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Section A: Policy and Planning

Module 5: Cost implications and donor requirements

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Introduction to the series

The pandemic continues to impact not only the security risks that non-governmental organisations (NGOs) may face but also the way risk treatment measures are developed, implemented and communicated to staff. As we get used to new ways of working with COVID-19, and the focus is, rightly, on the pandemic and its impacts, we must ensure that we do not lose sight of ongoing and emerging security situations and issues.

Introduction to the module

In the first quarter of 2020, aid agencies found themselves working on projects that were designed before the onset of the pandemic. Flexibility in spending and approvals became key for most institutional donors who were keen to support their partners to adapt their programmes in a safe and effective manner in response to the COVID-19 pandemic. Many donors quickly adopted and communicated the stance that as long as the original objectives of the project were being met, the detailed project plans and individual budget lines could be changed.

By June 2020, the IASC Results Group 5 on Humanitarian Financing produced a proposal for a harmonised approach to funding flexibility in the context of COVID-19. This document outlined a series of recommendations to ensure donors took similar approaches to reduce the complexities involved in spending, reporting and approving changes. Currently, the impact of COVID-19 is still unfolding, and there is a steep learning curve around how we as a sector need to keep up with the evolving changes.

The following is an outline of the additional risk management costs that may be incurred by aid agencies as a result of the pandemic, and how organisations and donors can better cooperate to accommodate those costs.

Acknowledgements

Suggested citation

GISF. (2021) *Keeping up with COVID-19: essential guidance for security risk managers, Module A.5. Cost implications and donor requirements*. Global Interagency Security Forum (GISF). First Edition, March 2021.

🔍 Useful sources

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IASC Guidance (June 2020): Proposal for a harmonised approach to funding flexibility in the context of COVID-19 (IASC Results Group 5 on Humanitarian Financing)

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Why are "cost implications and donor requirements" important during the COVID-19 pandemic?

Still no rule book

Although most aid agencies and donors were able to quickly adapt their programme agreements and allowances in the beginning of 2020 to meet immediate needs, there is still no global consensus for how COVID-19 precautions should be calculated for and addressed in forthcoming project proposals. Donor requirements will likely remain diverse and subject to change given the fluctuating global political, economic and health environment. Therefore, it is important for aid agencies at the global level to invest in keeping track of nuanced requirements and changing circumstances.

Just as donors have varied in their response, aid agencies have also taken different approaches toward integrating COVID-19 into their programming and security risk management strategies. Some expanded programming (e.g., in areas of health and WASH); some closed down offices and repatriated numerous international staff; some physically increased office space and guesthouses to accommodate social distancing measures. Organisations admittedly vary widely in terms of missions and models for delivering assistance, so it would be unreasonable to expect them to take identical steps in this regard. However, dialogue and cooperation going forward is essential, to resist creating negative incentives for competition and undermining the collective outcomes of our work.

In essence, bottom-line basics need to be agreed upon to ensure that donors can continue to fund projects that meet development and humanitarian goals, while also reducing the spread of COVID-19.

🔍 Useful sources

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[USAID/Bureau for Humanitarian Assistance COVID-19 Emergency Application Supplemental Guidance (FY2021) – pgs. 13-14 re: Risk Management.](#)

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Shrinking availability of funds

The spiralling economic crisis brought on by COVID-19 has spared no country, including every major donor government from the EU to the UAE. Many donors have spent funding domestically this year to combat COVID-19, and forthcoming years will see fewer resources dedicated to international assistance. Stretching those coffers even further is the reality of increased operational costs of working in a pandemic. Although additional costs are necessary to ensure assistance and protection is provided in a safe way, many institutional donors will find it challenging to meet the necessary increased costs due to limited budgets and negative public opinion, that would rather see funds spent on domestic COVID related measures.

