

COST EFFICIENCY DISCUSSION PAPER

OVERVIEW

The 2017 Humanitarian Policy Group report indicates that out of all the aid funding made available to South Sudan in 2017, 64% was channelled to UN agencies, while only 19% went directly to INGOs. Of this total funding given to UN agencies, 13% reached INGOs, and 7% reached local/national actors. In 2016, INGOs received 16% and local/national actors 4%. Despite the increased presence of NGOs in the most remote and operationally challenging areas of the country, the funding to meet their growing demands for safety, logistics and security remains insufficient.

In line with Grand Bargain commitments and general drive towards more cost efficient and cost-effective humanitarian programming, NGOs in South Sudan are committed in 2019 to looking at ways of reducing costs to deliver programming, with the best value for money for the people of South Sudan and refugees that we serve. We remain committed to being accountable at all times to affected populations and beneficiaries, local authorities and our donors. In this spirit, the majority of agencies have made reductions across support and programming costs for their budgets from multiple donors in 2019.

However, UN agencies, who pass funding to the INGOs and NNGOs who implement projects on the ground, have imposed a number of rules on their implementing partners in their 2019 budgeting, requiring increased outputs and imposing a higher burden of reporting, with fewer resources. In 2017 a total of 5.4 million People million people received life-saving humanitarian aid in South Sudan, much of it from NGOs. In just the first six months of 2018, over 3.7 million had received life-saving services. The NGO community believes that these rules are unfair and counter-productive, putting the quality and safety of humanitarian programming at risk. In general:

- The nature of the funding rules imposed by UN agencies are making projects largely impossible to implement in an effective manner, within the envelope available. UN agencies are not considering themselves as donors in the proper sense but are imposing unduly stringent procedures on partners.
- There has generally been a lack of transparency and accountability about where tax-payer funds donated to UN agencies are being spent, particularly in terms of salaries, overheads and other benefits that UN agencies spend on. This prevents accountability or a robust cost effectiveness analysis of how public money is being spent on the humanitarian response.
- UN agencies are applying vastly different and less cost effective rules to themselves, compared to the NGOs that they channel funding to.
- The operating environment in South Sudan involves unique logistical constraints. Because of country-wide limited infrastructures, and the highly volatile security levels, a large part of the aid delivered relies completely on air transport, which involves a considerable cost. As a result, it is considerably costlier to run front line field operations in South Sudan than in other countries in the region. As such, implementation and direct monitoring of UN funded programmes becomes largely impossible with the current funding levels.
- In some cases, in an effort to implement the same activities for less money, there have been threats of re-directing funding to NNGOs. Increased funding of NNGOs is to be encouraged and supported, but UN agencies tend to provide these national organisations with little to no safety budget - which

they're more likely to accept that INGOs, due to a lack of international safety protocols. This funding strategy exposes national NGOs to huge risks: the majority of incidents in the country affect NNGOs.

- NGOs recognise the principle of co-funding and partners contributions. However, the way that the rules are being applied in South Sudan risks creating a monopoly of a few large NGOs with significant private income who can cross-subsidize necessary costs that UN donors will not fund. This risks a loss of significant technical and historical expertise across South Sudan. Additionally, in many of the sectors in which the UN funds NGOs to work, the major bilateral donors have decided to channel all their funds through the UN. This is an important point because many of the costs the UN will not fund are exclusively for programming in their sector, and this increases the difficulty NGOs face in co-funding appropriately.

INGOs recognise that there is a huge need to be more cost effective in the way that humanitarian programming is implemented.

Cutting budgets in this manner will reduce the impact of programming on beneficiaries lives, rather than increasing value for money. Several key concerns are noted in the ways that partnership and funding rules are being imposed by the main UN donors to NGOs:

Transparency

- INGOs strongly support transparency in the way the humanitarian funding is spent in South Sudan and across the world. In this spirit, they would welcome:
 - o Openness in the budget cuts that UN agencies are imposing on themselves
 - o Transparency in average salaries, benefits, support costs and other operational costs that agencies are using to enable an understanding of how cost-effective various donor modalities are for programming.

