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# Money Where It Counts

## **A protocol for harmonised cost classification and financial budgeting and reporting - launch event summary note -**

The Money Where it Counts protocol was presented at an event in Brussels on 25 September 2019 by the Norwegian Refugee Council (NRC) and Humentum, with the support of the European Union Civil Protection and Humanitarian Aid (ECHO) and the Voluntary Organisations in Cooperation in Emergencies (VOICE) Network.

The protocol presented at the event is the result of four years of work by NRC, initially in collaboration with the Boston Consulting Group and subsequently in partnership with Humentum.

Humentum, which was formed from a merger between Mango, InsideNGO and LINGOs, is a global organisation focused on supporting NGOs to achieve operational excellence. NRC contributes to the partnership its extensive experience in humanitarian policy informed by operations in over 30 countries around the world.

The event was attended by 65 participants representing six governmental donor agencies, three United Nations agencies, 40 NGOs, as well as the Red Cross and the Grand Bargain Secretariat. The event was also live streamed through an open link (no participants' information was collected); two additional UN agencies and an NGO are confirmed to have joined the event online.

*The list of participants is available at this [LINK](#).*

*The recording of the event is available at this [LINK](#) (starting from the 'design and principles' session).*

The event was divided into four sessions covering the background of the initiative, the design methodology and the principles of the protocol, and the proposed next steps in the morning. The afternoon session was a detailed explanation of the cost classification and financial budgeting and reporting approach proposed in the protocol. All presentations were kept as brief and explicit as possible and were followed by extensive Q&A sessions.

*The agenda is available at this [LINK](#).*

Following the encouraging opening remarks by ECHO, NRC, VOICE, and Humentum, the participants heard about the potential gains estimated by the Boston Consulting Group (2.3 million person/hours/year) and the linkages of the initiative to the Grand Bargain workstreams relating to transparency, reducing management costs, and harmonisation of reporting, as well as to the work of the Inter-Agency Standing Committee (IASC) Humanitarian Financing Results Group.

*The presentation is available at this [LINK](#).*

The design of the protocol was led by Humentum acting as an independent broker of an agreement among nine NGOs (NRC, ACF Spain, CARE, DRC, Humanity and Inclusion, Oxfam GB, Save the Children International and UK, Welthungerhilfe). Over the course of several months since the last quarter of 2018, Humentum analysed each participating NGO's cost structure and cost charging methodology to design an intensely practical solution for harmonisation, which required compromises for every participating NGO and is applicable well beyond the initial group. The latter assumption builds on the consideration already given to vastly different structures analysed during the design phase. Importantly, the session presented the key trade-offs and gains for prospective

pilot participants, summarized in the image below (agencies refers to 'implementing entities, fund recipients').

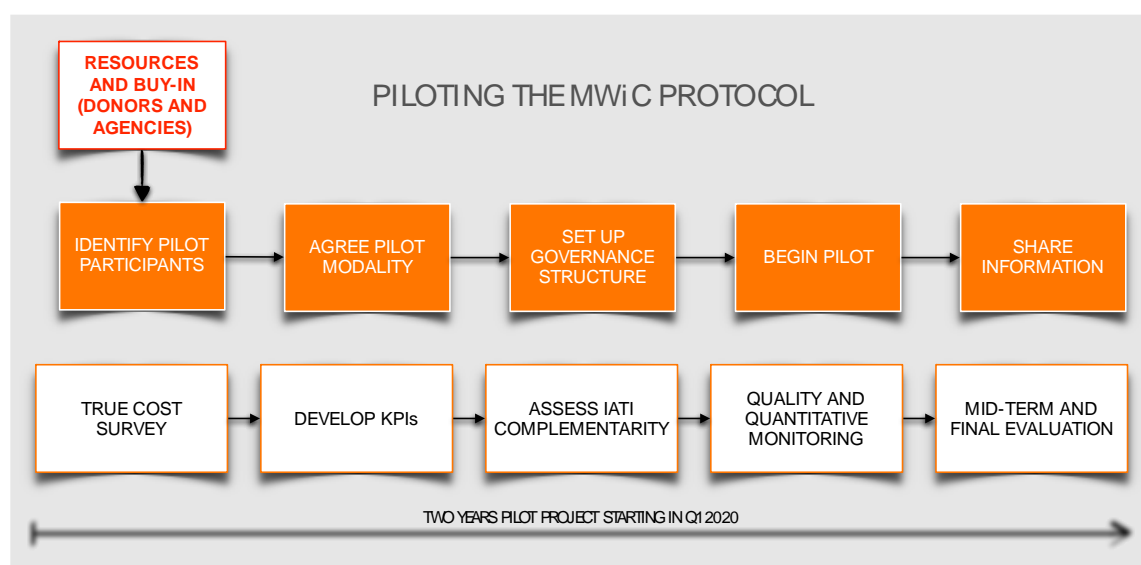
Donors Give	Donors Get & Agencies Give	Agencies Get
Commit to pay full reasonable and justifiable costs	Transparent and consistent budgets and financial reports	Full reasonable and justifiable direct and indirect costs
Accept harmonised budgets and reports in MWIC format and indirect costs based on audited accounts	Demonstrate financial vigilance and cost control with detailed reports prepared when necessary	Simplified and harmonised approach adopted by funders
Accept cost pooling and apportionment for certain direct costs	Clear and consistent cost charging mechanisms justified with rationale and supported by a third party evidence base	Opportunity to streamline and automate processes
<b>More resources to programmes and beneficiaries</b>		