Disclaimer

Greater cost of operations

In truth, programming is more expensive during COVID-19 for a number of reasons. Conducting certain programmes can become prohibitively expensive if done in accordance with meeting standards for social distancing and other mitigation measures. Practical examples to illustrate this point include:

- If distributions cannot be done on site (due to local legal health regulations), and must be done door-to-door with proper PPE and social distancing; staff may be limited to two persons per vehicle, therefore requiring double the number of vehicles, drivers and fuel. Vehicles carrying distribution supplies may need to be rented for several additional days.
- If distributions can be conducted on site but must be limited to 30 households a day instead of 150 households to ensure proper social distancing; this will cost five times as much for vehicle rental, daily worker salaries, equipment, etc.
- Face-to-face training may be possible if local legislation and internal policies allow. However, a socially-distanced classroom may require reduced participant numbers, incurring a significant increase in time spent training smaller groups as well as multiplying the cost of venues, equipment, transportation, food and possibly accommodation for out-of-town visitors.

📖 Further information

For a more comprehensive list of tangible and intangible operational costs related to COVID-19, see the ANNEX below.

The vaccination question

Quite possibly the most significant question that employers must consider is the specific cost of vaccinations against the virus. As a basic standard of Duty of Care, employers must ensure that all reasonable steps are taken to protect their staff against known risks, including infection. At this time organisations are being called upon to figure out how they will navigate the vaccine roll out. Questions for consideration include:

- How/when will the vaccine be rolled out in each country (incl., HQ, regional and country offices)?
- How will the question of vaccination be addressed in each country where the organisation is operating, and how will that information be tracked?
- If there is a gap in coverage for staff based in a certain country (including their home country), how will the employing organisation plan to address this gap?
- At the programme level, is there a protection risk of exposing the population if staff are not vaccinated?
- Is it possible or appropriate for non-medical aid workers to receive vaccines through private means that are funded by foreign government donors, or facilitated by international health organisations?
- Are donors willing to be involved in the conversation regarding vaccinations? To what extent can they advise or support operational partners regarding the vaccination of their staff? Is it a question of risk transfer if agencies are expected to cover the costs and oversee the logistics of vaccination, if it is not assumed to be a direct programmatic cost?

Closing the communication gap

It has been observed that a number of factors may have resulted in a widening communication gap between donors, aid agencies, local partners and the communities served. This includes (but is not limited to): social distancing measures requiring people to communicate online or at a distance, the rapid nature of decision-making, varying levels of risk tolerance, etc. In particular:

- The sheer volume of decisions made in the past year regarding changes to programmes were admittedly difficult to record, report and track as they happened. While a collective sense of urgency may have allowed for more flexible communication and rapid decision-making at the onset, there is concern that this dynamic also left ample room for misunderstanding that will come up in future audits.
- With the large variance in risk thresholds amongst donors, UN agencies, aid organisations, local partners and other stakeholders, there is a widening gap in face-to-face communication and

observation. For example, in many locations, donors no longer visit field sites for monitoring, meet grantees at their offices, or attend coordination meetings. Similarly, UN personnel are subject to stricter social distancing regulations and aid agencies are shifting activities into the hands of remotely managed local partners. While these are generalised statements, it should be acknowledged that wherever this does occur, it can have a direct impact on relationship-building, as well as project management and financial management oversight.

- Given the crisis, some local actors were provided more direct access to donors who recognised the importance of better collaboration and quick funding of the operations. Many noted this as a positive outcome that should be seized upon as an opportunity to sustainably and responsibly expedite the localisation agenda.

A race to the bottom (line)?

As a result of the potential lapses in coordination and communication listed above, there is an emerging catalyst near on the horizon for further negative competition amongst aid agencies. Without agreement on what is necessary in terms of COVID-related risk management compliance, and a collective commitment to transparency, agencies are incentivised to "race to the bottom" – e.g., hiding costs and maximising beneficiary numbers at the expense of taking the necessary precautions to properly socially distance and/or reduce risk to staff and those they work with, in other ways. For example, if one agency claims to be able to serve 1000 households whilst another can only serve 600 for the same amount of money, will donors perceive the additional costs per beneficiary as fair and necessary? Will the competing bids feel free to make explicit the costs they require to ensure safety and security amongst their staff and beneficiaries? If agencies calculate their costs differently, using different risk thresholds for what is necessary, how will donors be able to judge the fairness and accuracy of these competing bids?

