



The Value for Money of Multi-Year Humanitarian Funding: Emerging Findings

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Acronyms

ACF	Action Contre Faim
CSB	Corn Soya Blend
CRS	Catholic Relief Services
DFID	Department for International Development
DRC	Democratic Republic of Congo
FAO	(UN) Food and Agriculture Organisation
FbF	Forecast-based Financing
FDP	Food Distribution Point
FPF	Forward Purchase Facility
GHA	Global Humanitarian Assistance
HEIP	Humanitarian, Evidence and Innovation Programme
HRF	Humanitarian Response Fund
IDP	Internally Displaced Person
IHA	International Humanitarian Assistance
MT	Metric Tonnes
MYHF	Multi-year Humanitarian Funding
NGO	Non-Governmental Organisation
NRC	Norwegian Refugee Council
OCHA	Office for the Coordination of Humanitarian Affairs
P4P	Purchase for Progress
PSNP	Productive Safety Net Programme
ROI	Return on Investment
RUTF	Ready to Use Therapeutic Food
SAM	Severe Acute Malnutrition
UMCOR	United Methodist Committee on Relief
UNHCR	United Nations High Commission on Refugees
UNICEF	United Nations Children's Fund
VfM	Value for Money
WASH	Water, Sanitation and Hygiene
WFP	(UN) World Food Programme
WHS	World Humanitarian Summit
WHO	World Health Organisation
WVI	World Vision International

Executive Summary

The last decade has seen major growth in humanitarian need, putting the international humanitarian system under pressure and stretching donor resources. Within this context, the UK Department for International Development (DFID) introduced multi-year humanitarian funding (MYHF) for protracted conflicts in 2014. This recognised the long-term nature of many of the top recipients of humanitarian aid, as well as the complexity of the contexts in which they were operating.

DFID commissioned a thematic evaluation focused on protracted crises, using Ethiopia, Sudan, the Democratic Republic of Congo (DRC) and Pakistan as case studies. An inception report for this study and a set of formative reports set out the detailed portfolios, evaluation questions and design.

This report presents interim findings from the study to date on the Value for Money (VfM) of MYHF and contingency funding, summarising emerging findings.

Multi-year humanitarian financing offers significant opportunities for VfM gains

This study has found several areas in which MYHF has advantages over short term and annualised funding.

In the inception report for this study, and in previous pieces of work that led to this study, a number of potential value savings were hypothesised. MYHF could potentially bring about both administrative savings and deliver better value operational solutions over the medium term.

Evidence gathered in the four countries suggests this is the case. The greatest savings so far have been identified in Ethiopia through smarter WFP procurement. By purchasing at the optimal time, WFP spent between 18 and 29% less than if they had had to buy in the heat of an emergency. Even compared to routine purchasing there look to be significant gains from longer term predictable funding, as it allows for better planning. There were also some modest staffing cost savings.

The area of planning appears to be the main gain associated with MYHF. The best example so far is in DRC where UNICEF has been using MYHF for a cash transfer programme for people displaced by conflict. Because of the longer-term nature of the funding, UNICEF has commissioned several studies alongside implementation and used the results of these to improve delivery. They have also managed to reduce delivery costs by giving fewer, larger grants, something that recipients said they wanted in ongoing consultation.

In Sudan, both MYHF projects financed by DFID found that they needed longer timeframes to plan adequately. In eastern Sudan a consortium of FAO, WFP and UNICEF is implementing a programme aimed at tackling stubbornly high rates of malnutrition. It is multi-sector and combines both direct inputs and behaviour change messages. The consortium found that consultation with communities and subsequent design changes took a lot longer than planned, as did finding a way to work together properly as three big agencies. In Darfur, an NGO consortium led by CRS used the longer timeframe to do operational research, giving valuable insights into where the programme was working.

But there is still a long way to go for these gains to be fully realised

Whilst the promise of MYHF is becoming clearer, there are still significant hurdles to its implementation.

Most significantly, much of the MYHF examined in this study still ends up being effectively short term in nature. This is either because agencies do not pass on the multi-year benefits to sub-grantees ('pass through'), or because their systems do not allow them to work longer term.

In Ethiopia both OCHA and UNHCR are in receipt of MYHF but neither is able to fund partners for longer than a year. OCHA receives MYHF for the Ethiopia Humanitarian Response Fund (HRF) but their in-country rules mean the longest grants are for six months. UNHCR has to sign an agreement annually with government and has a global annual budget cycle, meaning that they cannot sub-grant partners for longer than a year. In both of these examples, MYHF effectively acts as standard short term emergency funding by nature of the onward grant process. WFP in Ethiopia also uses DFID MYHF in the same way as other donor financing, against a plan of emergency food distribution worked out monthly (budgeted on an annual basis, within a framework of a three year PRRO).

In the other three countries studied for this thematic evaluation the picture is more mixed. As already highlighted UNICEF in DRC takes a longer-term planning perspective and also signs grants longer than a year with its partners. ACF is the other MYH partner in DRC, operating an emergency nutritional response model. Interventions are in response to spikes in malnutrition and are mostly short term in nature (once the situation is stabilised ACF withdraws). MYHF ensures this capacity to respond is in place, an entirely positive outcome, but it does not lead to different approaches.

In Sudan the partner programmes are explicitly multi-year, with objectives that are primarily about resilience. DFID also funds emergency programmes with traditional annual funding, raising the interesting question as to whether the MYHF in Sudan can really be thought of as humanitarian (and of course where the boundaries lie). In Pakistan it is too soon to really understand how MYHF is operating (the funding started

later), but there is an interesting blend of both MY emergency funding (for IDPs and natural hazards) and resilience funding.

Quantitative evidence to support the case for better VfM is thin.

In addition to a lot of the MYHF being used in traditional annualised or short term planning frameworks – or perhaps because of this – there is a lot less evidence on anticipated value savings than was expected. Aside from the WFP example highlighted above for Ethiopia, VFM data has been surprisingly thin despite significant efforts to collect this.

It is too early to say definitively that this lack of evidence means that VFM is less than expected. Agencies clearly have trouble collecting the data as it is complex and costly. Analysing the administrative savings of less proposal writing, or less recruitment because of longer contracts requires systems that are built to deliver this information, and the time of hard pressed staff to compile such data.

There are also several examples of potential cost savings associated with up-front investment, realised over medium term time frames. Using transitional shelter instead of tents for refugee camps, or building semi-permanent water systems instead of tankering. Unfortunately, whilst these gains seem logical on paper, the actual accounting of work in the real world is highly complex – tankering is still needed while water systems are built; tents are patched up and lived in for a lot longer than is justifiable.

Conclusion

Three years on from this study being commissioned multi-year humanitarian financing has moved from being an esoteric instrument to an increasingly mainstream part of protracted crisis financing. This study is still collecting data on what this means in terms of changes in programming and ultimately outcomes. However, the contours of potential change are becoming clearer.

There is a definite benefit in terms of planning, programme design and a change in approach that this can bring about. These benefits remain tentative in the programmes under examination and a lot more work will need to be done to ensure such gains become routine.

There are also many hurdles still to overcome. Systems have been built over many years to deliver short term programming, and these cannot be unravelled overnight. In fact, the very word humanitarian has become synonymous with short term intervention, a significant philosophical and psychological barrier to implementing longer term approaches in crises labelled humanitarian. And yet complex problems like chronic and acute malnutrition have proven stubbornly resistant to quick fixes.

Finally, there is a major gap in terms of data to prove the value case, meaning the hypothesis that MYHF can lead to more efficient aid is only partly proven. Once more, systems design within agencies may be a large part of the issue.

1 Context and Study Approach

1.1 Introduction

The last decade has seen unprecedented growth in humanitarian need, putting the international humanitarian system under substantial pressure and placing the lives of those affected at even greater risk. Against a backdrop of ever increasing needs, a growing funding gap, and a prevalence of long term and protracted crises, the international humanitarian community is in a state of perpetual crisis management, responding repeatedly with short term action at great cost, often to the same crises year after year.

The first ever World Humanitarian Summit (WHS), hosted by the UN in May 2016, reflects the increasing recognition that the system needs to find better ways of approaching humanitarian aid. The Grand Bargain, launched at the WHS, specifically calls for new ways of financing humanitarian crises in an effort to make finite humanitarian resources go further, and ensure that the needs of crisis-affected people are being met. It refers to flexible funding as the “lifeblood” of any humanitarian operation, as it allows humanitarian organizations to react earlier, and prioritize funds to respond to the most urgent needs of those affected as they arise.

DFID has committed to scaling up Multi-Year Humanitarian Funding (MYHF) across its portfolio, and has embedded within this a greater use of contingency funding. Contingency funding is used by DFID as a form of flexible funding that can be rapidly deployed where needs are greatest. The specific arrangements for releasing this funding depend on the country, but the overall implication is that certain funds are set aside as un-earmarked resources that can be used to scale up response quickly and early.

1.2 Approach to this Study

1.2.1 Overview

This report is one part of the DFID Multi-Year Humanitarian Financing (MYHF) thematic evaluation that has been commissioned by DFID centrally through the Humanitarian, Evidence and Innovation Programme (HEIP). This study specifically aims to assess the Value for Money (VfM) argument for greater investment in MYHF, and contingency funding.

