

Financing in Crisis?

Making humanitarian finance fit for the future

Rachel Scott, *OECD Development Co-operation Directorate*



OECD DEVELOPMENT CO-OPERATION WORKING PAPER 22

Authorised for publication by Jon Lomoy, Director, Development Co-operation Directorate

OECD Development Co-operation Working Papers

OECD Working Papers should not be reported as representing the official views of the OECD or of its member countries. The opinions expressed and arguments employed are those of the authors.

Working Papers describe preliminary results or research in progress by the author(s) and are published to stimulate discussion on a broad range of issues on which the OECD works. Comments on the present Working Paper are welcomed and may be sent to rachel.scott@oecd.org - the Development Co-operation Directorate, OECD, 2 rue André-Pascal, 75775 Paris Cedex 16, France.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgement of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org.

COPYRIGHT © OECD 2015

Financing in Crisis? Making humanitarian finance fit for the future

Rachel Scott¹

Abstract

Building on the useful recommendations of the Future Humanitarian Financing initiative, this paper takes the view that ensuring enough quality money for humanitarian crises is not just about writing a bigger cheque. The money also needs to arrive in the right place, in the right way, and at the right time. The paper focuses on the following areas, learning from good practices by DAC members and attempting to find solutions to common challenges:

- Predictable funding for predictable costs.
- Funding for longer-term – protracted – crises that helps boost the resilience of crisis-affected communities; going beyond immediate life-threatening needs and supporting self-reliance.
- Reworking funding tools and approaches for crises in middle income countries – learning from the challenges facing the Syrian Arab Republic affected region.
- Thinking differently about funding disaster response and recovery, and about funding disaster affected states and local response actors.
- Making the money go further; reducing the cost, and increasing the cost-benefit, of humanitarian operations.

Keywords: Humanitarian, Finance, Disaster, Risk, Crises, Shock, World Humanitarian Summit, Development

¹ Rachel Scott (rachel.scott@oecd.org) is the Senior Policy Advisor: Humanitarian and Risk/Resilience in the Development Co-operation Directorate of the OECD. The opinions expressed and arguments employed are those of the author. The author would like to thank Steve Darvill (Australia), Lydia Poole (independent consultant), the World Bank Group, Elena Bernaldo (OECD), Hugh Macleman (OECD) and Simon Scott (OECD) and for their excellent comments on an earlier draft of this paper. The author would also like to express her gratitude to Karen Jorgensen, who facilitated the research, and to Stephanie Coïc who prepared the paper for publication.

Key messages: making humanitarian finance fit for the future

There is not enough quality money – money that arrives in the right place, in the right way, and at the right time – to fund humanitarian crises. The growing gap between demand and supply, failures to adapt the humanitarian system, and what has been called a dysfunctional and inefficient financing architecture, mean that the USD 22 billion provided for humanitarian response in 2013 – including USD 13.5 billion from OECD Development Assistance Committee members – was simply not enough (Section 1).

Improving the predictability of funding must be part of the solution. This will likely include more systematic multi-annual funding commitments from donors, building on the good practices we have already seen from sixteen OECD DAC members. There must also be a rethink about funding for the administration and programme support costs of operational agencies; moving away from overhead charges on programme grants in favour of grants earmarked for administration costs, or even funding with assessed (not voluntary) contributions. These options would provide greater predictability, and also more accountability, for headquarters charges. Finally, predictability will be enhanced if there is a clearer division of labour, or at least greater communication of funding intentions, among donors (Section 2).

We will also need to expand the financing pool for protracted crises. The various post-2015 processes provide good opportunities for improving coherence between humanitarian and development actors working in longer-term crises. Good ideas include: shared context analysis and priorities; shifting to multi-year planning; development support to scale up social protection mechanisms; and strengthening links with multilateral banks. However, involving development actors earlier, and more intensely, in protracted crises will require changes to the humanitarian business model: the assumption that development donors will stump up funds for existing humanitarian programmes is naïve – development donors no longer have the systems or incentives to provide this funding. Indeed, evidence now suggests that the humanitarian mandate has stretched beyond its core task of meeting acute needs precisely because most major development actors have chosen to abandon community-based programming in favour

of state-building and national systems. Instead, the pressing challenge is how to reconcile household and community focused humanitarian programming with development work focused on building the state; thereby providing a more comprehensive and coherent response in protracted crisis situations (Section 3).

Donors also need to go – more systematically – beyond their funding role in protracted crises, and focus on other areas where they can add value: facilitating remittance flows, halting illicit financial flows, managing the impacts of small arms flows, and resolving conflict through support to political dialogue and state-building (Section 3).

Crises in middle income countries (MICs) pose a special financing challenge; the solution requires a paradigm shift about how to approach crises in these countries. Financing to meet crises in middle income countries is a growing problem – 53% of all humanitarian funds requested in 2015 were for crises in these countries – and problematical, given the limited access to anything other than pure humanitarian budgets. Why can't development funds help out in MICs? Because donors, and multilateral banks, invest in middle income countries for very different reasons – and using very different tools – than in least developed countries. The middle income country toolbox is, not surprisingly, rather ill-suited to crisis response; therefore, most crisis funding comes from humanitarian budgets (Section 4).

The solution will require a paradigm shift about how to approach crisis response in MICs: encouraging the use of development finance by focusing on building resilience in all parts of society, rather than pure crisis response; closer alignment with country priorities and using country systems, rather than assuming that the response should be conducted solely by humanitarian operational agencies; and helping development actors see crises as unique opportunities to shore up economic and social progress, allowing the full range of development instruments to come into play. This type of solution might see the use of concessional loans for improving infrastructure that can deal with refugee inflows but also with future population growth; debt swaps to allow governments to reallocate planned debt repayments to social protection

systems; and a focus on building the capacity and systems of local authorities that are dealing directly with the crisis (Section 4).

Better finance for disasters will mean thinking differently about approaches to disaster resilience, response and recovery.

Good practice examples in the Pacific might help provide a model for better quality disaster funding and response in other areas of the world. OECD DAC members in the Pacific build disaster resilience by drawing on their own domestic experience and knowledge, providing appropriate technical expertise to high disaster-risk countries. Providing liquidity for disaster-affected governments is

a growing trend; injecting sufficient cash flow so that partner governments can respond to the needs of their citizens when disasters strike. In addition, Pacific donors ensure that risk reduction is systematically mainstreamed into all development co-operation programming, and allow development funds to be reallocated to disaster recovery in times of need. When a disaster hits, Pacific donors favour bilateral responses – government to government, building on existing relationships – this response model provides useful lessons for responses to disasters in other areas of the world (Section 5).

Other useful thinking about finance for disasters includes risk finance and transfer mechanisms – with the proviso that these tools do not work always and everywhere. However, a note of caution, this is a very technical subject and individual donors will need to think carefully about where they can most add value. Donors can also play other helpful roles in disaster-prone countries – encouraging partner country budget allocations for disaster risk programming, attracting climate finance for building disaster resilience, and using donor country civil protection mechanisms to build the capacity of response systems in partner countries (Section 5).

Finally, there is a pressing need to make the money go further: increasing the value for money of humanitarian programming. Funding requested



Key messages for different aid policy and financing instruments

through humanitarian appeals has swelled by 660% since the Millennium Development Goals were announced in 2000; there must be opportunities to rationalise these costs. Some ideas include:

- Shifting donor funding towards results, rather than activities; thus allowing operational agencies to shift programming towards more cost-effective practices as contexts evolve.
- Using business case models, with sound economic analysis, to help guide donors to more objective funding decisions.
- Reviewing the trend towards fewer, larger, grants, which offer cost savings for donors – but also create long chains where grants are passed from one organisation to another, with overhead taken off at each level, this might reduce the value of the overall grant by the time it reaches beneficiaries.
- Supporting the private fundraising efforts of operational partners, by systematically providing free airtime and tax breaks.
- Transferring donor learning from recent times of government austerity to operational agencies: on cost effective systems, approaches and staffing structures.
- Streamlining reporting requirements: a potential win-win for everyone, reducing waste and improving accountability at all levels. (Section 6).

Introduction

Death, destruction, danger, despair. What better argument for providing enough quality money – money that arrives in the right place, in the right way, at the right time – than the pressing need to end human suffering?

And yet, many humanitarian crises remain underfunded, unfunded, forgotten. Donors and operational agencies are forced to make hard decisions about which life-saving operations to prioritise, and which to let go. Lives, livelihoods, and the future prospects of whole societies are left in limbo. In short, there is insufficient quality money - money does not reach all those in need, to purchase what they need, when they need it. Human suffering continues unabated.