Good practice for security risk management: Cost implications and donor requirements

For Aid Organisations

- Seek information from your project's donor if they have specific guidance regarding how risk management costs should be accounted for within your project's proposal. Note that some of this advice will have been updated since the pandemic.
- Follow internal guidance from your organisation. Ensure that programme, finance and security departments are in communication when designing and budgeting a new project. Ensure that finance/budgeting guidance is aligned with requirements set out in COVID-19 and other risk management guidance for country offices.
- Plan and budget for vaccinations. A vaccination plan for staff should be a top priority for organisational leaders at every level of operation. Global management structures should also be in discussions with regional and country-level leadership, and vice versa, to devise and keep up with an appropriate approach – that takes into account global variations in government-led programmes, and ensures all staff are prioritised equitably by the organisation wherever there are gaps. Consider reaching out to other organisations, UN agencies and donors who may be able to assist.
- Ensure a Security Risk Assessment (SRA) is conducted prior to designing a new project or programme. SRAs help to identify threats and reduce risk. In terms of cost and finance, however, they are also essential to estimating and justifying budget line items for safety and security risk management. Ensure COVID-19 is measured and mitigated in your SRA alongside other threats.
- As much as possible, insist on budgeting for safety and security risk (alongside COVID-19) mitigation measures as direct programme costs. This allows you to itemise your costs in a specific budget line (or lines) and gives you space to justify the necessity of each measure in the budget narrative of the proposal. If costs are considered indirect, or lumped

in with an overhead percentage, they are more likely to be cut from the project. This is dangerous, because the project will likely be expected to continue regardless of the reduced coverage for security costs.

- At the global level, ensure risk ratings are adjusted in light of COVID-19. Global risk ratings often dictate the degree of human and financial resources dedicated to managing risk in a given country (as well as HR benefits for international staff positions) and so it is important to integrate COVID-19 into your global risk calculations, which in turn have cost implications.

- Push internally for a holistic risk management approach that takes into account the cost and financial risks of management decisions. Include contingency planning in your programme planning process and try to set aside contingency budget items that you will realistically need to cover, if, for example, a site needs to be moved, an office needs to be closed, or a staff member needs to be on extended sick leave.

- Be as explicit as possible in proposals and budget narratives. Donors may not understand why you require a specific item as part of a direct cost to your programme. It is up to the bidder to defend and justify these costs. Aim for complete and total transparency. Particularly in contexts that are typically low-risk, it is important to detail the new risks that your programme and staff have been exposed to due to the virus. Things that may seem obvious to you may not be to the donor.

- Be up front and open when things do not go as planned. While donors may have expressed flexibility and solidarity from the beginning of the pandemic, your interlocutors may have changed, or they may not remember. As much as possible, document the decisions you made in writing and explain why your plans changed or why certain unexpected expenses were incurred. The more you explain – in writing – your decision-making process and the challenges you faced, the more favourable your decision will be seen after the fact.

- Strengthen vertical lines of communication, internally and externally. Make sure points of contact are vertical as well as horizontal in your communication with donors. Particularly during periods of volatility, as in the first half of 2020, reiterating messages at country, region and global levels has proven useful in making sure that information did not get lost. Some donors noted that they preferred country representatives and CDs as their first point of contact. Furthermore, organisations should consider facilitating conversations directly between the donors and local implementing partners (if working with them), to ensure all necessary costs are covered.

- There is a growing need for INGOs to invest in digital security and IT infrastructure to support remote programming, online learning and protect their staff and beneficiary information. COVID-19 has only emphasised this, increasing online activity more rapidly than expected. However, this change is overdue and here to stay. Strategic global investments in strengthening IT systems may require long-term planning and negotiations with donors.

Fraud and corruption risks

Invariably, there are going to be fraud and corruption cases uncovered in the coming months and years related to the initial chaos of coping with COVID-19. Indeed, the costs related to these risks are both tangible (in terms of loss of assets and funds), and intangible (in terms of reduced productivity, loss of trust, and an inability to reach programme goals).

Both donors and aid agencies need to be proactive in identifying and addressing these cases, as well as supportive of one another by acknowledging the shared responsibility of decisions that were made at the time.

For Donors

- Clarify your expectations for risk management during the COVID-19 pandemic, and consider risk management measures as a direct cost. As much as possible, discuss these expectations with your fellow donor agencies with the aim of identifying common insights that can contribute to a set of simple unified expectations for aid agencies to follow.