As of the time of the event, six of the nine NGOs involved already endorsed the protocol, with the remainder (ACF Spain, DRC, Oxfam GB) currently assessing the changes necessary before making a decision.

The presentation is available at this [LINK](#). The recording is available at this [LINK](#) (begins at 0h 0m).

During the last session of the morning, NRC and Humentum outlined the next steps envisioned to bring the protocol into the testing phase, namely the plan to establish a two-year long pilot project with a group of donors and agencies. Participants heard about the limitations of an NGO-led initiative of this size and scope, specifically concerning the need for resources to carry forward the project. Beside testing the protocol in terms of transparency, budget performance, and timeliness gains, the pilot would also function as a platform to support interested agencies in the path from the initial analysis to the endorsement and finally compliance with the protocol. A solid governance structure and monitoring and evaluation framework are planned to ensure the pilot is able to measure its effectiveness and modify the protocol as necessary based on evidence.

**Donors, UN Agencies, and NGOs interested in resourcing, endorsing, or participating in a pilot project were invited to get in touch with the NRC focal point at [Luca.Peciarolo@nrc.no](mailto:Luca.Peciarolo@nrc.no) or [nrcgeneva.policy@nrc.no](mailto:nrcgeneva.policy@nrc.no)**



The presentation is available at this [LINK](#). The recording is available at this [LINK](#) (begins at 1h 5m). The last part of the event was allocated to discussing the details of the protocol and included an extensive Q&A session. Humentum Associate and Money Where it Counts lead consultant Siham Bortcosh provided an in-depth description of the protocol's building blocks and dived into the details of the cost classification and the proposed templates for budgeting and reporting.

## Building blocks of the Protocol

1. Clear and consistent cost classification and definitions
  - Direct costs
  - Indirect costs
  - Ineligible costs
2. Clear, consistent, fair and simplified cost charging methods
3. Simplified, transparent and harmonised project budgets and financial reports
4. Cost Classification and Cost Charging Statement



The objective of this two-hour technical session was to provide attendees with a step-by-step explanation of the contents of the protocol and the opportunity to address any matter of concern or doubt.

The presentation is available at this [LINK](#). The recording is available at this [LINK](#) (begins at 2h 53m).

### Short-term follow up

In line with the next steps outlined during the presentation, NRC and Humentum will focus on mobilizing resources through bilateral advocacy efforts to initiate a pilot project. Meanwhile, interactions with potential endorsers of the protocol will continue and intensify in preparation of the need to identify a core group of donors and implementing agencies to participate in the pilot project.

Requests for clarification are to be addressed to: [Luca.Peciarolo@nrc.no](mailto:Luca.Peciarolo@nrc.no) or [nrcgeneva.policy@nrc.no](mailto:nrcgeneva.policy@nrc.no)

List of linked documents:

- [Protocol and related annexes](#)
- [Agenda of the event](#)
- [Attendance list](#)
- [Recording of the event](#) (begins with session 2)
- [Presentation of Session 1](#) (Background)
- [Presentation of Session 2](#) (Protocol principles and design)
- [Presentation of Session 3](#) (Next steps)
- [Presentation of Session 4](#) (Protocol technical details)