That this happens in an age when the shockwaves from humanitarian crises are felt across the globe is very surprising. Economic crises, conflict, natural disasters, and disease undermine development investments, getting in the way of states and their people who are working to achieve sustainable development objectives. Crises erode state legitimacy, temporarily or permanently undermine the well-being of societies, and drive wedges between communities and cultures. Workers and businesses affected by crises can no longer function – affecting supply chains and markets around the world. Shocks also create flow-on effects on regional and global security; they force people from their homes to seek refuge in safer lands; not to mention their catastrophic effects on economic growth, both inside and beyond borders. Crisis response, and financing that response, is a much more than a moral issue – in this globalised world, shocks can affect everyone, everywhere.

It is time to take a long, hard look at how to fix the funding problem: how to find enough quality money to deal with the crises of the future.

What would enough quality money look like?

Ensuring enough quality money for humanitarian crises is not just about writing a bigger cheque. The money also needs to arrive in the right place, in the right way, and at the right time.

But what does that mean?

The Future Humanitarian Financing initiative has made a set of useful recommendations about how to close the humanitarian funding gap, many of which have direct implications for OECD Development Assistance Committee (OECD DAC) members¹ (Box 1). However, these are not the only areas where OECD DAC members can improve the quality and volume of humanitarian financing.

Accordingly, this Working Paper will focus on the following areas, learning from good practices by DAC members and attempting to find solutions to common challenges:

- Predictable funding for predictable costs.
- Funding for longer-term – protracted – crises that helps boost the resilience of crisis-affected communities; going beyond immediate life-threatening needs and supporting self-reliance.
- Reworking funding tools and approaches for crises in middle income countries – learning from the challenges facing the Syrian Arab Republic (hereafter “Syria”) affected region.
- Thinking differently about funding disaster response and recovery, and about funding disaster affected states and local response actors.
- Making the money go further; reducing the cost, and increasing the cost-benefit, of humanitarian operations.

The World Humanitarian Summit in 2016 will provide a useful opportunity for the broader humanitarian community to define, or perhaps refine, what an effective humanitarian response looks like in practice²; work that will also help us define what *enough quality money* looks like.

BOX 1: RECOMMENDATIONS FROM THE FUTURE HUMANITARIAN FINANCING INITIATIVE – POTENTIAL IMPLICATIONS FOR OECD DAC MEMBERS

The Future Humanitarian Financing initiative, under a steering group comprised of CAFOD, FAO and World Vision International, is a dialogue that has sought to resolve longstanding humanitarian financing challenges, and to identify new approaches and models of engagement to address future humanitarian crises.

The report *outlines a vision for the future, which includes a humanitarian system where:*

- Much of the cost of humanitarian response will be borne by local and domestic actors
- Supplementary response will be funded by international governments and private donors, including individuals, foundations and corporations
- There will be greater diversity amongst donors, including middle classes in middle income countries. Emerging donors will challenge modes of assistance and political dynamics, supporting the rise of new actors
- Assistance will be a ‘bundle’ of financial and material assistance, including savings, loans and insurance; assistance from relatives and communities; government social safety nets; subsidised and free goods from the private sector; and cash and material support from domestic, regional and global humanitarian actors
- Responses will be co-ordinated by governments and regional organisations
- International actors will continue to provide assistance in situations of conflict, political instability or where there is persecution of minorities
- More efficient technologies and relief products and services will be used
- Governments and private sector actors will invest in building resilience to disasters and climate change, including investing in the capacity of governments to manage and respond to disasters

The report’s principal recommendations, and their likely implications for OECD DAC members, are:

Improving anticipation and analysis (of humanitarian issues and contexts)

Anticipating funding requirements, quantifying and communicating requirements, tracking and monitoring funding

Implications for DAC members include: participating in shared analysis of risks and vulnerabilities; forecasting the anticipated scale and frequency of crises, including those that exceed existing financing capacity; and improving the reporting of humanitarian funding.

Upgrading the architecture

Enabling a more efficient division of labour, bridging liquidity gaps, making provisions for ‘peak demand’, investing in nationally led response

Implications for DAC members include: developing simple planning and communication tools to provide earlier indications of funding decisions, and thus help other donors see where to target contributions; developing a multi-donor approach to early response funding; looking into the feasibility of a large global contingency fund, backed up with risk-transfer products, for major unforeseen crises; and investing in strengthening the capacity of national response actors in at-risk countries, using humanitarian, development, climate change and development funds.

Improving efficiency

Managing recurrent costs

Implications for DAC members include: increasing multi-annual un-earmarked funding.

Reducing transaction costs

Improving business practices, streamlining reporting

Implications for DAC members include: identifying more efficient alternatives to current humanitarian sub-contracting and pass-through mechanisms; moving to standardised reporting against results and outcomes at the crisis level; and reviewing accountability requirements for UN agencies in return for increasing core funding.

Source: Future Humanitarian Financing: Looking Beyond the Crisis (CAFOD, FAO, World Vision International, 2015)

Section 1. Trends and challenges in humanitarian financing

Total humanitarian funding in 2013 was USD 22 billion – but this was not enough

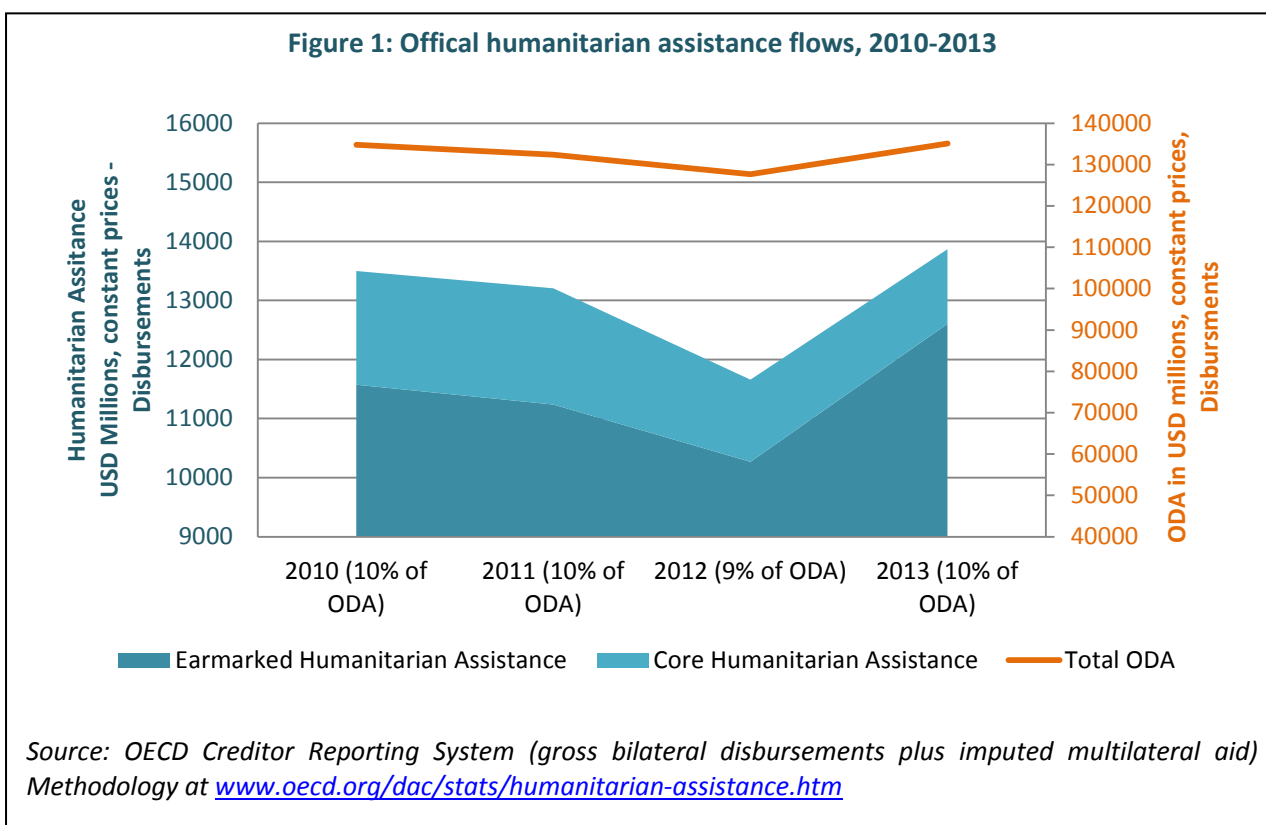
USD 22 billion: the best estimate for total international humanitarian response in 2013. Government donors (OECD DAC members and others) accounted for three quarters of this, contributing USD 16.4 billion. Private sources provided an estimated USD 5.6 billion. Despite this, only 65% of the needs budgeted by the United Nations co-ordinated appeals that year were met³ (GHA, 2014).

OECD DAC members provide around 12% of their total aid as humanitarian financing

Between 2010 and 2013, OECD DAC members provided between 9% and 10% of their total Official Development Assistance budgets for humanitarian assistance. This translates to a total of USD 13.48 billion in humanitarian funds from OECD DAC members in 2013 (Figure 1).