- Fund collective sector-wide initiatives (risk management or other) that aim to tackle the question of common standards and approaches, to encourage dialogue and reduce competition among agencies.

- Insist on clear, written communication from partners (and reciprocate). Partner agencies may not realise that you have limited knowledge of what is happening on the ground. The more transparent you are about what you need to be informed of (e.g., restricted movements), the more information you will receive. Similarly, you should insist that grantees are just as proactive in engaging sub-grantees remotely to build trust and exchange information. Engage online as much as possible where there is little likelihood of in person interaction.

🔍 Useful sources

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EISF. (2013) The Cost of Security Risk Management for NGOs (EISF)

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Inclusivity considerations for cost implications and donor requirements

As a general guideline, planning, budgeting, and reporting of programmes should be as inclusive as possible. The following are practical considerations around inclusivity with regard to budgeting for risk management costs, in light of COVID-19 impacts and requirements:

- SRAs are best done through a collaborative process. Because SRAs dictate what risk mitigation measures are budgeted for, staff interests should be equitably represented in terms of diversity (e.g., support/programmes,

national/international, gender, race, ethnicity, etc.) to ensure staff's diverse vulnerabilities and perspectives are taken into account.

- Make sure to consult with the particular staff who are most exposed to the risks you are planning to mitigate. These individuals may be often overlooked, such as drivers, cleaners and guards. Also, if you are working with local partners, ensure they are part of the SRA process and directly involved in budget planning for their own risk mitigation measures.

- Ensure that any steps to reduce the budget lines for safety and security are made in consultation with security staff, and the staff who will ultimately be exposed to the risks in question. At all costs, try to avoid the outcome of agreeing to reduce or eliminate funding for safety and security measures that have been determined to be essential through the SRA process. Such outcomes often force staff into situations whereby they feel pressured to carry out their work without proper mitigation.

- Ensure staff and partners feel they are properly equipped to mitigate risk, and are comfortable asking for additional assets if necessary. Levels of risk in most contexts have changed in the past year, particularly when it comes to health safety and wellbeing. In the current economic environment, personnel may be more reluctant to voice their personal observations and concerns about risk if they feel they will face negative consequences as a result (e.g., losing their job). Double check for consent periodically, and make sure personnel are comfortable speaking up if they need additional assets and/or services to safely do their job.

- Clarify vaccination status with staff as much as possible, and seek methods to support them in getting vaccinated if it is not readily available to them. Consider that certain categories of personnel may have less access than others, even within the same locality. Be aware that unequal access to the vaccine may be affecting Headquarters-based staff, as well as those based in countries of operation. For example, several cases have been noted in the US of minority population groups having less access to vaccines, as compared to the white population, in spite of their higher propensity for COVID-related risks.

- Invest in information communications technology (ICT) infrastructure and support. Poor internet connection is often a factor that inhibits equitable access to information, learning and decision-making amongst personnel. This is because staff based in certain locations cannot easily communicate with and participate in discussions taking place at the Country, Regional or HQ levels. Similarly, home internet connections can often be less reliable and less secure than office-based infrastructure, creating the potential for further inequity between staff. Due to the likely continuation of social-distancing requirements over the coming year, it is important to identify gaps and opportunities for improvement in this area.
- Support initiatives that increase capacity of local actors; provide them with direct funding as much as possible. The pandemic has drawn our attention simultaneously to the (often unnecessary) burden of moving people between countries, and the impressive strength of first responders who are already where they need to be. Now more than ever is the time to invest in local capacities. Despite the World Humanitarian Summit's 2016 Grand Bargain commitment of channeling 25% of global humanitarian funding "as directly as possible" to local and national actors by 2020, the 2019 Grand Bargain independent report estimated that only 8.74% of global funds were being spent in this way.

📖 Further information

CHS Alliance (January 2021): COVID-19 and the Core Humanitarian Standard: How to meet our CHS commitments in the coronavirus pandemic

CNBC (February 2021): Covid case are falling, but unequal vaccine access threatens global recovery, WHO says

NBC News (December 2020): Racial disparities create obstacles for Covid-19 vaccine rollout

🔍 Useful sources

OXFAM: Community Engagement During COVID-19: A Guide for community facing staff

Conclusion

Although COVID-19 has triggered a range of responses throughout the sector from donors and aid agencies, a consensus has not yet been reached around how programme design should be integrated with risk management to most effectively protect staff and communities, and how the additional costs of risk management will be funded.