Cost Efficiency & reporting requirements

- NGOs recognise the importance of being robust in planning, implementing and operating programmes. However, most NGOs find that the level of reporting, involvement in project planning and granularity of focus of UN agencies in their implementing partners is counter-productive.
- Senior management and back office teams spend a vastly disproportionate amount of time on UN grants, reporting and administration compared to, and often cross-subsidised by, bilateral donors.
- In line with the Grand Bargain commitments, reduced reporting requirements from UN agencies and a standardised reporting approach for NGOs to all donors would enable enhanced value for money.
- The Boston Consulting Group estimates that 783,000 hours per year are wasted across the sector by INGOs because of a lack of standardised reporting approaches.

Ability to comply with the laws of South Sudan

- Some rules being imposed by donors would prevent NGOs from complying with the law of South Sudan. For example, a restriction on paying for work permits or visas would cripple agencies ability to deliver humanitarian assistance.
- It is noted that while bilateral country donors conducted a significant amount of advocacy at the highest levels on the costs of work permits in South Sudan, and are willing to fund these costs, there was significantly less advocacy from UN agencies on this issue, who are unwilling to fund them.
- Changes in the labour law also present serious challenges to NGOs in their ability to implement programmes legally and effectively with UN funding. For example, the adding of gratuity as an

additional months' salary for all national staff would have to be absorbed by INGOs under the current rules preventing national staff salary increases.

Safety

- Some of the rules being imposed present serious challenges to operate in the South Sudan environment safely and puts humanitarian workers at risk. Imposing reduction on safety budgets can lead to NGOs not being able to respect their own safety procedures: dedicated safety staff, adequate vehicles, minimum communication equipment etc.
- Differential approaches on R&R also put the mental and physical health of humanitarian workers at risk. It is noted that while UN agencies operate 6 weeks R&R schedules across the country (more frequent than INGOs R&R policies), rules are being imposed by UN agencies that R&R should be restricted to what INGOs are able to cover, and some UN agencies are refusing to cover R&R costs at all. This is particularly concerning when INGO and NNGO staff are on the frontlines, exposed to highly stressful environment and potential incidents, while the majority of UN agency staff live in Juba.
- In some cases, costs for compound security improvements are being restricted even in environments where the security situation is deteriorating and highly volatile.
- These rules are set against a backdrop where bilateral donors are increasingly becoming more focussed on the duty of care that they owe to agencies that they fund, and in some cases are requesting agencies to consider *increasing* their spending on safety related costs.
- Across the board for INGOs, 8% of staff are expatriates. Funding the maintenance of expertise that is expected from INGOs is not a large percentage for most INGO budgets given that expats make up a small minority of staffing.

Quality

- NGOs are concerned that there is an attempt to cut costs beyond what enables them to operate effective programmes. At times this has included:
 - o Requesting programming lines to be cut in a way that directly reduces the quality of the activities.
 - o Refusal to fund the full amount for a basic team to implement a project.
 - o Refusal to fund M&E costs, while at the same time requiring detailed monitoring and evaluation documentation.
 - o Refusal to fund basic operating costs.
- Despite this, UN agencies are reporting the achievements, delivered almost exclusively on the ground by NGOs that they fund, as their own, and while the UN funds only a portion of NGO activities they report on the totality of NGO achievements and beneficiaries. This information is used by the UN to attract more funding from bilateral donors.
- Virtually all agencies, including UN agencies, have some form of performance and experience-based pay increases. Meanwhile, the UN restricts the freedom of NGOs to implement such approaches by refusing to pay for any salary increases, which then threatens NGOs ability to attract and retain high quality programme staff and deliver effective programming.
- One UN agency has indicated that their maximum salary contribution is based on a mid-level P4 salary in the UN system, reflecting an opinion that the senior and most effective NGO staff have the skill set at this level. This rule also vastly mis-represents the remuneration that P4 UN staff receive in benefits, which UN agencies will not fund for NGOs. A recent UN budget seen by the Forum had a budget of \$21,652 per month for P4 staff, way above the total cost of employment of senior INGO ex pat staff.