Despite a pledge made as part of the Good Humanitarian Donorship principles⁴ (GHD, 2003), most of those funds – between 85% and 90% - are earmarked for certain crises or sectors.

Sixteen of the OECD DAC members provide at least some of their humanitarian funding as multi-annual grants (Table 1).



There are challenges and opportunities as we move to the future

The Future Humanitarian Financing initiative sets out the current humanitarian financing challenges as:

- The growing gap between demand and supply
- Failures to adapt (the humanitarian system)
- A dysfunctional and inefficient financing architecture

To these, we would add the following challenges:

The lack of predictability that OECD DAC members have about their own humanitarian budgets, often only decided on an annual basis, and the badly-designed process for funding the administrative costs of operational agencies – two **factors that significantly hinder the provision of predictable financing to operational agencies** (Section 2)

Organisational and programme disincentives that stop different donor budget lines from working together in the same crisis – **factors that prevent donors from providing better quality funding and programming in protracted crises** (Section 3)

The **special challenge of funding crises in middle income countries**, especially those related to the crisis in Syria, where the most useful development instruments cannot be used, and the humanitarian community has applied a ‘one size fits all’ approach, working mostly outside of the affected state’s processes and systems (Section 4)

And some opportunities:

New thinking and approaches to disaster resilience, response and recovery, which may help donors improve financing for disaster affected states and local response actors (Section 5)

and

OECD DAC member humanitarian budgets that are unlikely to increase significantly in the current economic climate, coupled with ongoing pressure to demonstrate results to parliaments and taxpayers; this translates into a **push for greater value for money and increased accountability from operational partners** (Section 6)



Credit: OECD/Astrid de Valon

Section 2. Predictable funding for predictable costs

What are predictable costs?

To many people, humanitarian costs cannot be predictable: disasters strike and then we respond. However, in reality, most humanitarian costs can be planned from year to year. These predictable costs include:

1. Protracted – long-term – crises, which receive the majority of official humanitarian aid each year
2. Disasters – there are increasingly accurate scientific models of the risks from natural hazards, allowing for better financing for those risks (see Section 5)
3. The overhead and administrative costs of running an operational humanitarian agency⁵ (including the budgets for headquarters and regional offices)

Protracted crises and multiannual funding

Most OECD DAC members do not have predictability about their own humanitarian budgets, and thus may be reluctant to commit funds beyond the annual budget cycle. OECD governments generally work with annual public expenditure cycles, although there are some notable good practice exceptions, like New Zealand which has a three year budget cycle (OECD, 2015a). Accordingly, some OECD DAC members have found it difficult to respond to the humanitarian community's calls for multi-annual funding, which would take them beyond their own known one-year budget horizon.

However, it is widely recognised that multi-annual funding for long-term crises has significant benefits. Multi-annual humanitarian funding has numerous benefits – not just predictability, but also a more efficient response and better outcomes for beneficiaries (some of these are outlined in Box 2). It also has benefits for donors: strategic partnerships, less administrative burden, time to clearly define and monitor results, and space to add value to funding decisions through advocacy and policy work.

Multi-annual funding is about commitments, rather than large injections of finance – and thus does not expose the donor to excessive risks. In practice, multi-annual funding involves a contract to fund a programme, or an organisation, with a specified amount of funding over several years. The contract often contains disclaimers, tying the agreement to the availability of donor funds and proof of operational agency results. Actual funds are transferred on an annual or twice-yearly basis, if these conditions are met. Thus, donors are free to revise or terminate multi-annual agreements if the organisation is not delivering satisfactory results, and/or if there is no funding available. This limits the donor's exposure to risk, while still providing greater predictability to operational partners.

Encouragingly, sixteen OECD DAC members already provide multi-annual funding to select UN, NGO and Red Cross Movement partners (Table 1). Clearly, multi-annual funding is an emerging good practice. It should be expanded to other partners who can demonstrate results, and made standard for all donors who fund organisations working in protracted crises. Tracking multi-annual funding commitments through revised OECD statistical reporting codes could provide a useful incentive.

BOX 2: THE BENEFITS OF MULTI-ANNUAL HUMANITARIAN FINANCING

Multi-year humanitarian funding has the potential for numerous benefits, which will lead not only to a more efficient response, but also better outcomes for beneficiaries:

- Lower operational costs – multi-year funding can result in decreased aid costs, for example through bulk negotiations which reduce the cost of procurement and transport, storage and handling costs; and provide savings on proposal writing and reduce exposure to currency risk.
- Flexibility for early response – Agencies can react more appropriately and/or quickly to changing conditions, resulting in reduced caseloads, levels of needs, and loss of life.
- Predictability of funding allows more strategic partnerships and better planning, and can facilitate pre-positioning of stocks, pooling orders, leverage of additional funds, as well as cost savings from making long term investments, and facilitating the choice of the most appropriate interventions.

Source: Value for Money of Multi-year Approaches to Humanitarian Funding (Cabot Venton, 2013)

Table 1: OECD DAC members providing multi-annual humanitarian funding

| | Multi-annual funding to selected: | | Funding timeframe |
|------------------|-----------------------------------|--------------------------------------|---------------------|
| | UN Agencies and Funds | NGOs and Red Cross/Crescent Movement | |
| Australia | √ | √ | 4 years |
| Belgium* | √ | √ | 18 months – 3 years |
| Canada | √ | √ | 2-5 years |
| Denmark | √ | √ | 3-5 years |
| European Union** | √ | √ | Up to 3 years |
| Finland | √ | √ (ICRC) | 4 years |
| Germany | √ | √ | 3 years |
| Ireland | √ | √ (ICRC and IFRC) | 3 years |
| Luxembourg | √ | √ | 3-4 years |
| Netherlands | √ (CERF) | | 3 years |
| New Zealand | √ | √ (ICRC) | 2 years |
| Norway | √ | √ | 3-4 years |
| Sweden | √ | √ | Up to 4 years |
| Switzerland | √ | √ | 2-4 years |
| United Kingdom | √ | √ | 2-4 years |
| United States*** | | √ (NGOs) | 2-3 years |

* Planned from 2015 onwards

** ECHO can fund projects for up to 24 months. Funding for humanitarian programmes through the European Development Fund (EDF) B Envelope can be for up to 36 months.

*** Through the State Department's Bureau of Population, Refugees, and Migration

Source: OECD DAC Peer Reviews, available at: www.oecd.org/dac/peer-reviews/peerreviewsofdacmembers.htm updated as necessary through discussions with DAC members

Funding the overhead, administrative and commodity input costs of operational agencies

The administrative costs of operational humanitarian agencies are often fully or partially funded through an overhead charge on every grant, creating challenges for predictability and accountability. Costs of supporting humanitarian operations, through the headquarters and regional offices of operational agencies, are known and predictable, year on year. And yet, rather than being directly funded, most of these costs are covered by an overhead charge⁶ on grants for humanitarian programmes – either at a rate set by the agency (and agreed by donors), or, for NGOs, at a rate set by the donor. This raises the following issues:

Predictability – funding for predictable headquarters and regional office costs is, by its very nature, tied to the unpredictable funding cycles for programme grants.

Efficiency – the use of a percentage for overhead costs does not cause an organisation to lower its costs, instead it will look for other ways to cover those costs, sometimes by using private

donations, or by reallocating core funding – meaning that, in effect, public giving and core contributions are, in many cases, subsidising those donors who provide earmarked funding (DI, 2008). In addition, pressure to reduce overhead costs can provide perverse incentives; instead of reducing costs, organisations may instead misrepresent the figures, or worse, skimp on vital systems, such as skills training, financial systems and other essential overheads, which then lower the overall efficiency and effectiveness of the organisation (Gregory and Howard, 2009; Fiennes, 2012).

Accountability – as noted above, most administrative costs are funded through overhead percentages, core funding budgets and public fundraising. Accordingly, the budgets and financial reports on the detail of these

costs are not often made public, and so donors find it hard to assess the cost structures and cost-effectiveness of the various operational agencies. This leaves donors with an incomplete understanding of the costs that are required to run an operational agency, and hinders their ability to perform oversight functions on UN agency boards.

Financing for predictable inputs – many humanitarian inputs are also relatively predictable over time – for example food commodities, essential medicines and non-food items⁷. Greater funding predictability could potentially enable efficiency gains in procurement, for example allowing for standing agreements with suppliers, and in storage and other related logistical costs. WFP’s forward purchase facility, for example, allows WFP to reduce supply lead-times, improve the timeliness of food deliveries, procure food at advantageous times, and reduce response times, particularly in emergencies⁸.