It is important for the international aid community to come together in the following ways:

✓ Aid organisations should have honest and frank discussions with one another around the programming and risk management dilemmas they face, and share this insight with donors.

✓ Donors should share with one another any additional policies and/or requirements they have implemented (or are considering).

✓ As a whole, all parties should:

- Acknowledge and account for the increased operational costs of integrating COVID-19 risk mitigation measures into programme design.
- Agree that COVID-19 mitigation and other security risk management measures are necessarily treated as direct costs, because such costs cannot be decreased without also negatively impacting the reach and/or quality of programmes (and potentially putting staff as well as beneficiaries at risk).
- Prioritise funding for measures that encourage inclusivity, including increased direct funding and support to local actors.

ANNEX
Potential COVID-related operational costs for aid organisations

	Tangible	Intangible
Fixed and/ or Certain	Internet costs (and ideally digital security upgrades) for staff who are permanently or temporarily working from home New assets that may be necessary to ensure staff are able to do their work remotely (e.g. laptops, phones, office furniture, etc.) Health insurance and medevac insurance premiums Cost of personal protective equipment (PPE) for staff, daily workers, beneficiaries, government or local partners, etc. Cost of COVID-19 testing for staff Cost of vaccination for staff (where privately available) Cost of expansion or renovations to offices and guesthouses to ensure adequate social distancing Additional operational costs to ensure appropriate adaptation of programmes for COVID-19 social-distancing measures (e.g., vehicles, fuel, relocation or expansion of programme sites, etc) Psycho-social support programmes and/or services for staff Remote learning and onboarding for personnel	Staff hours dedicated to determining appropriate course for vaccination of staff Potential loss of productivity during work-from-home and/or times of volatility/uncertainty Loss of community acceptance and time spent needing to rebuild relations with community Reduced outreach and coverage (i.e., number of beneficiaries reached) due to social distancing measures Staff hours dedicated to developing new SOPs, attending Crisis Management Team meetings, building and maintaining internal communications platforms, managing inquiries, managing transport and care of staff, etc. Reduced productivity due to stress and other illnesses exacerbated by stress
Possible and/or Contingency	Global internal fund for medical insurance coverage where insurance in individual countries does not cover medevac or COVID-19 response Country-based contingency funds for unforeseen situations requiring immediate medical attention,	Staff hours dedicated to repatriation of international staff, support for medevac, etc. Negotiation with community: Staff hours, transportation costs and other investments in building and/or rebuilding trust with local community. Note: Time is a

changes to programming, etc Continuing to pay salaries and benefits of staff who are not able to work because their programmes have been temporarily discontinued for an unknown period of time Transportation costs for staff who are still traveling to the office, to avoid use of public transportation Payment for extended sick days, health insurance or local medical coverage, and potential dual-salaried position while he/she is on sick leave. Contingency housing and support costs for international staff who have been recruited or who are going/returning from their posts and cannot travel immediately to their destination due to unexpected border closures or bureaucratic restrictions Cost of quarantining staff either as a governmental requirement, or who are returning from travel and cannot immediately go to their usual accommodation because it is shared (either with colleagues, roommates or partners/family) Cost of R&R not taken (by international staff who choose to or are legally bound to stay in-country) that needs to be reimbursed in some way Cost of relocation of international staff to their home country, including possible quarantine on arrival Supplementing international staff who have become tax liable in their home countries due to extended stays Contingency legal costs: If a risk management decision runs counter to local legislation or a ruling against the organisation, in which case the organisation may be forced to pay legal fines Translation costs of documents to facilitate support to staff (e.g., relocation, repatriation needs)	significant factor in building relations and may account for delayed programming (e.g., needs for future extensions to agreements) Unforeseen programming costs to put basic infrastructure in place prior to initiating donor-requested programmes (e.g., boreholes and clean water on site before COVID testing and/or vaccinations are possible) Unforeseen instances where funds had to be redirected for more urgent needs (not COVID-related) Increased time and resources dedicated to engaging with local partners