The evaluation is currently being conducted in four countries (Sudan, Ethiopia, Democratic Republic of Congo (DRC) and Pakistan) over approximately three-and-a-half years. This report draws on interim findings, and specifically pertains to the component of the evaluation that is focused on assessing the Value for Money (VfM) case for MYHF and contingency funding. As such, it should be noted that this report presents an initial

assessment based on data gathered so far, and will be updated as the research progresses over the remainder of the evaluation period.

In addition to the research gathered in the four countries, this report builds on earlier work for DFID, including the 2013 Economics of Early Response and Resilience (TEERR) research series¹, as well as a 2013 global scoping study on the VfM of MYHF that underpinned this larger evaluation.² It also draws on evidence in existing literature; while a review of the full breadth of the literature was not undertaken, an initial review has provided additional evidence that contributes to the overall findings.

1.2.2 Conceptual Model

The theory of change that underpins this analysis is that MY and contingency funding lead to early response³. Early response in turn leads to 1) lower costs; and 2) better programming that leads to improved impact. This model is broken down in more detail in Table 1, highlighting each component of the analytical framework for assessing how MYHF and contingency funding affect Value for Money.

The framework for the VfM component of the analysis seeks to answer three questions:

- 1. How far have MYHF funds actually operated as MY funding?** The evaluation investigated the degree to which MYHF actually functions as MYHF, especially within recipient organization's operational structure, and in the context of downstream partners.
- 2. Are costs lower as a result of MYHF/contingency funding?** The consultation investigated cost savings in relation to both administrative costs (e.g. staff costs, proposal writing), and operational costs (procurement and pre-positioning).
- 3. Are programmes more effective as a result of MYHF/contingency funding?** This question investigated whether partners are able to respond earlier leading to interventions that are more effective, and whether they are able to design better projects through better analysis, more participatory approaches, and the ability to adapt over a longer time horizon.

In theory, annual funding could also lead to many of these outcomes if early warning data was used to trigger an early response using annual funding. Within this context, consultation has sought to understand the degree to which the gains presented here could be achieved with predictable and/or rapid release of annual funding as well.

¹ Cabot Venton, Courtenay, *et al.* (2012), *The Economics of Early Response and Resilience*, DFID. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67330/Econ-Ear-Rec-Res-Full-Report_20.pdf

² Cabot Venton, Courtenay (2013). "Value for Money of Multi-Year Approaches to Humanitarian Funding", DFID

³ See thematic evaluation inception report at LINK.

Table 1: Analytical Framework for Assessing the VfM of Multi-year and Contingency

To what extent does DFID multi-year and pre-approved contingency funding provide better value for money than annual funding for DFID and partners?	
How far have MYHF funds actually operated as MY funding?	<ul style="list-style-type: none"> • What is the role played by DFID MYHF funds in the humanitarian system? • Are partner systems able to incorporate MYHF? • Are DFID systems able to work with partner systems on MYHF? • Has there been a change in programming as a result of MYHF?
Are costs lower as a result of MYHF?	<p>Lower administrative costs:</p> <ul style="list-style-type: none"> • Are staff costs lower? • Changes in time invested in proposal writing and reporting? • Improved currency conversions (greater control over timings of transfers)? • Are you able to leverage additional funds from guarantee of longer term funds in place? <p>Lower operational costs:</p> <ul style="list-style-type: none"> • Are there cost savings by using improved strategies to achieve (at least) the same outcomes? • Are there cost savings due to better procurement and implementation?
Are programmes more effective as a result of MYHF?	<p>Is response earlier?</p> <ul style="list-style-type: none"> • Increased preparedness leads to earlier response? • Earlier response leads to the use of interventions that are more effective? • Early response requires less support as asset depletion is less? <p>Is there better quality in project design?</p> <ul style="list-style-type: none"> • Better analysis - partners have more time to study the context more carefully and use this in programming? • Development of longer term relationships with the same population groups, leading to more participatory approaches? • Projects can learn, and evolve or adapt over a longer time horizon, permitting more effective strategies?

1.2.3 Scope of Analysis

This thematic evaluation focuses on partner organizations in each of the four study countries that are receiving DFID MYHF, as listed in Table 2.

Table 2: Partner Organisations Included to Date

Country	Partner	Value	Timeframe
Ethiopia	• WFP	£95m	2012-2015
	• UNHCR	£22m	2012-2015
	• OCHA (EHF)	£25m	2012-2016
DRC	• ACF	£4.4m	2012-2015
	• UNICEF	£5.98m	2014-2016

Sudan	• Tadoud consortium: CRS, Oxfam, NCA, WVI, UMCOR	£12m	2014-2016
	• Joint Resilience Project (JRP): UNICEF, WFP, FAO	£15.5m	2014-2017

In the case of DRC, ACF was approached but engagement on this evaluation was very limited, and therefore the focus here is primarily on UNICEF. Initial data collection was conducted for ACF, though due to turnover in staff it was not possible to investigate and quantify the information in any greater detail.

In the case of Sudan, engagement has been constrained, due to initial problems securing visas for international team members. Despite good collaboration from partners this has slowed data gathering. Efforts will continue to get data from the two Sudan consortiums.

The Pakistan evaluation was initiated much later than the other three countries, and as a result the analysis has only just begun for these partners and will be included in a later version of this report.

As a result, there is an over-reliance at this stage on evidence gathered from WFP, UNHCR and OCHA (via the Humanitarian Response Fund (HRF)) in Ethiopia, and UNICEF in DRC.

1.2.4 Approach to the Analysis

The approach to the VfM assessment has included the following activities:

1. A framework was developed as part of the inception phase to evaluate the VfM of MYHF, building on the DFID scoping study findings on the potential VfM of MYHF.
2. Each of the partners receiving MYHF from DFID in the four countries has been consulted on the VfM component of MYHF, as well as the potential for gains from contingency funding. In addition, requests have been made and followed up for consultation with any downstream partners.
3. Consultation has normally involved several conversations over months to work extensively with each partner and relevant staff across the partner organization to not only qualitatively complete the framework, but to also identify areas that could potentially be quantified.

In the case of contingency funding, this could only be assessed where funding has been triggered. The 2015/2016 El Nino-induced drought in Ethiopia triggered contingency funding, and the VfM of this funding is the subject of a separate report, though key findings are presented here. A parallel study investigating the avoided losses as a result of earlier response in Ethiopia is also being conducted. A similar process will be undertaken with Pakistan should contingency funding be triggered within the timeframe of this analysis.

Some agencies have already quantified data related to MYHF, whereas for most, data availability and capacity to process data has been very limited.

1.3 The Structure of this Report

Each of the following sections focuses on the three research questions, and summarizes the feedback from consultation. This narrative is augmented with evidence from the wider literature where its available.

The remainder of the report is structured as follows:

- Section 2 investigates the degree to which MYHF has actually operated as MYHF in partner systems.
- Section 3 looks at whether MYHF and contingency funding lead to cost reductions.
- Section 4 provides a qualitative summary of the evidence for assessing the VfM of better programming, building on the findings to date and laying groundwork for further analysis over the second half of the evaluation.
- Section 5 draws conclusions and offers next steps as part of this analysis.

2 How far have MYHF funds actually operated as MY funding?

2.1 Summary of Findings

The first question in the analytical framework focused primarily on the ability of MYHF to act as MYHF in partner systems.

Analytical Framework: How far have MYHF funds actually operated as MY funding?

- What is the role played by DFID MYHF funds in the humanitarian system?
- Are partner systems able to incorporate MYHF?
- Are DFID systems able to work with partner systems on MYHF?
- Has there been a change in programming as a result of MYHF?

Partners do not necessarily pass on the benefits of MY funding to downstream partners or beneficiaries.

Most of DFID's partners operate through sub-grantees, and in some cases the benefits are not passed on.

- **HRF, Ethiopia:** The Humanitarian Response Fund by its very nature cannot pass on MY benefits. The longest grants it is able to make are for six months. Whilst HRF are clear that the predictability they enjoy as a result of MY funding helps them fund earlier, it does not help shift approaches or planning timeframes.
- **UNHCR, Ethiopia:** UNHCR has an annual budget structure determined by their global governance. This means they cannot make sub-grant agreements of longer than a year.
- **UNICEF, DRC.** The programme is a one-off distribution of cash to Internally Displaced Persons (IDPs), meaning affected communities or individuals do not receive a sustained benefit.

Partner systems are still geared towards annual funding and therefore MY funds often do not operate as MY funding in partner systems.

Partner systems are able to incorporate MYHF, and DFID systems are able to work with partner systems. However, recipient organizations and especially downstream partners still have systems in place that require quarterly or bi-annual reporting, which can interrupt the release of funding and therefore the ability of MY funds to provide the benefits of MY. Several organisations highlighted specific ways that they have accommodated this.