Clearly, a new funding structure for the administrative, programme support and predictable input costs of operational agencies would be useful. Firstly, it would be useful if OECD DAC members would commit to fully funding all the administration, programme support and predictable input costs of their operational partners – avoiding the use of public fundraising and core funding to subsidise OECD DAC member grants. In return, operational agencies would need to provide a much clearer picture of their cost structures, so that members can assess their cost-effectiveness. Once that is done, OECD DAC donors would need to provide funding for the administrative and programme support costs of each agency, perhaps as a direct grant, or as additional core funding. The agency would then be held accountable separately for its administrative and programme support costs and results. Perhaps the costs of United Nations humanitarian agencies could even be met through assessed contributions, although it seems that there is little political appetite for this at the moment⁹. It is indeed ironic that organisations such as the Department for Political Affairs and the Department for Peacekeeping Operations are funded through assessed contributions to work in the very same crisis situations where humanitarian agencies are funded through voluntary funds.

A clearer donor ‘division of labour’ could also enhance predictability

At present, donors make individual decisions and choices about who, what and where to fund; but there is no regular forum for consultation or communication about these choices. The result? An unspoken division of labour that hinders overall predictability about who, what and where will be funded. Most OECD DAC members have made strategic decisions about their policy priorities in humanitarian assistance, focusing on specific geographic or thematic areas – based mostly on their comparative advantage, national interest, and where they believe they can add value to their humanitarian funding. However, with only finite resources to allocate, and no global forum in which to communicate or co-ordinate humanitarian funding allocations, this reliance on individual decision making processes creates an uneven allocation of resources to needs, leading to forgotten crises, and gaps and overlaps in funding decisions (GHA, forthcoming).

There needs to be more thought about division of labour, or at the very least, greater communication of funding intentions between donors. The Future Humanitarian Financing Initiative makes a sound recommendation: that humanitarian donors should develop simple planning and communications tools to provide earlier indications of their bilateral funding decisions, to help other donors consider where their contributions fit best (Box 1). Even taking into account that donors have different financial years, and thus make allocation decisions at different points in time, this would still be a useful first step towards greater global predictability.



Credit: OECD/Astrid de Valon

Section 3. Expanding the financing pool for protracted crises

What are protracted crises, and how should we be funding them?

Protracted crises are complicated political and/or operational environments, often involving conflicts, which drag on for years, or decades. They are spaces where development actions are required, but instead they consume the majority of humanitarian funding. Most of the top 20 recipients of humanitarian assistance for the decade 2003-2012¹⁰ were protracted crises, including Sudan, Iraq, Afghanistan, Palestinian Authority, Ethiopia and Somalia (GHA, 2014): contexts where development is possible, but instead human suffering continues year after year, seemingly without end.

Recent thinking concludes that humanitarians have over-stretched their mandate in protracted crises, and that other actors – especially development actors – should be more involved in these contexts. Policymakers argue that humanitarians should not be held solely responsible for supporting people that have been displaced from their homes for long periods of time, or are otherwise affected by protracted crises¹¹. The resulting shift would allow humanitarians to return to their core mandate of servicing acute needs – “saving lives”. When communities have the ability to absorb likely future shocks, or have adapted the way they live and function so that they become less exposed to shocks (whether this is done through humanitarian or development financing), humanitarians can move on to the next crisis: a responsible exit.

A reduced mandate for humanitarians would also likely lead to a reduction in humanitarian budgets. It seems reasonable to assume that shifting the responsibility for protracted crises to development actors will also mean shifting the budget. Informal discussions with OECD DAC members confirm that this is likely; a reduced mandate will also mean a reduced budget, although this remains to be tested in practice.

However, encouraging a wider pool of actors to work in protracted crises would also help ensure the right funding in the right place at the right time: moving from aid dependency towards self-reliance, or resilience. Development actors, for example, can provide appropriate technical support, coupled with longer-term financing arrangements, to build and sustain the necessary systems and skills that deliver basic services and support livelihoods in protracted crisis countries.

BOX 3: WORKING TOGETHER: INCENTIVES AND DISINCENTIVES

Contextual disincentives: If a government does not prioritise basic services for its crisis affected citizens or for refugees inside its borders, and there is no capacity in government systems to absorb extra financing for these programmes, then development donors, who have committed to aligning to government priorities, will look for other areas of work. Development actors are also understandably nervous about starting up long-term programmes in insecure areas, where they may not have access for long periods of time, and infrastructure investments risk being destroyed.

Programmatic disincentives: The diverse group of development actors in a country often have very different priorities and policy objectives – rarely do they work off a common context analysis or an agreed set of priorities. The availability of humanitarian financing may also create a disincentive – why invest in basic services if humanitarian actors are already doing the work?

Institutional disincentives: Different planning cycles, often short-term for humanitarians and longer-term for development colleagues, do not encourage joint planning; add to that humanitarian decisions taken in donor capitals and development decisions taken in the field, and the complications stack up. The pressure to deliver short-term results may also be greater on humanitarians; in addition, humanitarian and development actors often have very different tolerance of risk and failure.

Source: *What are the right incentives to help donors support resilience?* (OECD, 2013a)

However, a range of organisational and programming disincentives are stopping different actors from working together in the same crisis situation: the challenge now is to overcome them. Disincentives can be contextual – factors in the overall operating environment in partner countries, that shape, and sometimes restrict, how donors can function; programmatic – factors that influence how development, climate change and humanitarian assistance programmes are designed and the results that can be achieved; or institutional – structural factors that influence how donors, and their staff, behave and operate (Box 3). These challenges can be overcome – but we need to bear them in mind when thinking about how to involve development actors in protracted crises.

Emerging recommendations to encourage development programming in protracted crises

The various post-2015 processes have provided an excellent opportunity for humanitarian and development actors to focus on protracted crises. Useful recommendations are emerging. These include:

- **Enabling common, or shared, context and risk analysis** to help define shared priorities, and areas where the various actors are best placed to respond. The OECD’s resilience systems analysis tool has already proven useful in helping diverse groups of actors engage in shared analysis at country level¹².
- **Scaling up the use of social protection mechanisms in protracted crises**, thereby engaging development actors, who have the right tools to help build the skills and systems for national social protection schemes. As part of this, achieving greater consolidation and scale in cash- and voucher-based programming¹³.
- **Shifting to multi-year planning, programming and finance for all protracted crisis settings**, bringing together all actors – development, peacebuilding, and humanitarian.
- **Building on lessons from the Ebola crisis, to strengthen links with multilateral development banks in protracted crises**. This could help create a more complete picture of the impact of a crisis, and how to address those effects – whether they are human, physical, financial, social, political or natural.

More development finance will be useful; it will also change the humanitarian business model

Assuming that the push to include development actors earlier, and more intensely, in protracted crises is successful, what are the implications for the humanitarian business model? The thinking in this area is not yet as advanced as it perhaps should be.

Most humanitarian dialogue processes have assumed that humanitarians could continue business as usual in protracted crises, but with development funding. These discussions see humanitarian agencies reserving all their humanitarian financing for acute needs, but also continuing programmes that provide basic services and protection to people affected by protracted crises, this time with development funding.

However, development finance doesn’t work the same way as humanitarian money; development actors have committed to country ownership, aligning to county priorities and using country systems, not to funding non-state operational agencies. These commitments were initially made as part of the Paris Declaration on Aid Effectiveness, and later reaffirmed in Accra and more recently in Busan¹⁴ - and have led development actors to focus primarily on building effective states and institutions. For the multilateral banks, working this way is linked to their core mandate; the banks were set up to provide loans for activities that are directly requested by partner governments. Financing operational humanitarian actors to provide basic services directly to communities – which may be in parallel to government priorities and plans and outside government systems – runs contrary to the spirit of these agreements and mandates.

The challenge is how to reconcile these two very different types of programmes – development actors focused on national level systems and humanitarian actors focused on communities and households

BOX 4: WHAT DONORS DO – BEYOND FINANCING

Humanitarian donors ‘do’:

- Fund humanitarian crises
- Receive and host refugees and asylum seekers
- Provide civil protection services to crisis countries
- Provide staff to operational agencies and affected governments
- Provide tax-free status or tax credits for donations to humanitarian organisations
- Provide military assets to support the humanitarian response
- Support military interventions to avoid or stop conflict

Donors also influence more effective results:

- Upholding operational standards and programme quality
- Championing co-ordination
- Promoting affected population participation and feedback
- Supporting co-ordination with other donors
- Encouraging anticipatory and forward looking approaches
- Leverage development investments

Finally, donors advocate:

- For more coherent domestic policy towards protracted crisis countries
- To incentivise peace
- To promote compliance with International Humanitarian Law
- For humanitarian access

Source: *Imagining More Effective Humanitarian Aid: A Donor Perspective* (Scott, 2014)

As a result of these international commitments, development actors have abandoned the “rural development model”, and now work predominantly with states and at national level; while the primary responsibility for working with communities and households has fallen to humanitarians. The author’s discussions with development professionals in most OECD DAC member countries indicate that, given the current focus on building states and strengthening country systems, the rural development model, including the sustainable livelihoods approach¹⁵, has gone out of fashion¹⁶. However, building states, lobbying for appropriate policies, and ramping up state systems to deliver basic services like education and healthcare takes time, especially in protracted crisis situations. Indeed, humanitarians believe that the needs of the most vulnerable, and the need to build community resilience, have fallen by the wayside in the rush towards state-building, peace-building and infrastructure (CAFOD, FAO, World Vision International, 2015). For example, in Afghanistan, 39% of sector allocable ODA between 2003 and 2012 was spent on governance and security, versus 5% of health, 7% on education and 2% on water and sanitation (Poole, 2014a). And so, humanitarians continue to deliver basic services at the community level, even in protracted crises – where the major problem is the lack of sustainable systems and skills, rather than an imminent need to save lives.

