DFID Sudan</td>
</tr>
<tr>
<td>Joanna Macrae</td>
<td>DFID UK, Humanitarian Head of Profession</td>
</tr>
<tr>
<td>Abigail Perry</td>
<td>DFID UK, Humanitarian Adviser</td>
</tr>
<tr>
<td>Scott Gardiner</td>
<td>DFID UK</td>
</tr>
<tr>
<td>Sarah Kowenicki, Julian Neale</td>
<td>DFID UK, Procurement</td>
</tr>
<tr>
<td>Malcolm Smart, Sidney Augustin</td>
<td>Climate &amp; Environment Dept</td>
</tr>
<tr>
<td>Phil Stevens</td>
<td>DFID DRC, Economist</td>
</tr>
<tr>
<td><strong>AGENCIES</strong></td>
<td></td>
</tr>
<tr>
<td>Shoko Arakaki</td>
<td>UNOCHA (CHF, ERF), Chief, Funding Coordination Section</td>
</tr>
<tr>
<td>Steve O’Malley</td>
<td>UNOCHA, CERF Secretariat</td>
</tr>
<tr>
<td>Jacob Stefanik</td>
<td>WFP</td>
</tr>
<tr>
<td>Anthony Spalton</td>
<td>UNICEF, DRR Specialist</td>
</tr>
<tr>
<td>Sandra Aviles; Daniel Longhurst</td>
<td>FAO, Programme Development and Humanitarian Affairs</td>
</tr>
<tr>
<td>Rachel Scott</td>
<td>OECD</td>
</tr>
<tr>
<td>Annie Devonport</td>
<td>Disasters Emergency Committee (DEC)</td>
</tr>
<tr>
<td><strong>DONORS</strong></td>
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<tr>
<td>John Graham</td>
<td>USAID Ethiopia</td>
</tr>
<tr>
<td>Jo-Hanna Lavey, Claire James</td>
<td>AusAid, Humanitarian Preparedness and Response Branch</td>
</tr>
<tr>
<td><strong>NGOS</strong></td>
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</tr>
<tr>
<td>Debbie Hiller, Nigel Timmins, Suzi Faye</td>
<td>Oxfam GB, Humanitarian Policy Adviser/Deputy Humanitarian Director/Deputy Head of Programme Funding</td>
</tr>
<tr>
<td>Shree Bhakta Basnet</td>
<td>Oxfam Project Manager, Nepal</td>
</tr>
<tr>
<td>Emily Reilly, Ben Webster, Robert Roots</td>
<td>British Red Cross</td>
</tr>
<tr>
<td>Oenone Chadburn</td>
<td>Tearfund, Head of Humanitarian Support</td>
</tr>
<tr>
<td>Nick Guttman</td>
<td>Christian Aid</td>
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<tr>
<td>Mark Bulpitt</td>
<td>World Vision</td>
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<tr>
<td>Sean Lowrie</td>
<td>Director, Consortium of British Humanitarian Agencies</td>
</tr>
<tr>
<td>Alex Rees</td>
<td>Save the Children, Head of Hunger Reduction and Livelihoods</td>
</tr>
</tbody>
</table>
ANNEX B: Description of Pooled Funds

Central Emergency Response Fund
The Central Emergency Response Fund (CERF) is a pooled fund that was launched in 2006. It is a UNOCHA managed fund that provides up to US$480 million of funding ($450m grant and $30m loan). It allows donors—UN member states—to pool their funding on a global level to enable reliable and timely assistance. It helps those affected by natural disasters and armed conflicts and becomes available at the onset of a disaster or conflict or if an appeal doesn’t obtain adequate funding. The main recipients of the CERF are the World Food Program (WFP) and the UN Children’s Fund (UNICEF). Though there are many benefits to the CERF, it cannot provide funding directly to NGOs. Additionally, it does not fund a lot of early recovery because allocation is based on life saving criteria.

Common Humanitarian Funds
Common Humanitarian Funds (CHF) and the Emergency Response Funds (ERFs - see below) are country level humanitarian pooled funds. CHFs were launched in Sudan and the Democratic Republic of Congo in 2006, in the Central African Republic in 2008, in Somalia in 2010 and in South Sudan in 2012. CHFs usually allocate funds to a project within the common humanitarian action plan (which forms the basis of the CAP). The clusters, humanitarian country team and RC / HC identify needs and priorities and then the funds are dispersed accordingly. These funds are un-earmarked by donors, ensuring allocation on a needs basis as defined in the humanitarian action plan.

However, NGOs who do not have projects within the CAP cannot access funding. When NGOs are granted funding, there are time delays of up to 6 months between when the project was submitted and when the funds are dispersed.39 Additionally, according to a report prepared by Channel Research, NGOs are given no longer than 7 months to implement their project.40 The calendar basis of funding also creates a problem in that funding can come too late for adequate response (such as the purchase of seeds and tools for the rainy season in South Sudan). Though some donors make multi-year donations to CHFs, the CHF does not often make multi-year grants to agencies.