- **UNHCR, Ethiopia:** A tripartite Project Partnership Agreement process is required annually between UNHCR, the government agency for refugees, and the implementing partner. Because each agreement must be reviewed and signed by all three partners, there are breaks in funding which reduce the potential impact of

MYHF. In 2014, UNHCR introduced a Letter of Mutual Intent to release the first instalment of funds to partners once budgets were agreed and this enabled partners to start implementation before finalization of the official tripartite agreement. Further work is required and it would be ideal to sign multi-year partner agreements

- **WFP, Ethiopia.** At the outset, various bottlenecks prevented speed of response under MYHF. The Purchase for Progress (P4P) programme is one of the key interventions that has been facilitated by MYHF (discussed in greater detail below). It requires that farmers are able to get loans to stockpile grains for WFP purchase. At first this process was taking a very long time, affecting the ability of the farmers to deliver in full, largely due to incompatibilities between timing of release of funds and the need for pre-agreements with farmers. However, WFP was able to arrange corporate loans with head offices in Rome, to allow agreements to be made with farmers earlier in the process. The only way that WFP could do this was by having guaranteed multi-year funding from DFID to use as collateral to initiate internal mechanisms such that P4P was able to deliver earlier.

The initial DFID ‘multi-year’ planning frameworks were not that long, especially compared to the ambition of the projects. In Sudan the two resilience consortium programmes have timeframes of between two and three years for implementation. Both consortia are finding that set-up and design can easily take up half of this time, meaning implementation time frames are still relatively short term.

A shift to multi-year appeals requires a mind-set shift that is not straightforward. UNICEF in DRC reports that anything labelled as ‘humanitarian’ was necessarily short term and reactive in nature, reflecting a wider concern that MY appeals fail to deliver on a wider range of outcomes because money in a humanitarian emergency is prioritized for short term needs over longer term efforts.

However, there was also consistent feedback that the predictability of the funds is more important for leading to improved outcomes than the compatibility of the systems for distributing MYHF. Despite partner systems still operating on an annual basis, partners felt that they were able to innovate and plan over a longer time horizon, leading to improved outcomes, because of the predictability of MYHF and the assurance of multiple years of funding. However, as described in greater detail below, while longer term planning was believed to lead to better outcomes, evidence of this happening in practice was limited.

3 Are costs lower as a result of MY/Contingency Funding?

3.1 Introduction

This section presents the evidence gathered to date through the thematic evaluation on the potential for administrative and operational cost savings.

3.2 Findings from Consultation

Administrative Costs

Analytical Framework: Does MYHF lead to lower administrative costs?

- Are staff costs lower?
- Are there changes in time invested in proposal writing and reporting?
- Are there any savings from improved currency conversions, due to greater control over timings of transfers?
- Is it possible to leverage additional funds from guarantee of longer term funds in place?

MYHF brings cost and quality gains on staffing.

Staffing costs are consistently cited as an area of saving. Partners also consistently described how the even greater benefit is being able to hire and retain strong staff, because they are able to attract stronger staff if they can offer longer term contracts. They can also hold onto these staff, their knowledge of the organisation and its operations, their capacity, etc. However, specific evidence to show that staff contract duration and/or retention of staff was improved was not available from partner organisations. Further, due to relatively high levels of insecurity in Sudan and DRC in particular, staff turnover seems to remain high regardless. The HRF in Ethiopia also highlighted how multi-year funding can free up staff time to undertake more rigorous monitoring and evaluation and follow-up with HRF partners to improve project quality. Again, specific evidence to support this aspiration was not available.

Box 1: Quantification of reduced proposal and programme management time, WFP Ethiopia

WFP Ethiopia estimated the number of days saved per year for the four different staff levels at WFP that are required to draft, review and clear programme documents. In one year it is estimated that approximately 27 days are saved due to reduced requirements, and this equates to a reduction in staff costs of approximately \$12,664 per year, or \$38k over a three year programme. Clearly these savings should also be achieved by implementing partners having reduced reporting requirements, but this data is not readily available.

For the most part, agencies felt that they were able to leverage additional funding as a result of MYHF, though few specific examples were given. Savings on currency

conversions are also cited though not as significant.

Operational Costs

Analytical Framework: Does MYHF lead to lower operational costs?

- Are there cost savings due to better procurement and implementation?
- Are there cost savings by using improved strategies to achieve (at least) the same outcomes?

Implementing partners consistently report that lower operational costs are a key benefit of MYHF, particularly through early procurement, pre-positioning and bulk procurement. In theory, when multi-year and contingency arrangements are in place, implementing organizations can begin procurement much earlier, at the first signs of a potential spike in need, or on an annual basis in the context of protracted crises.

Food and other items can be bought at times of the year when prices are low (e.g. during harvest season). For example, WFP has used its guaranteed multi-year funding from DFID as collateral in Ethiopia to front load financing using corporate loans. This funding has then been used to facilitate early procurement and contracting with local farmers to ensure supply.

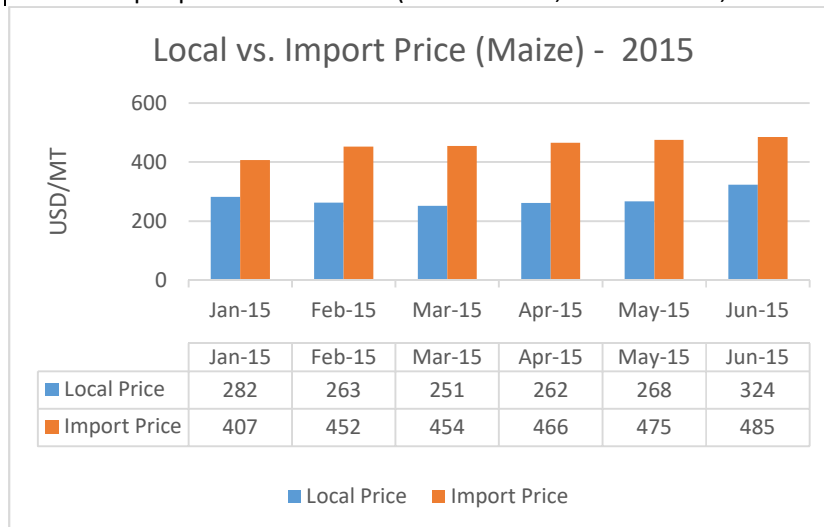
- **WFP, Ethiopia:** On the basis of DFID's predictable funding, WFP is able to sign advance contracts for the purchase of grain from farming co-operatives in the more productive areas of Ethiopia. Co-operatives are then able to use these contracts as collateral to access output loans to aggregate production from their smallholder farmers. WFP then purchases the food from the co-operatives at the main marketing season (after harvest). Food produced by Ethiopian smallholder farmers and procured through WFP is then used for emergency distributions for the poorest people in the less productive, drought-stricken areas of the country.

MYHF is not a pre-requisite for this type of programme, called Purchasing for Progress (P4P) by WFP. It is used across the world by WFP, often with annualised funding. However, in this case MYHF was used to facilitate the up-front financing of P4P (as described above). While the impact of P4P on outcomes for small farmers has been mixed globally, P4P has allowed WFP to realise significant cost savings in Ethiopia by deciding when to buy grains locally, and has enabled purchase in the harvest season when prices are lowest, namely December to January. In this example WFP was able to use predictable MYHF to buy at the best time.

Box 2 describes the cost savings that WFP was able to make in 2016 using DFID MYHF. WFP has quantified both the economic gains, as well as some of the wider impacts of the P4P programme in Ethiopia, summarised in Box 3.

Box 2: WFP Maize Purchases in Ethiopia with MYHF⁴

Greater predictability through multi-year funding allows WFP to achieve a lower average unit cost per metric ton of food relief. Take the example of maize. Direct local purchase of Maize conducted when April 2015 local prices (US\$ 260/MT average) compared favourably with import parity prices of US\$ 466/MT represent a saving of about US\$4.1 million⁵. This is sufficient to buy an additional 15,000 MT of maize through direct local procurement. This is equivalent to the funds needed for WFP to feed an additional 1,000,000 beneficiaries for one round with maize. Over the life of the programme, the combined savings are equivalent to the amount needed to feed 3.3m people for one month (1.1m in 2013, 1.2m in 2014, and 1m in 2015).



Further, these cost savings were achieved for a very high percentage of the total food purchased. Out of the 55,309 Metric Tonnes (MT) of food purchased through DFID funding, 53,067 MT (96%) was procured locally with only 2,242 MT of wheat, vegetable oil and split peas purchased

internationally. The 2014 average annual price paid for maize was US\$316 per MT; the average Import Parity Price was US\$443 per MT. Purchasing locally has enabled WFP to make a saving of US\$127 per MT, about 29% of the average international maize price. For the total amount of maize procured locally, WFP saved US\$5.9 million. This allowed WFP to purchase an additional 18,843 MT of maize sufficient to feed 1.2 million more drought affected people. Savings were also made from locally purchased pulses and Corn Soya Blend (CSB - used for treating moderate malnutrition).

In 2014, WFP purchased all DFID-funded maize during the harvest season (Dec-Apr) for a price of US\$309-324 per MT. Later in the year, maize prices reached US\$376/MT. Hence, the availability of DFID funds during the harvest season helped WFP to make savings not only from local-not-international purchase but also from timely local purchase. In theory of course, this could be done with annualised funding. But the overlapping donor financial years and the unpredictability associated with shorter cycles make this very difficult in practice; so practically MYHF facilitates, or enables, this better price planning and therefore cost savings.

⁴ WFP Food Relief Support Project Completion Review 2016.

⁵ Ironically April 2015 was the point at which the drought was starting to become really serious in the Somali region.