Thus, the challenge is how to reconcile these two very different types of programmes – development actors focused on supporting, augmenting and enabling national level systems and humanitarian actors focused on direct provision of support to communities and households. Clearly, someone needs to ensure that the most vulnerable have access to healthcare, clean water and food, while the slow process of building the state gets underway. Arguably, the best way to do this is for development actors to re-engage with community level programmes – not just funding them, but also designing, staffing and delivering the programmes – and for humanitarian actors to retreat back entirely to meeting acute needs. Another option is for humanitarians to engage with the state, dealing with national ministries and ensuring that appropriate policies and plans are in place to ensure that the needs of vulnerable and at-risk communities are met – moving away from the current approach which takes the need to substitute the state as a default option.

Both of these options would indeed mean fundamental changes to the business model; with, for example, development actors fully taking on responsibility for finding durable solutions for the refugees in long-term camps, rather than development finance being channelled to humanitarian actors. Humanitarians would also need to take on a stronger advocacy role towards governments and local authorities in protracted crisis situations – a role that may make many humanitarian actors uncomfortable, especially when governments are active parties to the crisis.

Other roles that humanitarian OECD DAC members play in protracted crises

OECD DAC members play a myriad of roles beyond financing (Box 4). Many of these could be more systematically exploited in protracted emergencies – adding value to donor funding investments to support a better result in protracted crises. Some examples include:

Remittances: which have a key – but poorly understood – role to play in promoting sustainable solutions to protracted crises; donors have a role in lowering the cost, and dismantling other barriers to remittance flows. Remittances are known to play a key role in many protracted crisis situations – for example Haiti, Lebanon and Somalia – however they do not always benefit the poorest, who may not be able to afford to send a migrant overseas, or who are not sufficiently educated or skilled to take part in official migrant schemes. More evidence will be needed to determine how to best support remittances. In the meantime, G20 countries have committed to reducing the cost of sending remittances, but these efforts could be accelerated (Nwajiaku et al, 2014).

Illicit financial flows: flows originating in developing countries – from money laundering, tax evasion and bribery – often reach OECD countries. Recognizing these risks, OECD countries are taking action to avoid being safe havens for illegal money. This work could help stem the outflow of funds from protracted countries, and avoid funds being diverted to prolonging conflict situations (OECD, 2014a).



Credit: iStockPhoto/Thinkstock

Small arms flows: which have both positive and negative impacts on protracted crises; providers of small arms – many of whom are also humanitarian donors – need to manage these carefully. Properly regulated arms transfers can help states provide security for their citizens; private security contractors can dramatically turn around conflict situations that are beyond the national military's capacity to manage; small arms can also enable peacekeeping operations. However, there are also negative impacts: poorly managed flows can lead to human rights abuses and violations; the availability of arms can prolong and exacerbate conflict; and arms flows are often accompanied by corruption (Isbister and Donelley, 2012).

Resolving conflict: through support to political dialogue and peacebuilding. Protracted crises can only be resolved through political dialogue and peacebuilding measures. Donors engage in these mechanisms either through bilateral peace initiatives and by providing military support, or through their assessed contributions to United Nations bodies such as the Department for Political Affairs (DPA) and the Department for Peacekeeping Operations (DPKO). These measures are critical to success in protracted crises.

Section 4. Financing crises in middle income countries: the Syria affected region

As she approached the end of her tenure as Emergency Relief Co-ordinator, Valerie Amos declared that she was “haunted by the crisis that has defined my tenure: breathtakingly savage war in Syria”¹⁷.

The crisis in Syria has affected a region of middle income countries – posing a major new financing challenge for the humanitarian community. The international community’s funding appeal for the countries affected by the Syria crisis stands at USD 7.4 billion for 2015¹⁸; this is in addition to the funds that will be provided by the affected countries themselves. All the affected neighbouring countries – Lebanon, Jordan, Iraq, Egypt and Turkey – have middle income status¹⁹; posing a special challenge for the international community, who are not well equipped to fund crises and crisis recovery in middle income situations. It can be argued that these refugee hosting countries are providing a global public good, and that this public good should be paid for in a predictable way: far from the situation today, where these middle income countries must either go begging for funds from the international community, or (in the case of Turkey) divert considerable sums of domestic resources.

These are not the only middle income countries affected by crises; in total, 53% of funds requested for humanitarian appeals in 2015 were for middle income countries²⁰. The humanitarian community has asked for funding for five protracted crises that are taking place in middle income countries in 2015²¹. In addition, there were two appeals for new emergencies in middle income countries – Guatemala and Honduras.

The challenges for financing crises in middle income countries

OECD DAC members have various reasons for investing their development co-operation funds in middle income countries, but these are rarely about crisis response or recovery. In middle income countries, aid is only a small proportion of GDP. The role of this aid is therefore different to that in a lesser developed country, often highly dependent on the aid flows. ODA in middle income countries is therefore focused on helping mobilise domestic resources (tax revenues) and alternative forms of finance, investing in key areas to stimulate growth, and reducing inequality (Box 5).

BOX 5: WHY OECD DAC MEMBERS ENGAGE IN MIDDLE INCOME COUNTRIES

Key objectives include:

Eradicating remaining pockets of poverty: Investments in middle income countries can help fast track global development objectives, given that these countries are home to many of the world’s poor. Aid investments are often targeted at reducing inequality.

Consolidating social and economic progress: Aid can also help stop countries from slipping back into poverty. This includes programmes to promote economic growth, and to increase domestic resource (tax) mobilisation and investments, to help finance development, reduce dependency on aid, and build a contract between the state and the people

Supporting global public goods: Stability and (green) growth in middle income countries can help support international financial stability, and contribute to other global public goods such as climate, energy, and food and water security

Knowledge transfer: Middle income countries are increasingly requesting technical co-operation (skills transfer) from donor countries. They can also be key partners in triangular and South-South co-operation, to support the development of other countries.

Trade opportunities: Middle income countries can also be seen as emerging trading partners for donor countries. Accordingly, investments in the strengthening the business environment could be useful.

Source: *Alonso (2007), Kanbur (2010) and OECD DAC Development Co-operation peer reviews*

Accordingly, OECD DAC development co-operation tools and programmes in middle income countries are designed to meet these objectives, mostly working through states and state systems. Development finance doesn't work the same way as humanitarian money; development actors have committed to country ownership, aligning to country priorities and using country systems (section 3). Development tools for middle income countries include (Box 6):

Concessional loans, often (but not always, especially for loans from multilateral banks) tied to infrastructure programmes

Debt relief, and debt swaps

Technical assistance (skills, capacity building, technology transfer)

Scholarships and exchange programmes

State institution building, including support for improving public financial management systems, public administration reform, and the creation of social protection schemes

Regulatory reform, for example around trade policy and opening of markets

Guarantees, to reduce the risk of raising capital on the international financial markets

Targeted grant finance:

- As leverage for raising other types of finance (e.g. private sector finance) recognising that aid flows are only a small part of the overall revenue of a middle income country
- For programmes supporting social inclusion and reducing inequality, including of women
- To address pressing issues such as chaotic urbanisation

Multilateral banks have a similar paradigm when providing funds to middle income countries. The World Bank's fund for low income countries, the International Development Association (IDA), aims to reduce poverty by providing concessional loans (called "credits") and grants for programs that boost economic growth, reduce inequalities, and improve people's living conditions. It includes provisions for crisis situations, namely the Crisis Response Window (CRW) dedicated funding mechanism and the Immediate Response Mechanism (IRM), which allows countries to have immediate access to a portion of the undisbursed balances of their IDA project portfolio in the event of an eligible crisis or emergency²²,

However, the countries affected by the Syria crisis – as middle income countries – are not eligible for IDA. Instead, the Bank uses its IBRD institution, which provides non-concessional loans and other support. In special cases, the countries may receive Trust Funded grants administered by the World Bank. In addition to this, the Bank may set up specific Trust Funds to mobilize funding and channel support to countries in crisis – but anecdotal evidence suggests that in MICs these trust funds often do not attract sufficient funds, as they rely on the same OECD DAC members who are sometimes constrained to their priority countries and themes (Box 7).

