Methodology for calculating donor pre-arranged financing for crises using Creditor Reporting System data

11 May 2023

Why this methodology

The Centre for Disaster Protection (the Centre) has worked with the Humanitarian Policy Team in FCDO and with the German Federal Foreign Office to develop a methodology that is clear, transparent, and agreed across actors to quantify the amounts that individual donors and institutions spend on pre-arranged financing (PAF). The methodology and data collection tool has been piloted with UK and Germany.

To complement this initial piece of work, to provide an assessment of overall donor support to PAF in the interim, until self-reported data by a wider range of donors becomes available, the Centre is proposing a new methodology and analysis based on publicly available data. The current analysis will not focus on disaggregated numbers per donor but will result in information on PAF at the global level.

For this exercise the Centre will rely on data in the Organisation for Economic Cooperation and Development's (OECD) Creditor Reporting System (CRS)[1], which captures donor reporting on aid flows to ODA-eligible countries at the project or transaction level.

How we will apply the PAF methodology to the CRS data

The PAF methodology aims to capture funding commitments which meet the criteria of:

- Pre-arranged financing (PAF)
- Anticipatory Finance (a subset of PAF)

Each of these categories will be presented in absolute volume terms and as a percentage of wider sub-sets of aid. PAF will be presented as a percentage of 'crisis financing' and anticipatory financing as a percentage of humanitarian financing. The PAF methodology and tool is designed to capture these four values.

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[1] The Creditor Reporting System (CRS) provides detailed information on individual aid activities, such as sectors, countries, project descriptions etc. used to derive aggregate data. International Development Statistics (IDS) online databases - OECD

> **Key definitions**
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> **Pre-arranged financing**: Financing that has been approved in advance of a crisis and that is guaranteed to be released to a specific implementer when a specific pre-identified trigger condition is met (the Centre).
>
> *Further explanation*: The trigger may be based on data or models related to impact, forecasts, or projections of need, or a declaration of emergency (or similar) by the specified respondent. The funding may be used for anticipatory action or in response to a crisis, either linked to a clear plan for a very specific purpose or general budget support.
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> **Anticipatory Finance**: Funds are released before the peak impacts of a hazard that is known to be imminent, in order to reduce those impacts.
>
> This differs from general DRR or climate adaptation / resilience building endeavours, including funding to set up early warning systems, as it relates to a specific risk that has been forecast (REAP, 2022).

In order to apply this approach to the CRS data the following steps are necessary:

1. Identify PAF and AF within transaction level data
2. Agree and construct a total 'humanitarian financing' value from groupings of purpose codes and transaction level data
3. Agree and construct a total 'crisis financing' value from groupings of channel codes, purpose codes and transaction level data

Detailed description of the approach

Parameters

This methodology was developed based on the 2020 and 2021 CRS data and the purpose codes used to classify information for those reporting years.[2]

For the relevant flows the current **USD disbursement amount** will be selected, in order to capture the actual spending on PAF in the reporting year. It also avoids missing out on multi-year project spending where the committed amount is only being reported in the first year of the project.

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[2] When in a later stage the analysis gets applied to individual donors, this dataset will need to be complemented by data on members' total use of the multilateral system: select relevant donor and then click on the underlined amounts to get the full datasets. The 'contributions through' multilaterals are included in the overall CRS data (with the multilateral institution as channel) so only need the 'core contributions to' in order to complement the dataset.

Approach

The three categories of funding (PAF, and the sub-category AF; total humanitarian funding; and total crisis financing) will be compiled through a combination of selecting identified purpose codes, channel codes, and conducting keyword searches on project descriptions in the transaction level data.