- Some UN agencies also employ a large number of monitoring staff, who regularly visit NGO programmes. While NGOs always welcome monitoring, these visits can sometimes take place on a very regular basis on projects with very limited funding and implementation periods. Therefore, while the monitoring might be well intended, the frequency and intensity can at times be overwhelming for NGOs staff and for the programmes.
- Support costs cover the salaries of qualified and experienced support staff (e.g., logistics, HR, finance staff etc.), vehicle running costs, compound maintenance costs etc. As things stand now, the range of in-country support costs provided by UN Agencies varies from 11% to 17%. While in theory there is no formal restriction on in-country support costs for implementing partners, in practice this is what is provided. Currently many NGOs have to seek alternative sources of funding to compensate for these gaps, sometimes with limited success given the fact that additional funding sources for South Sudan are scarce. Delivering high quality humanitarian assistance requires the funding of essential indirect costs. As things stand now in South Sudan, this is often not the case and the quality of the assistance is threatened or compromised.

Recommendations

To ensure that humanitarian assistance is provided from tax-payers across the world to the people of South Sudan in the most cost-effective manner, NGOs would like to present several key recommendations to funding UN agencies to guide project development for 2019:

- As an ideal principle, UN agencies should provide an envelope to implementing partners for activities and allow the NGO to develop their budget within this, without imposition of specific rules on particular breakdowns of costs at a micro level, which can often lead to detailed discussions and lengthy delays in signing contracts and therefore in delivery of services. This will enable NGOs to focus on planning effectively in a way that will deliver quality programming safely and effectively.
- Ensure essential costs such as safety and security, safeguarding, audit, risk management are included in the envelope, including the staff costs associated with these important functions.
- According to the Aid Worker Security Report 2018, South Sudan is the most dangerous country for aid workers in the world, with the highest impact on national South Sudanese aid workers. The costs of keeping frontline aid workers safe must be factored into all budgets, especially if humanitarians are to ensure increased localisation of the response.

INGOs and NNGOs in South Sudan are requesting UN agencies to urgently reconsider the new policies imposed to their implementing partners in terms of support cost. We would like to engage in a productive discussion between the UN and NGOs on this topic. We all have a common goal, to ensure safe and dignified humanitarian assistance to the people of South Sudan, while ensuring the safety and dignity of NNGO and INGO staff. We know that together we can come to a mutually agreeable conclusion.

We look forward to a productive discussion on the issues raised.

The NGO Forum in South Sudan.

	Rules for partners			Internal Rules		
	UNHCR	WFP	UNICEF	UNHCR	WFP	UNICEF
Maximum Salary	Cap of \$8,000 USD/month total for highest paid staff member (CD)	CD/DCD salaries are not permitted at all, should come from HQ costs		D1: \$13,250 month + \$ 1,600\$ danger pay per month	D1: \$13,250 month + \$ 1,600\$ danger pay per month	D1: \$13,250 month + \$ 1,600\$ danger pay per month
Expat salary increases	Not permitted at all from 2018 rates	Not permitted at all from 2018 rates		Average increase of 1% anticipated on all salaries. Performance based increases for multiple staff	Average increase of 1% anticipated on all salaries. Performance based increases for multiple staff	Average increase of 1% anticipated on all salaries. Performance based increases for multiple staff
National salary increases	Not permitted at all from 2018 rates	Not permitted at all from 2018 rates		Average increase of 1% anticipated on all salaries. Performance based increases for multiple staff Gratuity covered	Average increase of 1% anticipated on all salaries. Performance based increases for multiple staff Gratuity covered	Average increase of 1% anticipated on all salaries. Performance based increases for multiple staff Gratuity covered
Work permits	Not permitted at all	Permitted		Not required	Not required	Not required
Visas	Not permitted at all	Not permitted at all		Covered by UN	Covered by UN	Covered by UN
Home Leave	Not permitted at all	Not permitted at all		Covered for UNHCR international staff.	Covered for WFP international staff.	Covered for UNICEF international staff.
R&R	Maximum \$500/month	Not permitted at all		\$1,500 per R&R – every 6 weeks	\$1,500 per R&R – every 6 weeks	\$1,500 per R&R – every 6 weeks
Juba support costs	Max 8%	Max 7%		Undisclosed	Undisclosed	Undisclosed
Compound improvements	Not allowed	Allowed		Significant expenditure on compound improvements in Juba and in field locations	Significant expenditure on compound improvements	\$2.4million upkeep per year for UNICEF guesthouse.