BOX 6: DEVELOPMENT FINANCE TERMS EXPLAINED

Concessional loan: Loans – transfers for which repayment is required – on terms that are substantially more generous than market loans. Concessional loans are linked to interest rates that are below market rates, or extended grace (non-payment) periods, or both.

Debt relief: A reduction in the repayment terms of a loan. This may include forgiveness (the loan is written off) or rescheduling the repayments, or refinancing by extending the loan period.

Debt swap: The donor country cancels a loan, and in return the partner country invests part of the cancelled amount in development projects (and/or environment projects). Can also involve a third party, usually an NGO or inter-governmental agency.

Grant: Transfers made in cash, goods or services for which no repayment is required.

Guarantee: The agreement by a donor government to cover (for example) loan repayments if the partner country defaults, thus reducing the risk associated with the loan, in turn allowing the loan to come with better terms, such as a reduced interest rate.

Technical assistance: Payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries, including the cost of associated equipment.

Source: Adapted from the *OECD Glossary of Statistical Terms*, <https://stats.oecd.org/glossary/index.htm>

BOX 7: WORLD BANK MECHANISMS FOR CRISIS RESPONSE IN JORDAN AND LEBANON

In 2013 the World Bank provided a USD 150 million emergency loan to Jordan that helped maintain access to health services and basic household needs. This was followed by an emergency services and social resilience project to provide municipal services to affected communities totaling USD 54 million in grants financed by Canada, Sweden, Switzerland, the United Kingdom and the World Bank's State and Peace Building fund.

The Bank also set up the Lebanon Syrian Crisis Trust Fund (LSCTF) and three projects have been approved as of April 2015 (Emergency Municipal Services, Emergency Education System Stabilization, and Emergency Primary Healthcare Restoration). The LSCTF has received about USD 74 million in contributions, from Norway, Finland, France, The Netherlands, Sweden, Switzerland, the United Kingdom and the Bank's State and Peace Building Fund.

Source: World Bank Group

As an additional complication, the humanitarian community has approached the crisis in the Syria affected countries as it would a crisis in a least developed country, working mostly outside of the affected state's processes and systems. Working around state structures is the norm for humanitarian agencies. This is primarily because of humanitarian principles²³, and also for practical reasons: in a humanitarian crisis where rapid provision of basic services is critical, state systems are often not up to the task. Humanitarian actors who are wary of the politicisation of aid may also be reluctant to work with development actors, given their close relationship with the state (Macrae and Harmer, 2004) – although most of the states affected by the Syria crisis are not belligerent regimes. However, working in parallel to the state adds to the financing challenge in a middle income country, by making it harder to attract development funding, which is set up to finance with and through government systems and structures – not to provide funds to UN agencies, the Red Cross movement, and NGOs.

It is therefore logical (however unfortunate) – given these constraints – that the majority of funding for the crisis in the Syria affected region comes from humanitarian budgets, not from development funds. In 2014, USD 3.4 billion of humanitarian financing was disbursed to respond to the crisis in Syria, and in the Syria affected region²⁴.

There are solutions for financing crises in middle income countries: they require changing how we think about crisis response

There has already been a change in the way that humanitarians are thinking about crisis response in middle income countries. One recent example is the Syria Regional Refugee and Resilience Plan (the 3RP), which includes actions to address the protection and humanitarian needs of refugees, while also building the resilience of vulnerable people and communities in the refugee hosting countries. The plan looks beyond the usual physical and human needs that are central to humanitarian responses, to take into account broader well-being issues like social cohesion, better management of natural resources, and improved access to economic opportunities.

However, there will need to be further changes, including closer alignment to country priorities and working with country systems, especially as crises in middle income countries evolve. While the 3RP is certainly a good start - broadening the scope of programming, recognising the centrality of national ownership and highlighting the need to strengthen national delivery systems – it remains an appeal for funding to operating agencies, not to and through affected states. Crisis response actors will need to think about how to adapt the response model for middle income countries, perhaps taking a phased approach: ensuring critical needs are met through parallel actions in the early stages of a crisis, and evolving into programmes that work increasingly in line with country priorities, and on strengthening and working through country systems, perhaps starting with social protection schemes.



Credit: iStockPhoto/Thinkstock

Indeed, crises in middle income countries should provide a unique opportunity for development actors, and development finance, to focus on shoring up economic and social progress: reducing the impact of the crisis on the broader well-being of society. Middle income countries should not be expected to shoulder the burden of crises alone; providing loans to deal with these crises – especially crises that are not of their own making - is morally indefensible. However, crisis situations do provide a useful opportunity to reassess how to best consolidate social and economic progress, and to support middle income contributions to global public goods, such as regional peace and stability: two key development objectives in middle income countries. The full range of development investments could then be put into play, for example:

- Concessional loans to improve or expand infrastructure to deal with refugee inflows, infrastructure that will eventually also be required to support future population growth
- Debt relief or swaps that allow middle income governments to reallocate funds from debt repayments to social protection programmes
- Institution building and system strengthening, especially for local authorities coping with the impact of crises, or at risk of future crises
- Capacity building in applied science, focused on developing better risk information, that may in turn enable the expansion of the private sector insurance industry
- Influencing policies to reduce crisis risks and also address inequality: including strengthening land use planning and other legislative frameworks that help boost capacity to manage current and emerging threats
- Stimulating private sector investments that will promote growth and trade but also support the livelihoods of vulnerable groups

Section 5. Thinking differently about disasters

A new paradigm for disaster resilience, response and recovery

There is new thinking around the approaches to disaster resilience, response and recovery, which may help donors improve financing for disaster affected states and local response actors.

Good practice from OECD DAC members working in the Pacific

There are good practices around financial and technical support for shocks from the disaster-prone Pacific region, specifically from the development programmes of Australia, Japan and New Zealand. Although the Pacific is, in some aspects, a special case, these practices could provide useful lessons for other donors.

There are different models for funding risk reduction and building resilience in the Pacific, but all draw on domestic experience and knowledge. Japan funds its dedicated risk reduction programmes through concessional loans, grants and public private partnerships (OECD, 2014b). Australia has incorporated dedicated risk reduction programmes into their development portfolios in the Philippines and Indonesia. Much of this work has focused on strengthening applied geo-science capacity and national emergency response mechanisms, but Australia also helps strengthen community resilience through awareness, infrastructure and livelihoods, for example in Greater Metro Manila (OECD, 2013b). New Zealand strengthens national and regional disaster response capacity, using both humanitarian and development funding. It also advocates for partner countries to prioritise and allocate budget resources for risk reduction (Box 8).

There is a strong focus on providing technical expertise to high disaster-risk countries. Japan's programmes are supported by JICA technical experts, to facilitate the sharing of Japan's superior experience and knowledge in risk reduction (OECD, 2014b). Australia also provides technical assistance to partner countries through its national scientific agencies (OECD, 2013b). New Zealand capitalises on its domestic expertise, across different local and nation government agencies, to build disaster response capacity in partner countries (Box 8)

BOX 8: NEW ZEALAND AND DISASTERS: A GOOD PRACTICE EXAMPLE

Risk reduction and resilience: New Zealand's experience as a disaster-prone nation has given rise to a strong commitment to boosting resilience in partner countries, especially to disaster and climate change risks. The focus is on developing national and regional response capacity, using both humanitarian and development funding, and capitalising on domestic expertise across the New Zealand government. Bilateral resilience programmes usually also advocate for partner country government prioritisation and budget allocations for risk reduction.

Response: The bulk of New Zealand's disaster response is bilateral, building on the experience of different government departments in responding to domestic disasters. Responses are co-ordinated through an Emergency Task Force – and its standard operating procedures - that bring together different areas of government, NGOs and the New Zealand Red Cross. The Task Force also interacts with France and Australia, the other two first-line responders in the Pacific. This broad range of stakeholders necessitates discipline and a clear definition of roles; New Zealand is committed to this as well as learning from past experiences. Regular simulations and other preparedness exercises help build cohesion. Medical support is one specialist area, building on existing networks with health professionals and institutions across the Pacific; these contacts and networks help ensure that the response is appropriate for the context.

Recovery: Bilateral development funding can be repositioned for recovery programmes when disasters strike, for example to support recovery from severe flooding in the Solomon Islands in 2014. These recovery funds are managed by New Zealand's development teams on the ground, leveraging existing knowledge and networks. This, in turn, allows New Zealand to tailor its recovery programmes to the context: enabling, for example, a bold decision to provide budget support to Samoa to help fund recovery from the 2009 tsunami.

Source: *OECD DAC Development Co-operation Peer Review of New Zealand 2015* (OECD, 2015a)

Risk reduction and resilience is also mainstreamed into development co-operation programmes. Japan's development projects are systematically disaster proofed, using tools such as JICA's disaster risk assessment and adherence to JICA's disaster management policy, which outlines the link between resilient societies and sustainable development. Japan's concept of risk reduction targets all layers of society, from governments down to local authorities and communities (OECD, 2014b). Simple practical tools such as *Integration in Practice* help Australia's development staff integrate risk reduction concepts into sector programmes (OECD, 2013b).