1. Identify PAF and AF numerators within transaction level data
a) Keyword searches across all sector/purpose codes on terms:
   - Action anticipatoire*
   - Action d'anticipation*
   - ADRiFi
   - African Risk Capacity
   - Anticipatory*
   - ARC premium
   - ARC Replica
   - Assurance climatique
   - Assurance contre les catastrophes
   - Assurance contre les desastres
   - Assurance indicielle
   - Assurance secheresse
   - Cat DDO
   - Catastrophe Deferred Drawdown Option
   - Catastrophe insurance
   - CCRIF
   - Centre for Disaster Protection
   - CERC
   - Climate insurance
   - Contingency plan
   - Contingent credit
   - Contingent Emergency Response Component
   - Contingent financing
   - Contingent loan
   - Crisis modifier
   - Dedommagement
   - Disaster financing
   - Disaster insurance
   - Disaster Relief Emergency Fund
   - Disaster risk finance
   - DREF
   - DRF
   - Drought insurance

- Early action
- Early response
- FbF*
- Financement de la riposte aux desastres
- Financial preparedness
- Forecast based*
- GRiF
- Humanitarian insurance
- Index insurance
- InsuResilience
- Parametric
- Payout
- PCRIC
- Premium subsidies
- Premium subsidy
- Riposte anticipative*
- Risk financing
- Risk insurance
- Risk mapping
- Risk monitoring
- Risk pool
- Risk transfer
- Riposte aux choques
- Risque de catastrophe
- Risques de catastrophe
- Science for Humanitarian Emergencies and Resilience
- SFERA
- SHEAR
- Start Ready*
- Subventions de prime d'assurance
- Transfert de risqué

b) Tag transactions with * terms as AF

c) Manual checking of the keyword search results to include only what is in line with the PAF definition. This process includes the following steps:

   a. Irrelevant transactions are being deleted, such as:
      i. Flows that are only related to Disaster Risk Reduction or resilience-building
      ii. Flows that are about conflict-related early warning
      iii. Financing for shock-responsive social protection

   b. Assign whether the transaction classifies as direct PAF, indirect PAF, both or part PAF:

   i. <u>Direct PAF</u>: payments into programmes or instruments that are then used to pay out to beneficiaries (such as regional risk pools, ADRiFi, Cat DDOs, contingent loans, anticipatory action)

   ii. <u>Indirect PAF</u>: capacity building, technical assistance, research related to PAF

   iii. <u>Part PAF</u>: one project component relates to the definition of PAF

d) Transactions that contribute to pooled funds SFERA and DREF are being identified to then apply a percentage that reflects the amount that counts as PAF. This information will be retrieved from annual reports by SFERA and DREF where the organisations specify the use of these funds. For 2021, the respective percentages to apply are 28.8[3] and 3.3[4].

e) Remove CERF transactions that have the CERF as a channel rather than as donor. These are likely to be reporting errors and might cause double counting.

2. Construct total humanitarian financing denominator

a) <u>Sector code '720 Emergency Response'</u>

Corresponding purpose codes:
- 720 Emergency Response
- 72010 Material relief assistance and services
- 72040 Emergency food assistance
- 72050 Relief co-ordination and support services

b) <u>Sector code '730 Reconstruction Relief & Rehabilitation'</u>

Corresponding purpose code:
- 730 Reconstruction Relief & Rehabilitation
- 73010 Immediate post-emergency reconstruction and rehabilitation

c) <u>Sector code '740 Disaster Prevention & Preparedness'</u>

Corresponding purpose code:
- 740 Disaster Prevention & Preparedness
- 74020 Multi-hazard response preparedness

3. Construct total crisis financing denominator

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[3] The calculation is done by dividing the 'AA' or 'Early Action' window by the 'Grand total applications'. For previous years the percentages are: 4.4% (2020), 31.3% (2019), 8.8% (2018) and 10.4% (2017).

[4] The calculation is done by dividing the 'FbA Fund Allocations' by ('FbA Fund Allocations' + 'Total DREF Allocations'). For previous years the percentages are: 7.2% (2020), 2.4% (2019) and 0% (2017-18).

In addition to what is included in the total humanitarian financing denominator and what is identified as PAF outside of humanitarian purpose codes:

a) <u>Channel codes</u>:

- 21016 International Committee of the Red Cross
- 21018 International Federation of Red Cross and Red Crescent Societies
- 21029 Doctors Without Borders
- 23501 National Red Cross and Red Crescent Societies
- 41121 United Nations Office of the United Nations High Commissioner for Refugees
- 41127 United Nations Office of Co-ordination of Humanitarian Affairs
- 41130 United Nations Relief and Works Agency for Palestine Refugees in the Near East
- 41147 Central Emergency Response Fund
- 41315 United Nations Office for Disaster Risk Reduction
- 41321 World Health Organisation – Strategic Preparedness and Response Plan
- 41403 COVID-19 Response and Recovery Multi-Partner Trust Fund
- 43003 International Monetary Fund – Subsidization of Emergency Post Conflict Assistance/Emergency Assistance for Natural Disasters for PRGT-eligible members
- 43005 International Monetary Fund – Post-Catastrophe Debt Relief Trust
- 43006 Catastrophe Containment and Relief Trust
- 47123 Geneva International Centre for Humanitarian Demining
- 47137 African Risk Capacity Group
- 47502 Global Fund for Disaster Risk Reduction

b) <u>Purpose codes</u>:

- 12264 COVID-19 control
- 15240 Reintegration and SALW control
- 15250 Removal of land mines and explosive remnants of war
- 15261 Child soldiers (prevention and demobilisation)
- 43060 Disaster Risk Reduction

c) <u>Keyword searches across other selected channel/purpose codes</u>:

Keywords:
- *Catastrophe*
- *Cold wave*
- *Conflict affected*
- *Conflict prevention*
- *Crisis*
- *Cyclone*
- *Disaster*
- *Drought*
- *Dzud*
- *Early warning*

- *Earthquake*
- *Emergency assistance*
- *Emergency cash*
- *Emergency food*
- *Emergency liquidity*
- *Emergency recovery*
- *Emergency response*
- *Epidemic*
- *Famine*
- *Flood*
- *Forced migration*
- *Global Risk Assessment Framework*
- *Hazard*
- *Heat wave*
- *Humanitarian*
- *Hurricane*
- *Hyogo Framework*
- *Internal displacement*
- *Landslide*
- *Loss and damage*
- *Outbreak*
- *Preparedness*
- *Refugee*
- *Relief*
- *Sendai Framework*
- *Shock adaptive*
- *Shock recovery*
- *Shock responsive*
- *Tropical storm*
- *Tsunami*
- *Typhoon*
- *Volcano*

Run across the following purpose codes:
- **111 Education, Level Unspecified**
- 11110 Education policy and administrative management
- 11120 Education facilities and training
- 11130 Teacher training
- 11182 Educational research

- **112 Basic Education**
- 11220 Primary education
- 11230 Basic life skills for adults
- 11231 Basic life skills for youth
- 11232 Primary education equivalent for adults
- 11240 Early childhood education

- 11250 School feeding
- 11260 Lower secondary education

- **121 Health, General**
- 12110 Health policy and administrative management
- 12191 Medical services

- **122 Basic Health**
- 12220 Basic health care
- 12230 Basic health infrastructure
- 12240 Basic nutrition
- 12250 Infectious disease control
- 12261 Health education
- 12262 Malaria control
- 12263 Tuberculosis control
- 12281 Health personnel development

- **130 Population Policies/Programmes & Reproductive Health**
- 13010 Population policy and administrative management
- 13020 Reproductive health care
- 13030 Family planning
- 13081 Personnel development for population and reproductive health

- **140 Water Supply & Sanitation**
- 14010 Water sector policy and administrative management
- 14015 Water sources conservation (including data collection)
- 14020 Water supply and sanitation – large systems
- 14021 Water supply – large systems
- 14022 Sanitation – large systems
- 14030 Basic drinking water supply and basic sanitation
- 14031 Basic drinking water supply
- 14032 Basic sanitation
- 14040 River basins development
- 14050 Waste management/disposal
- 14081 Education and training in water supply and sanitation

- **151 Government & Civil Society-general**
- 15110 Public sector policy and administrative management
- 15111 Public finance management (PFM)
- 15114 Domestic revenue mobilisation
- 15142 Macroeconomic policy
- 15160 Human rights
- 15170 Women's rights organisations and movements, and government institutions
- 15190 Facilitation of orderly, safe, regular and responsible migration and mobility

- **152 Conflict, Peace & Security**
- 15220 Civilian peace-building, conflict prevention and resolution

- **160 Other Social Infrastructure & Services**
- 16010 Social Protection
- 16020 Employment creation
- 16050 Multisector aid for basic social services
- 16062 Statistical capacity building