MYHF not only provides greater *predictability*, but in theory when combined with contingency funding also allows for greater *flexibility*. These two terms were consistently and frequently used by implementing partners to describe the benefits that arise from MYHF. Predictability of funding under MYHF allows partners to plan out well in advance. The flexibility afforded by contingency funding should allow partners to quickly shift their activities depending on where needs are the greatest, rather than being bound by earmarked budgets that may not be relevant under changing circumstances. Importantly, MY agreements can allow funds to be quickly pivoted to changing needs if designed properly, without having to go through a more lengthy approval process for new funds.

This is perhaps as true for DFID as for any of the agencies. DFID consistently cites the availability of Multi-Year Business Cases as allowing for rapid emergency financing. Without these ‘wrappers’, the length of time to approve new tranches of money dramatically increases. This was the case in 2015 when DFID was able to release nearly £60m of additional emergency funding to existing partners because of the MYH business case.

This meant that in the 2015/2016 drought in Ethiopia, DFID partner organisations were able to respond early and realise significant cost savings. WFP used its multi-year agreement with DFID to scale up food procurement.

While UNICEF is not technically a MYHF partner, they were able to use their existing multi-year (development) agreement with DFID to pivot existing budgets and re-target those funds to critical water and nutrition interventions, although this was neither fast nor straightforward. Nevertheless, without this flexibility, it's possible that UNICEF would have had to respond by airlifting supplies (as they did in 2011), at a much greater cost.

The avoided losses study (forthcoming) indicates that food aid largely reached people in time to make a difference, meaning (relatively) early response certainly saved lives, and probably prevented mass starvation. Having even better arrangements in place for other areas of emergency programming would enhance such responsiveness. However, MYHF has not translated into any meaningful protection of livelihoods or assets (yet).

Box 3: DFID Contingency Funding in Ethiopia

DFID provided US\$39.8 million in early funding during the 2015/2016 drought in Ethiopia. DFID provided WFP with early funding of US\$22.5 million for food aid in July 2015. If this funding had not been provided, procurement costs for the cereals portion would be 21 percent more delivered late in the crisis, due to escalating local prices and blockages in the pipeline at the port. As a result, DFID early funding resulted in cost savings of US\$4.2 million. DFID provided funding of US\$17.3 million in October 2015 for UNICEF to provide SAM treatment, comprised largely of supply of Ready to Use Therapeutic Food (RUTF). If orders were submitted late and airlifting was needed, UNICEF would have paid an additional US\$2.7 to US\$3.8 million in transport costs. Timely procurement with DFID funding is therefore estimated to have avoided

an additional US\$6.3 million-US\$7.4 million that would have been incurred by later procurement, an overall saving of approximately 18 percent.

- **UNHCR, Ethiopia:** UNHCR documented cost savings for both shelter and water in the camps in Ethiopia. In both cases, the cost savings are realized as a result of UNHCR having the longer-term capacity afforded by MYHF to invest in better programming, that ultimately costs less. Box 7 quantifies those savings, though it is not clear whether the estimates for the water savings were actual or anticipated.

Box 4: Quantification of cost savings from shelter and water, UNHCR Ethiopia⁶

Shelter: 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 Refugee Camp mean that tents require replacing every 4 months. The cost of housing one family in a transitional shelter for 4 years is US\$690, whereas housing the same family in a tent costs US\$5,400. The cost saving of one shelter is therefore US\$4,710 over a 4-year period (assuming the tents are actually replaced). For the 1,100 shelters proposed, this amounts to savings of over US\$5 million per year. Perhaps more importantly, there are major quality benefits conferred by the provision of transitional shelter including enhanced protection and privacy through lockable doors and better protection from cold and damp (especially compared to deteriorated tents). Corrugated iron sheets can be taken with the family for construction of shelter in the event of return.

Water: 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 US\$57 per beneficiary over the first year and US\$77 per beneficiary over subsequent years. MYHF can help to ensure that water infrastructure is installed as part of better planning for water provision, avoiding expensive water trucking. However, in reality, tankering is still needed often while systems are built.

Cost savings in other sectors could also be realised in principle. Outside of WFP, the remaining partners consulted included OCHA's HRF and UNHCR in Ethiopia, and UNICEF in DRC. The HRF distributes funds to a wide range of sectors and partners, and as such they did not report systematic evidence on costs savings as this is harder to do when spread across numerous smaller projects. UNICEF in DRC used their MYHF to engage in a cash programme, which is also reported on in the section that follows.

⁶ UNHCR (2015). "Annual Review 2014, Medium Term Assistance to Refugees in Ethiopia."

4 Are programmes more effective?

4.1 Introduction

According to consultation, multi-year funds can support multi-year planning, which in turn can improve the design of programming. This section begins with a summary of the feedback from global and country consultation on the potential impact of MYHF on improved programming. This is followed by a qualitative discussion of the value chain and potential for impact for several key sectors under MYHF.

Analytical Framework: Are programmes more effective as a result of MYHF?

Are you able to respond earlier?

- Increased preparedness leads to earlier response?
- Earlier response leads to the use of interventions that are more effective?
- Early response mitigates the impact of the crisis?

Is there better quality in project design?

- Better analysis - partners have more time to study the context more carefully and use this in programming?
- Development of longer term relationships with the same population groups, leading to more participatory approaches?
- Projects can learn, and evolve or adapt over a longer time horizon, permitting more effective strategies?

4.2 Qualitative feedback from consultation

A consistent theme in partner feedback has been that MYHF allows them to design more effective programmes, that can learn, evolve and adapt over time to maximize efficiency and effectiveness gains. All three points in the framework on better quality were strongly and consistently highlighted by agencies, though evidence to substantiate these changes was very thin:

- Better analysis - partners have more time to study the context more carefully and use this in programming;
- Development of longer term relationships with the same population groups, leading to more participatory approaches; and
- Projects can learn, and evolve or adapt over a longer time horizon, permitting more effective strategies.

In theory, some of these benefits could be realized with predictable annual funding. For example, development of longer term relationships can occur if a programme is designed to work with the same population over several years, whether funding is annual or MY. Agencies can also learn from a year's implementation, and then re-design their next business case under annual funding. However, it was also very clear that there is a lot that cannot occur without MYHF. For example, partners are less likely to engage

in a multi-year design if they don't have a guarantee that they can get funding for all of the years. Further, under annual funding, most of the time has to be dedicated to implementation. Under MYHF, agencies feel they are much more able to devote sufficient time up front, and at project end, for participatory approaches and good evaluation, without compromising their ability to deliver on implementation.

Partner agencies were able to offer limited concrete examples of how this worked in practice. For example:

- **UNICEF, DRC** has been able to use MYHF to test different modalities and approaches to cash delivery. MY allowed the UNICEF team to work with implementing partners to design several phases to the programme, and to gather evidence in between each phase to inform the redesign of the next phase. This resulted in two outcomes.

Firstly, the team was able to gather and assess detailed data on the relative costs of different transfer modalities (see Table 5) and use this data to maximize efficiency.

Further, the team worked with local communities to identify the transfer plan that worked best for them. One phase of the project was used to assess several options, including one large lump sum at the outset, and a second option which transferred the same amount, but in smaller regular payments. Evaluation learning indicated that the recipients preferred one larger transfer, and were further able to use this lump sum for larger investments. As a result, being able to implement the cash transfer programme under a MY umbrella allowed the team to reduce costs through less transfers, as well as maximize the benefit of the transfer for the recipients.

Table 5: Cost of Different Transfer Modalities, UNICEF DRC Cash Programme

Type of Transfer	Cost of Transfer
Direct cash	0.33%
Open market or Fair	1.8-2%
Micro-finance	1.9-2.8%
Cash through local traders	5.2%
E-voucher Fair	6%

- **Joint Resilience Programme (JRP), Sudan** took significant time to set up and establish itself properly. The programme is a partnership between WFP, FAO and UNICEF in the east, aimed at tackling stubbornly high rates of malnutrition. It is multi-sector and complex in nature, involving both practical assistance and behaviour change messages.

MY allowed the JRP programme to spend time designing the programme. This worked on several levels – the time needed to establish an integrated way of working

between the three partners, the time needed to consult communities and time needed to re-jig the planning as a result of practical experience.

Two years into the three year programme JRP are still to get these elements completely right. Critically, there is a realisation that reducing stunting in under 2 year olds is a long term effort, and that a three year programme is more of a beginning. MY has allowed the three agencies to establish a complex and ambitious programme, albeit imperfectly at this stage.

Box 5: Mercy Corps Cash Transfer Programming in DRC⁷

Mercy Corps is one of the UNICEF's core implementing partners in DRC. UNICEF extended its MYHF from DFID to Mercy Corps via an 18 month grant. A recent evaluation of cash transfers under the DFID funded MY programme demonstrates the benefits of being able to undertake a multi-year analysis.

Mercy Corps used the first year of DFID multi-year funding to test three different transfer mechanisms – electronic vouchers, mobile money, and physical cash. By examining cost-efficiency and user experience, Mercy Corps was able to provide a direct comparison of the advantages and disadvantages of each transfer type, as well as conduct a cost efficiency analysis of response modalities. Instalments varied from one large transfer of USD \$120 to two or three smaller transfers, delivering a total of \$272,310.