In the Pacific, bilateral response – country to country – is becoming the standard way of responding to disasters. Decentralisation of decision making has also helped Australia respond rapidly to disasters. When disaster strikes, embassy staff take the lead on assessing and planning Australia's role in the emergency response. This makes sense, given that these staff have already developed solid working relationships with key counterparts in government and in the wider response community, understand the context well, can be quickly deployed to the crisis area for assessment and planning purposes. Anything they cannot deal with – additional funding requirements for example – is then referred back to Canberra (OECD, 2013b). Japan offers specialised response teams to disaster-



Credit: Hemera/Thinkstock

affected countries, including Search and Rescue and medical teams, often comprising volunteers, for example hospital staff, on standby in Japan. Japanese staff working on development projects advise the incoming disaster teams and help with the subsequent handover to local authorities. The Self Defense Forces can also respond with aircraft and medical teams, and other experts can be deployed as necessary, for example communication experts from the Ministry of Infrastructure, engineers from the Coast Guard to repair offshore infrastructure, and other infrastructure experts to advise on rehabilitation needs (OECD, 2014b). New Zealand's bilateral responses draw on expertise across government (Box 8).

Disaster recovery using development funds. New Zealand and Australia can re-programme bilateral development funding to support disaster recovery (Box 8). Australia can also divert development funds from elsewhere in the region to support disaster recovery (OECD, 2013b).

Budget support and innovative mechanisms to create liquidity. Cash flow problems create significant challenges for governments of disaster hit countries, reducing their capacity to respond to the needs of their citizens. There are several examples of good practice in providing immediate post-disaster liquidity in the Pacific:

- New Zealand made the bold decision to provide general budget support to Samoa to help it recover from the 2009 tsunami – based on support and advice from development colleagues, enabling it to agree to bear the related fiduciary risk.
- Japan has a contingent credit line called SECURE²⁵, which gives governments immediate access to funds after a natural disaster (OECD, 2014b).
- Japan also provides loans for rehabilitation of key infrastructure post-disaster. In total, USD 796 million has been provided in loans by OECD DAC members over the last decade for disaster resilience and recovery²⁶.

Risk financing and risk transfer mechanisms

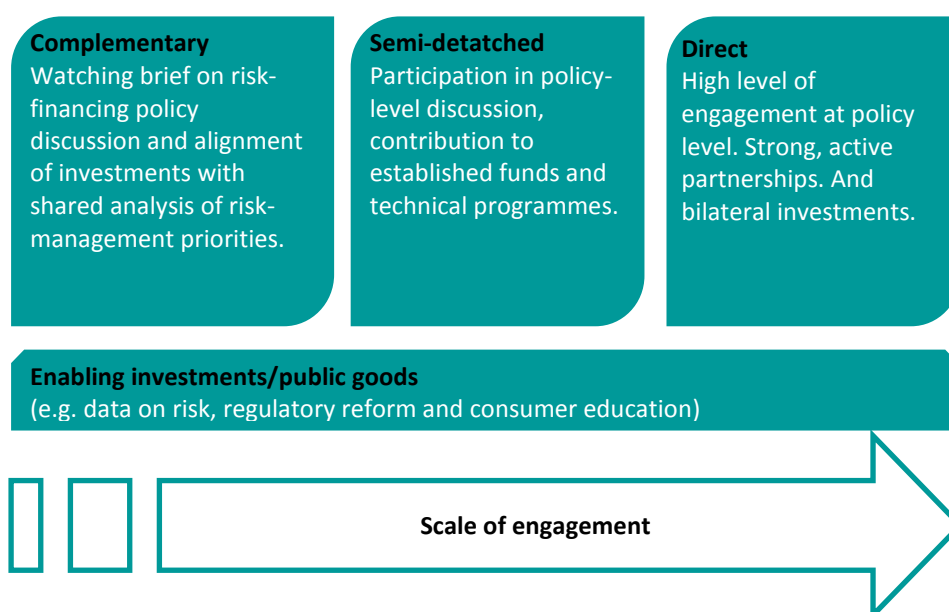
The following are the key findings from the OECD's research into how donors should engage with risk financing and risk transfer mechanisms (insurance type mechanisms that deal with risk that cannot be practically or cost-effectively eliminated) (Poole, 2014b). That report also presented potential models of donor investment and engagement in these new tools (Figure 2).

Risk financing is a critical element of a resilient future. The potential gains from risk financing as part of a comprehensive approach to risk management are wide ranging, and include reduced humanitarian, fiscal and economic impacts from disasters; the creation of incentives to further reduce risk; and greater confidence to invest – with the potential to stimulate economic growth and poverty reduction.

Risk financing is part of the solution to managing risk more effectively, but it does not work always and everywhere. Risk-financing and risk-transfer mechanisms have limited applicability and uncertain outcomes, indicating the need for a cautious and multi-layered approach. There are a variety of risks and contexts – particularly conflict-affected and fragile states – where the existing suite of risk-financing and risk-transfer tools do not apply, and where demand for humanitarian and development actors to underwrite the cost of responding to crises will continue. Therefore, donors should be alert to the potential limits of risk financing. They should hedge their bets by pursuing investments in risk financing, a strategy which could provide long-term returns, while continuing to invest in approaches that have more reliable outcomes for at-risk populations in the short term. These other approaches include investing in social safety nets, emergency preparedness, a more risk-informed approach to humanitarian response, and by investing in complementary risk reduction measures.

Donors have an important role to play in improving risk-informed financial preparedness but will need to adopt a new modus operandi. Donors will need to put in place policies that establish risk financing as a corporate priority and to develop new approaches and modes of programming. Donor support to risk financing and risk transfer should take into consideration: comparative advantage and technical skills, ensuring that investments are catalytic, working collectively and in new partnerships, accepting complexity and uncertainty, and applying caution: being aware of the potential risks and unintended consequences.

Figure 2: Potential levels of donor investment and engagement in risk financing and risk transfer mechanisms



Source: Poole (2014b).

Other potential game changers: domestic budget allocations, attracting climate financing and using civil protection skills to build domestic response capacity

More donors could encourage partner country budget allocations for risk reduction. The primary responsibility for disaster resilience, response and recovery rests with national governments – a guiding principle of the new Sendai Framework for Disaster Risk Reduction (WCDRR, 2015). Some OECD DAC members, for example New Zealand (Box 8) and Japan (OECD, 2014b), systematically encourage partner governments to make domestic budget allocations for disaster risk reduction, and to disaster-proof key investments, especially in new infrastructure. Other donors could engage in these discussions with their partners, or instead choose to use their aid catalytically, for example by addressing the issues that prevent market risk transfer mechanisms from operating at scale in a particular country or area, or by providing risk information that will encourage private sector involvement in building resilience (OECD, 2013a).

Attracting climate finance for building disaster resilience.

DFID has recently funded a programme for preparedness actions in high risks contexts, using a mix of humanitarian and climate finance. To do this, DFID demonstrated that investments in preparedness are also investments in climate mitigation, as they will allow more climate friendly responses – this included showing that prepositioning supplies by trucks, rather than using aircraft during an emergency response, substantially cuts carbon emissions. In addition, DFID



Credit: Getty Images/Comstock/Thinkstock

argued that preparedness

actions also support climate adaptation, helping smallholder farmers adapt to uncertain climates, promoting better management of river basins, and addressing the impacts of climate change on health services (DFID, 2014). Norway has also forged close links between its climate and humanitarian teams, including joint funding to partner initiatives (OECD, 2013c).

Building the capacity of local response actors in partner countries. The humanitarian community is calling for a bigger role for local actors in emergency responses²⁷. In OECD countries, those local actors are governments and their civil protection systems – both at national and sub-national level (OECD, 2014c). However, civil protection systems in partner countries often lack the necessary skills, material and/or budgetary resources to be able to respond to all probable disasters within their borders. There is certainly, therefore, a case for investing in building the capacity of the different civil protection mechanisms in high risk countries – both as a responsible exit strategy for humanitarian operating agencies, and to protect development investments and development progress in those countries. Civil protection actors in donor countries are well placed to undertake this work – perhaps building on the experiences of OECD DAC members including Australia, Finland, Italy, Japan and New Zealand in this key area.

Section 6. Making the money go further: reducing the cost

In the introduction to this working paper, we noted that USD 13.48 billion of humanitarian assistance was provided by OECD DAC members in 2013 – representing 10% of their total Official Development Assistance.

And yet this was not enough - only 65% of the needs budgeted by the United Nations co-ordinated appeals in 2013 were met.