Emergency Response Funds
ERFs are small-scale in-country funds, with the main aim of providing rapid and flexible funding to address unforeseen humanitarian needs. ERFs are available for countries that may not have a humanitarian workplan and that may not participate in the CAP. Unlike the CERF, they allow NGOs to access funds directly. There can be significant delays in the time taken to disburse funds to recipient organisation and the recent global evaluation of ERFs concluded that these mechanisms are not well set up to address needs rapidly. ERF allocations are relatively small and tend to be for no more than 6 months.

40 Ibid.
<table>
<thead>
<tr>
<th>Phase Name and Description</th>
<th>Phase 1 Minimal</th>
<th>Phase 2 Stressed</th>
<th>Phase 3 Crisis</th>
<th>Phase 4 Emergency</th>
<th>Phase 5 Famine</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action required to Build Resilience and to Disaster Risk Reduction</td>
<td>Based on the IPC Household Group Reference Table, at least 20% of the households in the area are in Phase 2 or worse</td>
<td>Based on the IPC Household Group Reference Table, at least 20% of the households in the area are in Phase 3 or worse</td>
<td>Based on the IPC Household Group Reference Table, at least 20% of the households in the area are in Phase 4 or worse</td>
<td>Based on the IPC Household Group Reference Table, at least 20% of the households in the area are in Phase 5</td>
<td></td>
</tr>
</tbody>
</table>

**Area Outcomes (directly measured or inferred)**

- **Acute Malnutrition:**
  - Prevalence: 5-10%<br>
  - BMI <18.5
  - Reference: 10-20%

- **Acute Malnutrition:**
  - Prevalence: 15-30%, OR > usual and increasing<br>
  - BMI <18.5
  - Reference: >40%

- **Acute Malnutrition:**
  - Prevalence: >30%<br>
  - BMI <18.5
  - Reference: FAR >40%

- **Mortality**:
  - CDR ≤0.5/10,000/day<br>
  - USDR ≤5/10,000/day

  - CDR: 0.5-1/10,000/day<br>
  - USDR: 1/10,000/day

  - CDR: 1-2/10,000/day OR >2x reference
  - USDR: 1-4/10,000/day

  - CDR: ≥2/10,000/day<br>
  - USDR: ≥5/10,000/day

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### Diagram 5: Acute Food Insecurity Reference Table for Household Group Classification

**Purpose:** To guide short-term strategic objectives tailored to the needs of household groups with relatively similar phase classifications, which should complement medium- and long-term objectives that address underlying causes and chronic food insecurity.

**Usage:** Classification is based on convergence of evidence of current or projected most likely conditions, including effects of humanitarian assistance.

<table>
<thead>
<tr>
<th>Phase Name and Description</th>
<th>Phase 1: None</th>
<th>Phase 2: Stressed</th>
<th>Phase 3: Crisis</th>
<th>Phase 4: Emergency</th>
<th>Phase 5: Catastrophe</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Name and Description</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>Priority Response Objectives</strong></td>
<td>Action required to build resilience and for disaster risk reduction</td>
<td>Action required for disaster risk reduction and to protect livelihoods</td>
<td>Protect livelihoods, reduce food consumption gap, and reduce acute malnutrition</td>
<td>Save lives and livelihoods</td>
<td>Prevent widespread death and total collapse of livelihoods</td>
</tr>
<tr>
<td><strong>Household Outcomes (directly measured or inferred)</strong></td>
<td><strong>Food Consumption (quantity and nutritional quality)</strong></td>
<td><strong>Livelihood Change (activities and income)</strong></td>
<td><strong>Contributing Factors</strong></td>
<td><strong>Hazard and Vulnerability</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quantity: adequate (2,100 kcal per day)</td>
<td>Livelihood: stressed strategies and assets</td>
<td>Adequate to meet food consumption requirements and short-term stable</td>
<td>None or minimal effects of hazards and vulnerability on livelihoods and food consumption</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quantity minimally adequate (1,000 kcal per day)</td>
<td>Livelihood: accelerated depopulation or total collapse of strategies and assets that could lead to high food consumption gaps</td>
<td>Borderline adequate to meet food consumption requirements and short-term stable</td>
<td>Effects of hazards and vulnerability stress livelihoods and food consumption</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quantity: food gap: below 1,100 kcal per day</td>
<td>Livelihood: extreme depopulation or liquidation of strategies and assets that will lead to very high food consumption gaps</td>
<td>Highly inadequate to meet food consumption requirements</td>
<td>Effects of hazards and vulnerability result in loss of assets and significant food consumption deficits</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quantity: food gap: below 1,100 kcal per day</td>
<td>Livelihood: survival deficit of 20% or more</td>
<td>Highly inadequate to meet food consumption requirements</td>
<td>Effects of hazards and vulnerability result in large loss of livelihood assets and/ or food consumption deficits</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quantity: food gap: below 1,100 kcal per day</td>
<td>Livelihood: near complete collapse of strategies and assets</td>
<td>Extremely inadequate to meet food consumption requirements</td>
<td>Effects of hazards and vulnerability result in near complete collapse of livelihood assets and/or near complete food consumption deficits</td>
<td></td>
</tr>
</tbody>
</table>

*The acronyms for the commonly used methodologies included in the reference table include: HDDS (Household Dietary Diversity Score), FCS (Food Consumption Score), HHS (Household Hunger Score), CSI (Coping Strategies Index), and HEA (Household Economy Approach).*