The evaluation found that, by all cost-efficiency measures, e-vouchers are the most expensive way to deliver assistance (US\$222 per transfer). Mobile money is the next most expensive (US\$106 per transfer), and cash is the least expensive (US\$77 per transfer) when measured by cost per transfer and when transfer values are standardized. Further to this, disbursement was the most expensive activity in the project, accounting for 33 percent of all administrative costs.

The evaluation also found that, contrary to evidence from other countries, mobile money is the slowest mechanism to establish and is not well-suited to humanitarian cash transfer programmes in the DRC, whereas e-vouchers and cash were quick to deploy. Further, the evaluation gave Mercy Corps important information on the type of transfer that worked best for recipients.

During consultation, the team further highlighted that recipients preferred one large transfer to multiple small transfers. This evidence could result in substantial cost savings. Firstly, the cash programme will be more cost efficient by having robust evidence on the cost efficiency of different transfer modalities. Further to this, the programme has re-designed to move from multiple transfers, to a single transfer. Cash has a disbursement cost of US\$27 per transfer. The first phase of the programme provided transfers to 3,355 households. If the number of transfers was decreased from 3 to 1 transfers per household, this would result in cost savings of US\$54 per household. Across the full pilot cohort, this would equate to savings of US\$181,170. When this evidence is used across a cash transfer programme at scale, the savings could be very significant.

⁷ Murray, S. and F Hove (2014). "Cheaper, Faster, Better? A case study of new technologies in cash transfers from the Democratic Republic of Congo." Oxford Policy Management.

Partners believe that MY and contingency funding allows them to respond earlier.

Agencies report that they are better able to pre-plan and pre-position goods with MYHF, which in turn allows them to respond earlier, decreasing the number of days required to release funding and move aid. An earlier response theoretically leads to greater effectiveness as support is provided before families start to resort to negative coping strategies. Evidence for this has not been documented by agencies in relation to MYHF and may in fact not hold true as the question of how ‘early’ aid needs to be delivered to make a difference has not been properly understood (further discussion on this is included in the section that follows).

- **WFP, Ethiopia:** WFP report that one of the many advantages for them of having predictable, multi-year resources is that it facilitates coordination of relief assistance among the various actors. With DFID’s resources, WFP knew which rounds and how many people it could cover. Based on this, other food providers (government and NGO response) were also able to plan how to cover the remaining areas for a particular round. This helped to avoid sudden pipeline breaks. Finally, since the advance funding enabled prepositioning of food a few weeks before, distribution could be timely.

Box 6: Quantification of timeliness of delivery, WFP Ethiopia

The efficiency and effectiveness of the relief operation improved in 2014 in terms of reducing delays between allocation, dispatch and distribution. On average, it took the Government of Ethiopia and WFP 11 days (down from 16) from the time of allocation after each prioritization task force meeting, to delivery to food distribution points (FDPs). Food was distributed onward to beneficiaries within 5 days (down from 9) of delivery to FDPs. These gains were realized as a result of a framework contract for transport that was initiated under DFID MYHF.⁸ Although MYHF may not be strictly necessary for such gains, it demonstrates how it allows agencies to think differently; here improving processes across the programme.

Multi-year programming was highlighted as particularly critical for nutrition, agriculture, water and cash programming.

- Preventative nutrition requires behavior change that takes time and does not materialise under a short programming window. The evidence on the VfM of preventative rather than responsive malnutrition treatment has been documented globally (see Section 4.4.1 below). Several agencies also mentioned this issue in relation to behavior change on sanitation practices.
- In the case of agriculture, most early interventions for promoting food security require several cropping cycles to take hold. According to the agencies interviewed, it is very hard to get farmers to adopt new practices such as conservation agriculture

⁸ “Support to WFP Relief Operation in Ethiopia 2012-15”, DFID Annual Review, February 2015.

if they are undertaken in a short time frame, and without successive cropping cycles so that farmers can really see the benefits.

- An analysis of contingency funding in Ethiopia highlighted that MY is particularly critical for water programming. Long term, sustainable water supply is typically more cost effective than emergency measures such as water trucking. However, it can take many months to come online, and therefore significant forward planning is required.
- Cash programming can be highly cost effective, but as with other resource transfer programmes is most effective when based on market assessments. Multi-year planning can allow agencies to invest in detailed market assessments up front, so as to rapidly deploy cash in appropriate areas and avoid costly inflationary effects.

5 Barriers to MYHF

Throughout the course of consultation, several barriers were highlighted that currently impede MYHF.

Distribution of MY funds

Partner systems are largely able to incorporate MYHF (with a few notable exceptions, as set out above), and DFID systems are able to work with partner systems. However, recipient organizations and especially downstream partners still have systems in place when funds for each quarter or half-year are only released after the completion of reporting on the use of previous funding periods. This can inhibit the ability of MYHF to provide an earlier response. There was, however, consistent feedback that the predictability of the funds is more important for leading to improved outcomes than the compatibility of the systems for distributing MYHF.

Addressing the humanitarian/development divide

The vast majority of those interviewed welcomed the intent of MYHF to bridge humanitarian and development activities. The overall focus should be on helping a community in need, in whatever form that takes. However, there are several operational issues and some deeper, perhaps philosophical issues that are raised when this is practically attempted:

- Can humanitarian funding be used to address stunting or is this a development issue? This question is a proxy for the wider question about timeframe – is humanitarian *by its very nature* short term, or can it operate over a long time frame? If acute malnutrition is *humanitarian*, but takes ten years to defeat, is this developmental or humanitarian? This may seem semantic, but agencies are likely to use funding timeframes as a proxy for one or the other and label it accordingly.

Practically too:

- There is a genuine concern that multi-year funding, when it begins to invest in longer term measures, begins to be used more and more as development funding. This then calls into question how funding recipients can report this against their humanitarian mandate. This is particularly relevant with some donors that have more strict legal and political restrictions on what constitutes humanitarian funding.
- There was also a real concern that already limited humanitarian funding could be diverted to increasing development activity as it moves further along this continuum.

Viewed from a macro perspective, humanitarian funding could be viewed as a largely “off government” financing mechanism (largely through UN and NGOs); development as mostly “on government”, meaning channelled through or in support of policy. In this

formulation humanitarian financing is not defined temporally, but rather in terms of delivery channels.

The contested nature of the definitions and objectives of both development and humanitarian aid make the combining, or differentiation complex. In reality they can only really be defined in terms of financing flows, as 'life saving' is relatively meaningless, and 23 years and counting of humanitarian aid in Sudan undermines the short-term argument too.

Those consulted felt that a greater focus on reporting against outcomes would help in this regard. This would then allow all actors to be working towards a common outcome, e.g. reducing food insecurity or lowering malnutrition levels, in a way that helped to bridge the humanitarian/development divide and did not compromise agency or donor mandates. It was also 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.

Balancing accountability and flexibility

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. Reporting against outcomes, as highlighted in the previous point, can help with this, but can also be more difficult to measure than output indicators. The design of M&E systems may need to be refined to help support a more flexible approach. Importantly, adaptive programming can use regular reviews and pivoting of earmarked funds to changing needs as they arise.

6 Summary and Conclusions

Three years on from this study being commissioned multi-year humanitarian financing has moved from being an esoteric instrument to an increasingly mainstream part of protracted crisis financing. This study is still collecting data on what this means in terms of changes in programming and ultimately outcomes. However, the contours of potential change are becoming clearer.

The extensive consultation conducted to date clearly highlights that MYHF offers significant opportunities for VfM gains, as follows:

- 1) MY and contingency humanitarian funding can facilitate early procurement and pre-positioning of emergency supplies that can result in significant cost savings, and ensure that aid is provided in a timely manner to those affected by a crisis.
- 2) MY funding in particular can play a key role in allowing agencies to design more effective programmes, that can learn, evolve and adapt over time to maximize efficiency and effectiveness gains.

However, the strength of the evidence and the consistency with which it is reported to support these theories varies significantly. Table 7 summarizes the findings by sector.

Further, there is still a long way to go for the gains from MYHF to be fully realised.

MYHF is not actually operating as MY funding to its maximum potential. While MYHF has significant potential to bring a variety of gains – reducing costs and allowing for better planning and programming – multi-year funding is still being used as annual funding over multiple years, and this is limiting its ability to maximize gains. The strongest evidence to date is around operational gains that arise as a result of MYHF, through procurement and pre-positioning savings. And these can be substantial. But a key strength of MY funding is that it can support MY programming to realize effectiveness gains, and the evidence in this regard is limited. MYHF would benefit from 1) ensuring that MYHF is tied to MY plans that are successive and cumulative, rather than yearly repetition of the same activities; and 2) revising legal and operational frameworks to ensure that MYHF is passed downstream as MY so that all partners can benefit.

Strong but anecdotal evidence suggests that significant procurement cost savings can be realised, while evidence for other cost savings is very limited. MY and contingency funding have a strong and consistent impact on procurement costs, particularly for food, but also other commodities. There is also strong and consistent evidence that early procurement and pre-positioning in turn leads to earlier funding from donors. However, in stark contrast, while reductions in staff costs and better retention of staff are consistently cited as benefits of MY, almost no evidence was available to back this up.

The evidence for proposal and report writing was similarly lacking in evidence. Current gains and leverage of other sources of funds were not cited as large impacts nor was there evidence to suggest high potential magnitude of savings.