- **210 Transport & Storage**
- 21010 Transport policy and administrative management
- 21020 Road transport
- 21030 Rail transport
- 21040 Water transport
- 21050 Air transport
- 21061 Storage
- 21081 Education and training in transport and storage

- **240 Banking & Financial Services**
- 24010 Financial policy and administrative management
- 24020 Monetary institutions
- 24030 Formal sector financial intermediaries
- 24040 Informal/semi-formal financial intermediaries
- 24050 Remittance facilitation, promotion and optimisation
- 24081 Education/training in banking and financial services

- **311 Agriculture**
- 31110 Agricultural policy and administrative management
- 31120 Agricultural development
- 31130 Agricultural land resources
- 31140 Agricultural water resources
- 31191 Agricultural services

- **321 Industry**
- 32130 Small and medium-sized enterprises (SME) development

- **410 General Environment Protection**
- 41010 Environmental policy and administrative management

- **430 Other Multisector**
- 43010 Multisector aid
- 43030 Urban development and management
- 43040 Rural development

- 43071 Food security policy and administrative management
- 43072 Household food security programmes
- 43082 Research/scientific institutions

- **510 General budget support**
- 51010 General budget support-related aid

- **520 Development Food Assistance**
- 52010 Food assistance

- **600 Action Relating to Debt**
- 60010 Action relating to debt
- 60020 Debt forgiveness
- 60030 Relief of multilateral debt
- 60040 Rescheduling and refinancing
- 60061 Debt for development swap
- 60062 Other debt swap
- 60063 Debt buy-back

d) <u>The transactions that contain the following keywords will be excluded from the data:</u>

- Comic Relief
- Sport Relief
- Medical Relief Society
- Assemblies of God Relief and Development Services
- Catholic Relief Services
- AIDS Relief
- World Bicycle Relief
- KSrelief
- The RELIEF Centre
- Relief International

e) <u>Transactions that contain 'debt relief' will be checked manually</u>

f) <u>Spot checking for irrelevant transactions</u>
As a first step, the 500 transactions with the highest value of USD Disbursement will be checked manually to decide on their inclusion. If irrelevant transactions are identified it will be checked whether there are other amounts included under the same project title or description, to also exclude these.
In addition to that, due to the large amount of transactions that classify as total crisis financing only every 1000 lines of the data where USD Disbursement ≠ 0 will be checked for false positives.

Note: It should be checked that some of these categories are subsets of others, so the broader category includes all the flows that are part of the narrower category. This is the case for: Anticipatory Finance < humanitarian assistance < total crisis financing, Anticipatory Finance < PAF < total crisis financing.

The keywords *pandemic, reconstruction, recovery* and *rehabilitation* are not included on the basis that they pick up too many unrelated projects and, in many cases, there is a second qualifying term included in descriptions that would ensure inclusion.

Review process

For quality assurance, transactions that need a second opinion are being highlighted first for closer review. If still in doubt, they are to be discussed more broadly within the Centre.

Transactions that are to be deleted are also first highlighted and then removed after the first review.

Before moving onto the analysis of the data, the final methodology and corresponding dataset are being reviewed by Development Initiatives.

Limitations

This methodology intends to use the existing codes and classifications as much as possible. However, this means that there will be many inaccuracies in the numbers that it produces. Similar to the previous work done by the Centre and Development Initiatives on tracking financial flows for crises, keyword searches on project descriptions and titles will be used to capture part of the total crisis financing, as the system currently does not tag this.[5] Manual verification would be needed to identify false positives, which can lead to more inaccuracies given the scale of this exercise which aims to provide a global overview.

There are significant differences in the level of detail and more generally the way of reporting across bilateral and multilateral donors (e.g., the interpretation of purpose codes, use of different languages). This further limits the accuracy of this methodology in calculating the metrics of interest. Over time, increased awareness by donors on the importance of capturing PAF might overcome the lack of detail in reporting and/or introduce a standardised way of tagging relevant aid flows to improve the quality of this exercise (e.g., adding PAF as a Type of Aid in the OECD DAC CRS reporting code list).

[5] Crossley, E., Hillier, D., Plichta, M., Rieger, N., and Waygood, S. (2021) 'Funding disasters: tracking global humanitarian and development funding for response to natural hazards,' Centre for Disaster Protection and Development Initiatives, London.