

Briefing Paper

Input into DFID's HERR

This paper is Development Initiatives' submission to the Humanitarian Emergency Response Review (HERR) that the Department for International Development (DFID) has commissioned. It makes recommendations on the proposed value for money model as well as implementing the GHD principle of funding according to need.

Achieving value for money depends on the results that DFID seeks to achieve. Although the HERR is focusing on rapid-onset crises and spikes in ongoing conflict, this does not preclude a focus on vulnerability since emergency interventions can contribute to reducing vulnerability while meeting immediate crisis-related needs. Therefore, DI suggests that the 3 Es model would be truer to the goals and principles of humanitarian action (namely saving lives, alleviating suffering and reducing vulnerability to future crisis) if the metric focused on **affected populations and outcomes of response** rather than system **inputs and outputs** and the cost effectiveness of supply chains in delivering goods and services. The table below shows how DFID could achieve this while the notes that follow it provide further explanation.

Three Es – Economy, Efficiency & Effectiveness

Concept & decision rule	Metric/indicator	Source of data for benchmarking	Examples
ECONOMY Ensure funding is commensurate with severity of crisis to make best use of available funds and avoid major discrepancies across crises.	Unit cost per beneficiary	Funding levels to recent comparable crises; CAPs and other data sources on numbers of affected; FTS and DFID data on funding levels; data on relative delivery costs.	Humanitarian aid per affected person.
EFFICIENCY Compare costs of different solutions to a given humanitarian problem	Cost of highest impact solution	Cost-effectiveness analysis of project relative to other options; meta analysis	To address disease outbreak, DFID could weigh the cost of prevention vs. strengthening local response systems vs. financing international response to outbreak.
EFFECTIVENESS Recognise that the impact of humanitarian assistance goes beyond short term activities. Assessments of effectiveness should specifically include results based on reduced vulnerabilities and the impact of system strengthening	<ul style="list-style-type: none"> ○ Product (actual capacities achieved) ○ Performance (how has this improved performance in short- & long-term) ○ Permanence (is the change sustainable)¹ 	Ex ante appraisal of project, compared with others; evaluation reports; beneficiary surveys	When training a nurse, the skills imparted are the product, performance may be more patients seen in given timeframe and permanence depends on whether the nurse uses training long-term or gives up working in a month.

¹ <http://www.oecd.org/dataoecd/34/37/1919953.pdf>

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Economy

- DI is suggesting cost per beneficiary rather than unit cost because, otherwise, DFID will be focusing on supply rather than results. This approach will be helpful in highlighting the discrepancies in cost of assistance in different situations. A recent Global Humanitarian Assistance (GHA) study calculated that in Niger US\$32 per person in humanitarian aid was contributed for the 7.9 million people affected by the food crisis, compared with US \$80 per flood affected person in Pakistan and US\$ 1,492 per earthquake affected person in Haiti.²
- Cost per beneficiary is a crude indicator because it is difficult to get accurate estimates of the number of people affected (with many CAPs not providing this or potentially double counting). DFID should consider how to better capture data on target populations as well as affected people. It also needs to bear in mind that it is more costly to deliver aid in some places (for example, due to the need to fly goods because roads are impassable) and in some sectors (so a food intervention is more expensive than a protection one)³. Therefore, when using cost per beneficiary, DFID needs to avoid creating incentives to favour interventions where the beneficiaries are more cheaply accessible or with only cheap problems to solve.
- DFID needs to consider its own allocations in the context of global funding that is proportionate to each crisis to avoid allocating money due to heightened media coverage or the increased pressure to respond such as in the Haiti situation. To ensure proportionality for chronic crises, DFID could consider checking funding allocations against ECHO's GNA crisis severity and vulnerability ranking and then consulting partners to develop a more systematic and transparent process of funding allocation.
- In order to respond to very legitimate public concern for particular crises, DFID can ensure that its contributions via multilateral mechanisms such as the CERF are properly attributed. There are very simple methodologies for doing this which will allow DFID to report the value of its contribution to a specific crisis, even where that contribution has been made in the form of core support to a multilateral organisation.

Efficiency

- Focusing on the cost of different options for addressing a specific problem would have the benefit of shifting the focus of humanitarian action away from supply/response to problem/demand. It is also important to establish what results DFID is seeking to achieve.

Effectiveness

- At present cost benefit analysis is held back because of a lack of data on what has been delivered and lack of feedback from affected people on the consequences for their current situation and vulnerability to future crises. Therefore ,
- A focus on inputs, outputs and service delivery (the more easily measurable types of humanitarian programmes) may create disincentives for DFID staff members from supporting programmes that are difficult to measure, such as investing in strengthening the humanitarian system (historically, DFID has been a strong supporter of ensuring a more effective humanitarian system). However, capacity building activities need not be considered too difficult to measure and following the 3P approach would enable DFID to develop methods to quantify the outcomes of capacity building interventions generally, including strengthening the humanitarian system.
- DFID should also scrutinise the effectiveness of its contributions to pooled funds; whether they are targeting the most effective interventions adequately and whether they are monitoring the use of funds.

² <http://www.globalhumanitarianassistance.org/funding-according-to-needs-the-niger-food-crisis-2010-1527.html>

³ DI's GHA Data Access and Transparency Programme plans to produce an analysis of costs of delivery in 2011.