The global evidence is strong that an earlier response can lead to better outcomes.

Following through the theory of change, MY and contingency funding can and do lead to earlier response, which in turn is evidenced to result in improved outcomes. However, it is also clear that MYHF and contingency funding alone do not automatically result in early response. They are certainly enabling, but agencies and donors need both political will and technical systems of analysis in addition. While the evidence is still tentative, the evidence does point to potential for strong outcomes in terms of a reduced food gap and greater investment in productive activities.

A few specific examples suggest that the potential for better quality in programme design is substantial. However, a lack of consistent evidence also suggests that MY funding needs to be linked more closely to MY strategic planning to realize these gains.

There is a risk that MYHF simply supports repeated annual activities. The UNICEF/Mercy Corps cash programme in DRC is a very good example of how MYHF can be used to specifically design programming that uses the longer time frame to improve design through better analysis and iterative learning, greater consultation with affected communities, and adapting programming over time. Further, the project has gathered project specific quantitative evidence on the cost savings from this approach, as well as qualitative evidence on the improved outcomes for beneficiaries. However, it is one of the few examples from the consultation to date and suggests that the potential for better outcomes from MYHF is not being maximized. Very few partners could specifically demonstrate how project design had been improved, nor what the actual impact of that was. Stronger linkages between MYHF and MY strategic planning are recommended.

The evidence suggests that there are a number of scenarios in which MYHF can have substantial benefit:

- Complex problems. Nutrition and WASH programming are inter-connected and complex. They may have multiple causal factors, and need a range of solutions from behaviour change to stronger public services. Research and iterative approaches can bring new and unexpected insights. There was strong sentiment amongst partners that this was where MYHF was most likely to prove more effective than annual funding, but there is little hard evidence for this yet; nor have the models for practical implementation been properly developed.
- Preventative programming. Preventative measures, such as preventative nutrition programming, are typically more cost effective than reactive measures, but require pre-planning and anticipatory action to be implemented. Along similar lines, some sectors and activities require long lead times to come on line, and therefore would particularly benefit from MYHF. For example, investment in water infrastructure can

mitigate the need for emergency water trucking, but can take up to 9 months to come on line. Agriculture interventions can help to mitigate food insecurity, but also require advance planning to ensure that food harvests are secured ahead of a crisis.

ANNEX 1: EVIDENCE FROM OTHER STUDIES

COST SAVINGS

This section summarizes evidence on the cost savings that can arise as a result of early procurement and pre-positioning from the wider literature. These gains are not reported specifically in relation to MY or contingency funding, but rather as a result of early action. Therefore, as stated previously, these gains could be achieved through any mechanism that triggers an early response, and MY and contingency funding are considered to be two key approaches to doing so.

WFP's Import Parity Approach

A WFP analysis⁹ provides evidence on cost savings for over a third of WFP's 2010 food procurement expenditure as a result of advance purchasing of commodities. The findings indicate how forward planning can result in significant cost savings. Combining WFP's import parity procurement and advance finance capabilities, the Forward Purchase Facility (FPF) is a revolving fund that allows WFP, on the basis of an estimate of aggregated regional needs and funding forecasts, to purchase commodities before country offices submit requests.

WFP's import parity approach works by comparing local with international sourcing costs and delivery times for food. An analysis of the price differences between the lowest and next-best quotes from suppliers 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.

Consultation with WFP consistently highlighted that MYHF is critical to realizing these gains. Advance finance mechanisms allow WFP to purchase grains at the least expensive time of the year. Without MYHF, funding would simply not be available to optimize prices and forward purchase. For example, in Ethiopia, WFP highlighted that advance funding from DFID through the MY business case was used as collateral for WFP Ethiopia to call down funding centrally. One could also argue that extending the FPF centrally would allow the same gains to be realized. Having said this, while WFP is the main source of food aid, it is not the only organization that procures food and hence DFID MY funding could help to realize these gains with smaller organizations that do not have the forward purchasing ability of WFP.

DFID Economics of Early Response and Resilience (TEERR)

This DFID study¹⁰ investigated the costs of early procurement in four countries. The study found that early procurement resulted in a decrease of the unit cost of food aid

⁹ WFP (2011). "Efficiency at WFP" Executive Board Second Regular Session

¹⁰ Cabot Venton, Courtenay, Coulter L., Dooley O., Fitzgibbon C., Majumder S., Schmuck H., Shiterek T. (2013)., *The Economics of Early Response and Resilience*, DFID.

between 11 and 45 percent in four of these countries¹¹, including commodity, transport, storage and support costs. This evidence was based on actual cost savings documented by WFP country offices in each of the four countries.

While this evidence is specific to four countries, it echoes the findings from the WFP study.

UNICEF/WFP Return on Investment for Emergency Preparedness¹²

A joint UNICEF/WFP study on the return on investment (ROI) for emergency preparedness evaluated specific cost data from all DFID funded interventions across both agencies in three countries. The study evaluated pre-positioning of food, nutrition and water and sanitation (WASH) commodities, as well as operational support equipment. The study found that pre-positioning of emergency supplies brought financial returns of between 1.6 and 2.0 on the cost of transport alone for internationally procured goods. This estimate does not include the cost savings from procurement costs, and therefore could be significantly higher if these cost savings are included.

The ROIs for specific investments, by sector, are detailed in Table 3.

Table 3: Return on Investment of Pre-Positioning, by Sector

Sector	Commodity	ROI
Health	Long Lasting Insecticidal Nets (Chad)	1.6
	Long Lasting Insecticidal Nets (Pakistan)	0.9
	Ready to Use Therapeutic Food (Pakistan)	1.8
	Ready to Use Therapeutic Food (Madagascar)	2.1
	Micro-nutrient Powders (Pakistan)	1.3
	Oral Rehydration Salts (Pakistan)	2.3
	Zinc (Pakistan)	1.0
WASH	Bleach (Chad)	1.0
	Soap (Chad)	1.0
	Aquatab (Chad)	2.5
	Hygiene Kit (Pakistan)	0.9
	Water Flocculant Powder (Madagascar)	1.8

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67330/Econ-Ear-Rec-Res-Full-Report_20.pdf

¹¹ *Ibid.* Early response resulted in the following savings on food aid costs: Ethiopia 42 percent; Kenya 45 percent; Mozambique 22 per cent and Niger 11 percent.

¹² Boston Consulting Group (2015), *Return on Investment for Emergency Preparedness Study*. UNICEF, WFP.

http://www.unicef.org/publications/files/UNICEF_WFP_Return_on_Investment_for_Emergency_Preparedness_Study.pdf

Operational Support	Mobile Storage Units (Pakistan)	1.9
	Mobile Storage Units (Madagascar)	1.6
	ICT (Pakistan)	1.0
	ICT (Madagascar)	1.6

UNICEF Analysis of Ready-to Use Therapeutic Food (RUTF)¹³

Early procurement can also avoid expensive transport for emergency supplies. For example, UNICEF conducted an analysis on procurement of Ready-to Use Therapeutic Food (RUTF) for treatment of Severe Acute Malnutrition (SAM). Under emergency conditions, air freight of RUTF increases the landed cost by 100 percent, whereas early procurement can allow for transport sea freight, increasing the landed cost by only 10 percent. The briefing note further highlights that UNICEF was able to decrease air transport of RUTF from 35 percent in 2008 to only 1 percent in 2010, as a result of better supply chain analysis, including forecasting of country programming needs and pre-positioning of stocks closer to emergency prone countries.

PROGRAMME EFFECTIVENESS

Decreased food deficits

When food aid arrives early, particularly in protracted crises, household food deficits are smaller. The DFID TEERR study¹⁴ used the Household Economy Approach to model decreases in food deficits as a result of early humanitarian response in four countries. The findings suggest that household food deficits are decreased by 15 percent on average as a result of receiving early transfers in slow onset crises.

The Productive Safety Net Programme (PSNP) in Ethiopia provides early transfers to households that are chronically food insecure, and has displaced much of the humanitarian caseload in Ethiopia. The PSNP¹⁵ has been found to reduce annual food gaps from 3.6 months to 2.3 months.

Greater investment in productive activities

When household deficits are smaller, households can invest some of their transfer in more productive activities. For example, the World Bank finds that cash transfers under Ethiopia's PSNP are typically used 75 percent for consumption and 25 percent for investment, including debt alleviation, accumulation of livestock, agriculture

¹³ Komrska, J. "Increasing Access to Ready-to-Use Therapeutic Foods (RUTF)." UNICEF

¹⁴ Cabot Venton *et al.*, *op. cit.*

¹⁵ White, P and Ellis, F. (2012). "Ethiopia's Productive Safety Net Programme, 2010-2014: a value-for-money assessment."

investments, and utilization on health and education services.¹⁶ These types of activities can help households to build up assets and savings that minimize the impact of the next crisis.

Multiplier effects from cash transfers

The World Bank reports that safety net transfers delivered directly as cash can yield multiplier effects in the local economy with an average of 1.8 (ranging from 1.3 to 2.5).¹⁷ A study from Zimbabwe that evaluated cash transfers specifically as part of a humanitarian response (rather than a more predictable safety net transfer) found that every dollar of cash transfers generated \$2.59 in income (compared to \$1.67 for food aid).¹⁸ A systematic review of evidence on cash based transfers in emergencies found that voucher programmes generated up to US\$1.50 of indirect market benefits for each US\$1 provided to beneficiaries, and unconditional cash transfer programmes generated more than US\$2 of indirect market benefits for each US\$1 provided.¹⁹

Cash transfers can be facilitated by early response, as forward planning for cash is key to ensure that it is distributed in markets that are well integrated, where inflationary impacts will not occur.

Long Term Economic Consequences

The economic impacts of a timely response can extend well beyond the crisis, and yield gains over a person's lifetime. When people are in a crisis, they begin to resort to negative coping strategies such as selling productive assets and reducing consumption, and these strategies intensify as the crisis deepens.²⁰ Numerous studies that are very context specific have investigated some of these linkages. A Cost Benefit Analysis of the Africa Risk Capacity Facility²¹ provides a useful summary of some of the studies, and highlights that early action can prevent loss of life, increase lifetime per capita consumption, and improve education outcomes. These studies are typically very

¹⁶ World Bank (2014). "Project Appraisal Document for the Productive Safety Nets Project 4". P.111

¹⁷ Honorati, Maddalena; Gentilini, Ugo and Yemtsov, Ruslan G.(2015), *The State of Social Safety Nets 2015*, World Bank, p.56.

<http://documents.worldbank.org/curated/en/2015/07/24741765/state-social-safety-nets-2015>

¹⁸ Concern Worldwide (2011), *Hard cash in hard times: cash transfers versus food aid in rural Zimbabwe*. Brief, Concern Worldwide.

<http://www.cashlearning.org/downloads/resources/casestudies/zimbabwe-brief-multiplier-effect-apr-2011.pdf>

¹⁹ Doocy, S and Tappis, H (2016). "Cash-based approaches in humanitarian emergencies: a systematic review, 3ie Systematic Review Report 28. London: International Initiative for Impact Evaluation (3ie)

²⁰ Clarke, D and R Vargas Hill (2013). "Cost-Benefit Analysis of the African Risk Capacity Facility." International Food Policy Research Institute.

²¹ *Ibid.*

localized and are not reported here, but certainly indicate that early response can reduce economic costs.

SECTOR VALUE CHAINS

Whilst improved programming is highlighted as one of the most important benefits of MYHF, it is very hard to quantify and attribute outcomes to MY. Documenting the effectiveness of MYHF on better programming requires multiple years to see impact indicators start to shift. Further, robustly documenting the effectiveness of MYHF on better programming would require a multi-year control trial or quasi-experimental study that compares interventions funded annually and funded under MY.

Therefore, this section looks at the key sectors raised during consultation – nutrition, agriculture and water – and discusses the potential value chain for improved effectiveness of programming, as well as some of the evidence that exists around the potential for better outcomes as a result of MY planning.

Nutrition

Key points raised during consultation relating to the short term nature of nutrition programming include:

- **Behaviour change requires a multi-year focus.** Nutrition interventions have a strong focus on behavior change, especially as it relates to breastfeeding, feeding practices and proper hygiene. However, it is very difficult to affect behavior change within an annual funding cycle, where the actual implementation period is brief and follow up measures to continue to promote behavior change are cut short.
- **Investment in preventative malnutrition is more effective and more cost effective than emergency response, and requires a longer time horizon to affect change.** Implementers of nutrition programming frequently discuss the frustration with offering treatment for malnutrition, knowing that return rates to treatment centers can be very high, particularly in protracted crises, as the underlying causes of malnutrition cannot be addressed. Preventative measures are not only less expensive to implement, but they prevent repeat cases of malnutrition, and most importantly avoid suffering for those affected. Further, longer term funding can provide implementing agencies with the time and resources to conduct follow up visits to prevent repeat cases from occurring.
- **The cost to children of stunting and wasting during key formative years can last for a lifetime.** The evidence has been building for some years that the impact on infants during key developmental phases of poor nutrition – and especially nutritional crisis – can be profound in terms of cognitive development.

- **Targeting can be improved with longer term data collection.** Multi-year planning could also allow for better data collection over time, facilitating better targeting and treatment planning.

There is a small amount of evidence that MYHF can address some of these issues. MYHF potentially helps facilitate multi-year planning, and in the case of nutrition this could lead to a higher focus on multi-sector approaches, more complex solutions and prevention. In many protracted contexts malnutrition has stayed extremely high for decades, suggesting the current solutions are not helping to reduce rates. The cost of prevention is also likely to be far less than the cost of repeated treatment. There is a large literature on this, and it is not within the scope of this interim report to describe this literature in detail.

However, a World Bank global study on the cost of nutrition suggests that the cost of investing in prevention is far more cost effective than that the cost of responding to need:

- The cost of treating severe acute malnutrition can be up to four times more expensive than treating moderate acute malnutrition per case. Specifically, the treatment of a moderately malnourished child costs US\$40-80 per child per year. The treatment of severe acute malnutrition costs US\$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.²²
- 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.²³

WASH

The range of options for providing clean water are diverse, and in an emergency can include measures such as water trucking, provision of chlorination tablets, digging of wells, and rehabilitation of water infrastructure. As with nutrition, these interventions can be both costly and inefficient.

Key points raised during consultation relating to the short term nature of WASH emergency financing include:

- **Multi-year financing is required for investment in longer term water infrastructure.** Rehabilitation and construction of water wells and pumps is often the most cost effective option, as it can deliver clean water for many years.

²² Horton, S et al (2010). "Scaling up Nutrition: What will it Cost?" World Bank, Washington, DC.

²³ *Ibid*. The report cites the total cost of complementary foods for prevention of moderate malnutrition at US\$3.6b, which will avert 138k deaths, equivalent to US\$26k per death averted. The report then estimates that a further 50k deaths can be averted at a cost of US\$2.6b for community based management of SAM, equivalent to US\$52k per death averted.

However, this water infrastructure can take up to a year to come on line, and therefore multi-year planning is critical to ensure that the intended activities can be undertaken. In a drought context, MYHF could play a key role in allowing agencies to invest in more cost effective long term options well ahead of a drought.

- **Community based planning can ensure that WASH services are sustained over the longer term.** Placement of water sources has to be carefully designed. Without a clear understanding of local dynamics, water can create and escalate conflict very quickly. Further, WASH infrastructure requires regular maintenance and repair to ensure that it continue to provide services. Local buy-in, as well as community based planning, are critical for ensuring long term supply. MYHF provides agencies with the time and resource to work with local communities and integrate WASH planning into wider community development planning.
- **Behaviour change requires a multi-year focus.** Sanitation and hygiene both rely on a heavy focus on behavior change, and are linked with improved nutrition outcomes as well. MYHF was repeatedly highlighted as critical to any project components that require behavior change, as it requires regular repetition of key messages over time, otherwise communities tend to revert to previous practices.

The cost of providing WASH services in an emergency can be very expensive, especially where emergency water trucking is the only option. The benefits of investing in WASH far outweigh the costs. A World Health Organization (WHO) study²⁴ estimated these benefits at US\$4.3 for every US\$1 spent globally. Further to this, while investment in longer term WASH infrastructure can cost more up front, it typically is less expensive than emergency measures because it can yield benefits over many years.

Agriculture

Short term financing for agriculture programmes can be inefficient, for the following reasons:

- **Investment in conservation agriculture and other similar measures can mitigate food insecurity, but requires action well in advance of an anticipated shock.** Agriculture programmes can be key to mitigating the impact of crises, particularly droughts, where measures can be taken to minimize crop losses through conservation agriculture techniques, planting alternative seeds (for example drought resistant seeds), or planting at different times of the year with good forecasting. If done correctly, such programming can help to mitigate food insecurity and reduce the humanitarian impact of crises. However, these activities need to be undertaken well before a crisis reaches its peak, and this is rarely possible within the framework of annual planning.

²⁴ Hutton, Guy (2012). "Global Costs and Benefits of Drinking Water Supply and Sanitation Interventions to Reach the MDG Target and Universal Coverage." World Health Organization, Geneva.

- **Agriculture programming requires that practices change, which can take multiple years to become embedded.** Getting farmers to adopt new agriculture practices can take several years. Demonstration plots can be very helpful to change practices and behaviours, but require several seasons of planting to show farmers the benefits of changing their current practices.

In Pakistan, FAO has used DFID MY funding to invest in distributing seeds and other farming inputs early. In 2016, FAO responded to two consecutive emergencies, flood and then earthquakes. They were able to use their MY funding to quickly procure and distribute livestock and agriculture packages, a response that would have taken several more weeks or months if they had had to go via annual funding mechanisms. FAO has gathered data on the outcomes for households that received this early package, as compared with households that received a late package or who relied on their own resources, and the initial findings indicate substantial gains in both agriculture and livestock production as a result of early intervention under MY. These findings are only just being assessed and hence more detail will become available over the coming months.

Cash

Implementing partners also highlighted that MYHF can be important in supporting effective cash programming. Cash can be used as an alternative way of delivering aid, whether its late or early. Cash is likely to bring gains to local communities in either context.