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Achieving cost effectiveness and efficiency is always a work in progress that thrives on innovation of new and improved ways to solve a problem. E.g. cash is gaining traction as a more cost-effective intervention with better humanitarian outcomes than commodities, largely because of the work of some pioneering independent organisations. If DFID applies its VFM model with a slavish commitment to the proposed input/output metrics, it is likely to create disincentives for innovation and risk taking by over-emphasising measurable deliverables in assessing performance. It also risks incentivising inflexibility and unresponsiveness in programming so that, for example, if DFID is looking to tick boxes on the number of clinics built, an organisation will have little incentive to argue that perhaps an alternative intervention, for example hygiene promotion in schools, might have a greater impact in improving the health status of a population. Therefore, DFID needs to develop some outcome indicators that allow organisations to adapt to changing situations and to pursue innovative approaches to solving problems, which may not always pay off or which may not pay off within a measurable project cycle.

Funding according to needs

- The principle of funding in accordance with assessed needs is premised on the assumption that evidence of humanitarian need can be gathered in a reasonably comprehensive and comparable way. While there is a great deal of work going on within the humanitarian community (the OCHA dashboard, the IASC needs assessment task-force operational guidance, the Assessment Capabilities Project (ACAPs) etc.) these initiatives have yet to bear fruit and donors should be realistic about what they will deliver.
- A focus on 'needs' prioritises manifest needs rather than considering vulnerability or risk of humanitarian crisis. This can result in 'late response' rather than less costly (both in terms of human suffering and financial cost) prevention and mitigation. A current example of the use of risk analysis is the Integrated Food Security Phase Classification (IPC) system which provides technical consensus and a common language for classifying severity of diverse crisis scenarios and their impact, offers early warning predictions to decision makers that enable the prioritisation of preventive and mitigating actions before humanitarian indicators reach crisis thresholds.⁴
- Evidence of humanitarian need is only one piece of the puzzle that donors need to consider in allocating funding to humanitarian crises on a proportionate basis. Other factors include: other donor funding, the capacity and performance record of potential partners and how these interventions fit within a donor's stated policy priorities and commitments. Being able to transparently demonstrate that a donor has followed a clearly articulated process, taking account of a range of evidence and practical programming considerations, and including a range of stakeholders is probably more realistic than achieving funding in accordance with assessed needs.
- A focus on risk within the funding allocation process has the potential to result in improved humanitarian outcomes rather than a focus on manifest humanitarian need. Holistic risk analysis should drive a more integrated response which includes activities currently boxed into security, stability, humanitarian and development categories to the detriment of impact on affected people.
- Risk analysis includes understanding the resources and capacities available. This should result in responses that can be both cheaper and better value for money, including supporting domestic response capacity (identified in the Tsunami evaluation as most important for saving lives and with the potential to be most accountable to affected people).

⁴ <http://www.ipcinfo.org/overview.php>

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Put simply, if humanitarian assistance is designed to save lives and protect livelihoods, then the fundamental questions that DFID asks should be:

What is the greatest risk to lives and livelihoods?

What has a high probability of occurring and would have massive humanitarian consequences

How do we best go about eliminating that risk?

through prevention, mitigation, preparedness, response, recovery etc

Are other actors responding?

Including the diaspora, the community themselves, the national government

Plan humanitarian response OR assess next greatest risk

Based on answers to above questions

Shifting the humanitarian community's thinking from humanitarian need to risk will require a huge paradigm shift but, as the table below highlights, this would have numerous benefits. DFID has the opportunity to lead this change and simultaneously improve its own funding allocation process.

Needs assessment		Risk analysis	
Pros	Cons	Pros	Cons
They are accepted as the legitimate currency for making claims for humanitarian resources	Supply driven – assessment of what organisations can provide	Takes into account the overall context and coping capacities that exist. Focuses on the holistic vulnerabilities faced by affected people, rather than fragmented 'needs' that are in part defined by what can be supplied. .	Mind shift required so that risk analysis becomes an accepted tool used in the decision making process.
People are already trained and experienced to a certain extent in how to conduct needs assessments	No forward looking element - assessments only provide a snapshot of the current situation. They can become rapidly out-dated as humanitarian crises are ever changing	Risk analysis is forward looking and can assist donors in assessing the likelihood of different situations occurring leading to more effective and efficient interventions	Some training would be needed so that people could make use of the analysis.
	Needs assessment initiatives may yield some technical improvements but they cannot overcome the fundamental political barrier to shared need assessments: needs assessments are used by	As donors are unable to provide funding for all 'needs' in a given crisis, risk analysis allows them to prioritise funding on the basis of what poses the greatest risk to lives and livelihoods. Thus, risk analysis is not a replacement for current CAP process but	Organisationally challenging because response is categorised into different institutional boxes and can be difficult to articulate to holistic vulnerabilities. Therefore, organisational

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organisations in competition with each other to raise funds.	instead provides a way to prioritise interventions.	approaches and culture would need to adapt to address risk.
Assessments focus on manifest needs rather than vulnerability or risk. They do not incorporate preventative or mitigation interventions	The analysis could be carried out externally. For example, donors could make use of risk profiling by UCL's Institute for Risk & Disaster Reduction. Thus, risk analyses could be a shared resource to which all donors have access	

Last but not least

In focusing on Value for Money and measuring the 3Es prior to funding, DFID should not lose sight of the importance of ensuring that lessons learnt from past programming (and best practices) are incorporated into future funding decisions.

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We engage to promote better understanding and more effective use of the resources available for poverty reduction. We try to empower by putting this information, and the capacity to use it, in the hands of those who will eliminate poverty.