MY funding can enable implementing organizations to test and design cash transfer modalities that maximize effectiveness. Cash can be delivered in a number of ways, both in terms of the actual transfer (e.g. vouchers, direct cash, etc) as well as the size and timing of the transfer (e.g. multiple small transfers versus a single large transfer). MYHF has been used to test different modalities of cash transfer programming and design a programme that minimizes costs and maximizes benefits (see the UNICEF DRC case study below).

ANNEX 2: SUMMARY OF THE EVIDENCE BY SECTION AND OVERALL

Table 4: Summary of Evidence on Impact of MYHF on Cost Savings

Does MYHF lead to...?	Rationale	Evidence – Country Studies	Evidence for early response – Lit Review
Lower Staff Costs	MYHF lowers staff costs by allowing partners to extend multi-year contracts to staff, decreasing staff turnover	Staffing costs are consistently cited as an area of saving, though evidence was anecdotal and qualitative.	No evidence
Changes in proposal writing and reporting	The time required for MY proposal writing and reporting decreases as compared with annual proposal writing and reporting.	Proposal writing and reporting is typically less with MY, though evidence was largely anecdotal and qualitative. WFP Ethiopia estimate that 27 days per year are saved due to reduced requirements, equivalent to a savings of \$38k over a 3 year period.	No evidence
Improved currency conversions	Savings can be made from greater control over timing of transfers	No evidence	No evidence
Leverage of additional funds	The guarantee of longer term funds can help to leverage additional sources of funding.	No evidence	No evidence
Procurement and implementation cost savings	MY and contingency funding can facilitate early procurement and pre-positioning resulting in cost savings.	<ul style="list-style-type: none"> • <u>WFP Ethiopia</u>: Cost savings of 29 percent have been made through the P4P programme as compared with procuring internationally. Compared with existing local procurement, the P4P has resulted in savings of 18 percent. • <u>Ethiopia</u>: DFID contingency funding in the 2014/2015 drought resulted in cost savings of US\$6.3-\$7.4 million, 	<ul style="list-style-type: none"> • WFP's import parity approach works by comparing local with international sourcing costs 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

		<p>or approximately 18% as a result of timely procurement.</p> <ul style="list-style-type: none"> • <u>HRF Ethiopia</u>: Central procurement for CSB and oil resulted in savings of nearly US\$2m over 5 years. 	<p>import parity approach led to savings of between 23 and 33 percent (at least US\$99 million) of the cost of commodities.</p> <ul style="list-style-type: none"> • A DFID study on the economics of early response found that early procurement resulted in a decrease of the unit cost of food aid between 11% and 45% in four countries. • A joint UNICEF/WFP study found returns on investment of between 1.6 and 2.0 for pre-positioned emergency supplies. • A UNICEF analysis of RUTF found that early procurement could decrease the cost of transport by 90%.
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Table 6: Summary of Evidence on Impact of MYHF on Programme Effectiveness

Does MYHF lead to...?	Rationale	Evidence – Country Studies	Evidence – Lit Review
Response is earlier	Increased preparedness leads to an earlier response	Consistently cited qualitatively but little quantitative evidence. <ul style="list-style-type: none"> • <u>WFP, Ethiopia</u>: in 2014 on average, it took the Government of Ethiopia and WFP 11 days (down from 16) from the time of allocation after each prioritization task force meeting, to delivery to food distribution points (FDPs). Food was distributed onward to beneficiaries within 5 days (down from 9) of delivery to FDPs. These gains were realized as a result of a framework contract for transport that was initiated under DFID MYHF. 	A UNICEF/WFP joint study found that pre-positioning and preparedness measures in three countries sped up response time by between 2 and 50 days.
Earlier response requires less support as asset depletion is less	An earlier response reaches beneficiaries before the use of negative coping strategies and asset depletion, and therefore the humanitarian deficit is less.	No evidence	<ul style="list-style-type: none"> • The DFID Economics of Early Response study used modelling to estimate that early response reduced food deficits by 15% in four countries (slow onset). • The Productive Safety Net Programme in Ethiopia has been found to reduce annual food gaps from 3.6 months to 2.3 months.
Earlier response leads to more effective interventions	Because deficits are less, early response results in interventions that are more effective.	No evidence	<ul style="list-style-type: none"> • The World Bank finds that cash transfers under Ethiopia’s PSNP are typically used 75 percent for consumption and 25

			<p>percent for investment, including debt alleviation, accumulation of livestock, agriculture investments, and utilization on health and education services.</p> <ul style="list-style-type: none"> • A systematic review of evidence on cash based transfers in emergencies found that voucher programmes generated up to US\$1.50 of indirect market benefits for each US\$1 provided to beneficiaries, and unconditional cash transfer programmes generated more than US\$2 of indirect market benefits for each US\$1 provided. • A Cost Benefit Analysis of the Africa Risk Capacity Facility highlights evidence for how early action can prevent loss of life, increase lifetime per capita consumption, and improve education outcomes.
<p>Improved design of interventions through better analysis</p>	<p>MYHF can help agencies to improve the design of interventions by having the time and resources for better analysis of needs, etc.</p>	<ul style="list-style-type: none"> • <u>ACF in DRC</u> described how MY funding allowed them to move from a model of providing short term life-saving support, to adding in greater follow up, particularly with severe 	<p>No evidence with specific reference to MY and its impact on improved design.</p>

		<p>cases of malnutrition, to decrease return rates to clinics (though they were not able to provide further evidence in this regard).</p> <ul style="list-style-type: none"> • <u>UNHCR, Ethiopia</u>: MY funds were used to invest in longer life shelters, amounting to savings of over \$5m per year. • <u>UNHCR, Ethiopia</u>: Investment in long term water supply delivers savings of US\$57 per beneficiary over the first year and US\$77 per beneficiary over subsequent years. 	
Improved design of interventions through greater consultation with affected communities	MYHF can help agencies to improve the design of interventions by having the time and resources for greater consultation and therefore buy-in from affected communities	<ul style="list-style-type: none"> • <u>UNICEF, DRC</u>: UNICEF used DFID MY funding to design a cash transfer learning programme that tested different modalities of transfer each year to optimize the most effective approach, both through consultation with beneficiaries as well as through adapting over time. • <u>Mercy Corps, DRC</u>: As a partner in the same programme, the MC team was able to redesign the cash transfer programme to be better for beneficiaries, and realized cost savings of \$54 per household. 	<ul style="list-style-type: none"> • No evidence with specific reference to MY and its impact on improved design.
Improved design of interventions through adapting over time	MY programming allows agencies to design adaptive programming over multiple years.	<ul style="list-style-type: none"> • <u>UNICEF, DRC</u>: See above 	<ul style="list-style-type: none"> • No evidence with specific reference to MY and its impact on improved design.

Table 7: Summary of the Evidence

	Lower Costs	Better Programmes
General	<p>Strong but anecdotal evidence suggests that MY and contingency funding can result in lower operational costs. Evidence at a country and at a global level suggests that these savings can be realized and that they can be substantial, across a range of sectors.</p> <p>Limited qualitative evidence suggests that MYHF can lead to lower staff and reporting costs. However, evidence to back this up was very limited.</p> <p>Limited to no evidence exists that MYHF leads to improved currency conversions, or leverage of additional funds.</p>	<p>Strong but anecdotal evidence suggests that MYHF could lead to an earlier response. The evidence is strong that an earlier response can lead to better outcomes for those affected. However, the evidence on the decrease in response time is not early enough to suggest that MYHF would lead to better outcomes in this regard.</p> <p>Strong but anecdotal evidence suggests that MYHF can lead to better programming. However, evidence also suggests that recipients of MYHF are not yet applying MYHF to support MY programming in a systematic way and hence this outcome is not being realized as consistently as it could be.</p>
Food/cash	<p>Strong but anecdotal evidence suggests that MY and contingency funding can decrease the cost of food aid by an average 28%.</p>	<p>Strong but anecdotal evidence points to the ability of MY funding to improve food programming, using the specific example of UNICEF DRC's cash programme as an alternative response to food transfers.</p>
Nutrition	<p>Strong but anecdotal evidence suggests that pre-positioning of emergency nutrition supplies (which can be facilitated by MYHF) can result in savings of 60% to 100% on the cost of procurement on average.</p>	<p>Strong evidence suggests that investing in preventative nutrition is more cost effective than investing in response to need.</p> <p>However, limited evidence suggests that MY funding could lead to better nutrition outcomes. Consultation consistently highlighted that MY funding was key to preventative nutrition programming, but limited evidence was presented to support this.</p>

WASH	Anecdotal evidence suggests that pre-positioning of emergency WASH supplies, e.g. bleach and hygiene kits, (which can be facilitated by MYHF) can result in savings of 60% to 100% on the cost of procurement on average.	Strong evidence suggests that investing in longer term water solutions is more cost effective than providing emergency water trucking and other measures. However, limited evidence suggests that MY funding could lead to better water and sanitation outcomes. Consultation consistently highlighted that MY funding was key to investing in longer term solutions, but limited evidence was presented to support this.
Agriculture	Limited to no evidence	Limited to no evidence
Cash	Global evidence is strong that cash is cheaper to deliver than in-kind food aid.	Global evidence is strong that cash can be far more effective if used under the right market conditions, but that can be far less effective if market conditions result in high levels of inflation. Strong but anecdotal evidence exists that MYHF can be used to design and learn from cash transfer modalities in order to maximize cost savings as well as benefits from cash.