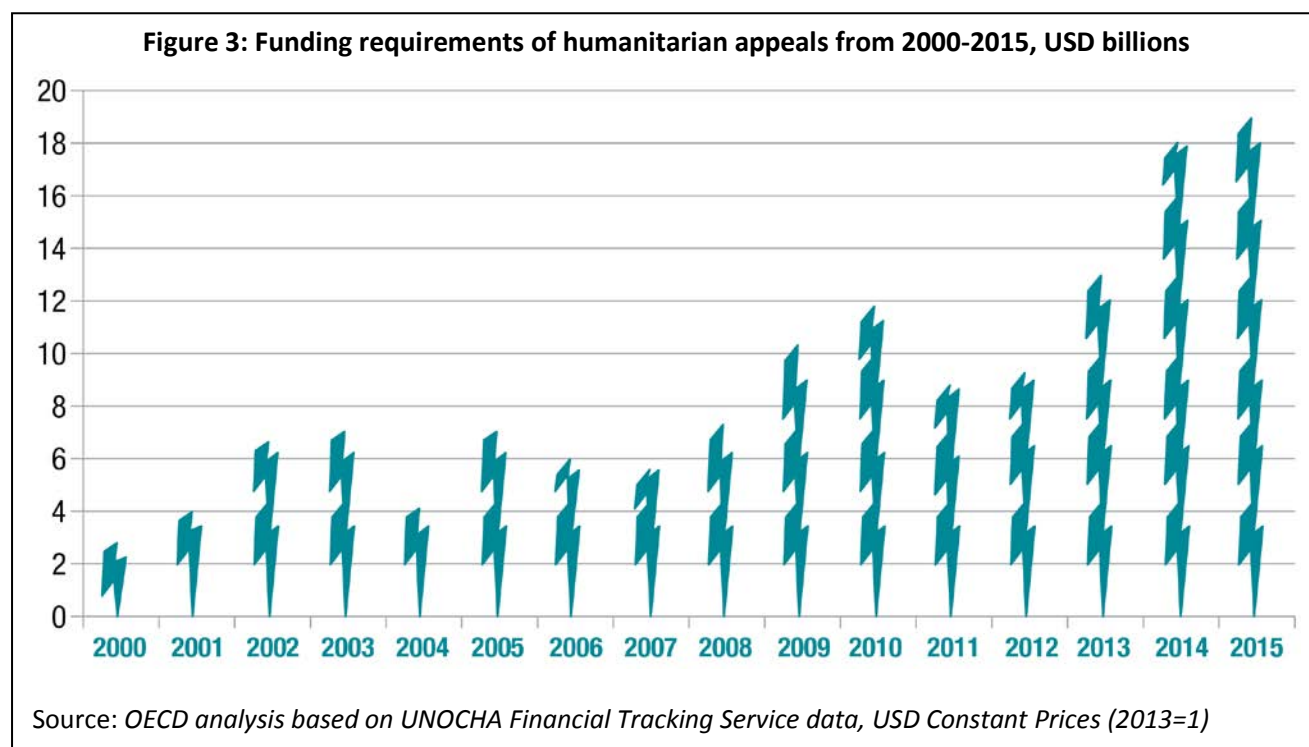
This paper has outlined a number of options for increasing the amount of funding available for humanitarian assistance – the supply side of the equation. However, in the current economic climate, it is naïve to expect that – at least for OECD DAC members – the size of core humanitarian budgets will increase significantly. This is backed up by the OECD’s forward spending survey, which notes that from 2015 onwards, aid levels are projected to remain relatively stable (OECD, 2014d).

So, it is now time to examine the demand side of the equation, and look at how to reduce the cost of humanitarian assistance, and/or increase the cost/benefit ratio – and in doing so help with the ongoing pressure on OECD DAC members to demonstrate results and value to their parliaments and taxpayers.

The cost of humanitarian assistance has risen exponentially since 2000

Humanitarian costs have increased by just over 660% over the period of the Millennium Development Goals.

In 2000, as the world committed to delivering the Millennium Development Goals, the humanitarian appeals process asked for USD 1.9 billion to respond to humanitarian crises – the same as USD 2.9 billion in today’s money²⁸. By 2015, as the deadline for the Millennium Development Goals approaches, the requests have risen to USD 18.6 billion – an increase of over 660% in fifteen years (Figure 3). There must be some scope for rationalising costs.



Opportunities for changing practices to promote greater cost-efficiency

Firstly, take care! Reducing the scope of humanitarian work might also reduce the size of humanitarian budgets. One widely proposed solution to the funding gap is to reduce the scope of the humanitarian mandate, allowing humanitarians to return to their core mandate of servicing acute needs (Section 3). On the face of it, this is an attractive proposition, and having protracted crisis work pass to development actors – with

their longer-term funding tools and superior skills in areas like capacity building – seems to make sense. However, there is an accompanying risk: the percentage of donor humanitarian budgets that is allocated to protracted crises will be transferred over to development budget lines, along with the mandate, and discussions with several OECD DAC members confirm that this risk is very real. Therefore, shifting the responsibility for longer-term caseloads may be useful for the quality of aid to protracted crises, but there is no guarantee that it would result in more humanitarian funding for servicing acute needs.

Funding for results, rather than activities. OECD DAC members are under enormous pressure to demonstrate results to their parliaments and taxpayers. This pressure is passed on to partners, who need to write detailed reports on the results they have achieved, often several times over very short grant periods. However, funding proposals and agreements are usually drawn up based on specific activities, rather than results – tying the operating agency to a particular way of working, even if the situation evolves and those activities are no longer the best value for money. Australia is one donor who now bases many of its funding agreements on the achievement of results and does not specify activities (OECD, 2013b), other donors could learn from this.

Developing business cases to help guide objective decisions based on the best value for money, and monitoring value for money in implementation. DFID must demonstrate the value for money of its humanitarian funding decisions through publically available business cases, often covering multiple years (OECD, 2014e). Other donors have different processes to ensure that their funding targets the right things, in the right place, at the right time. However, a more thorough approach to ensuring that grants decisions are based on sound economic analysis could be useful for many donors – as could a stronger system to ensure that cost-effectiveness has been taken into account all through the programming cycle.

There are positives but also potential negatives from making fewer, larger, grants. Making larger grants – or at least ensuring that grants are of a minimum size – reduces the transaction costs (reporting, accounting, etc), both for the donor and for the receiving agency. However, new evidence suggests that the consolidation of donor portfolios into a smaller number of large partnerships has also had negative cost effects, creating long chains of pass-through funding (CAFOD, FAO, World Vision International, 2015). Not much is known about how value is altered by passing through many hands before it reaches the intended beneficiary; overhead charges are removed at each step in the chain (added costs) but operating costs (salaries, especially) may decrease significantly as the funding moves from the United Nations to NGOs (thereby reducing costs). There needs to be more study on this area, to determine how to get the best value from pass-through funding.

Supporting private fundraising efforts. For many operating agencies, fundraising from the general public is a key part of their overall revenues. Some OECD DAC members, for example Greece, support this by providing free space on state owned media for emergency fundraising campaigns (OECD, 2011), others, for example France, provide tax breaks for public donations to humanitarian (and development) agencies (OECD, 2013d).

Better understanding the cost structures of larger operating agencies, and applying the lessons that OECD DAC members have learnt about cost-efficiencies. As noted in section 2, the costs of running operating agencies are not separately funded or reported on, making it difficult to understand whether these structures are cost-effective. It would be useful to provide more transparency around these budgets. In addition, most humanitarian donors have had to satisfy the drive for cost efficiencies required under government austerity measures over the last five years, adapting their own approaches, systems and staffing structures. These lessons could be usefully passed on to the operating agencies.

Streamlining reporting requirements. Taxpayers and donors have the right to know how – and how well – their money has been spent. Proper monitoring can also help reduce the potential for waste, fraud and corruption. Understanding what works best, and why, will help donors and partners improve programme design, delivery and cost-effectiveness, both now and in the future (OECD, 2012). However, current reporting requirements are often very costly exercises, with operating agencies required to allocate staff to writing long narrative and financial reports – often focusing on activities rather than results and lessons, and rarely focusing on demonstrating value for money. Reporting could be streamlined, perhaps based on the risk profile of the grant (with higher risk grants requiring more reporting, for example), or accepting one report on the entire crisis response, rather than focusing on individual agency activities, or having all donors agree to a common reporting framework.

Conclusion

This paper asked whether humanitarian financing is fit for the future: is there enough quality money – money that arrives in the right place, in the right way, and at the right time – to fund both current humanitarian crises and those that are yet to come? The answer seems to be no – not yet – but that, with some changes to the funding architecture, and to some long-held paradigms about how humanitarian programmes should be designed and delivered, there is still hope.

How can the required changes be made, and how do we take this forward? The proposals in this paper build on, and complement, the findings of the Future Humanitarian Financing initiative. They focus on increasing the predictability of funding, changing approaches and expanding sources of finance for protracted crises, finding a solution for funding crises in middle income countries, shifting the donor approach to disaster risks, and making the money go further. Some of the proposals are obvious and easy, others will require more radical approaches and re-thinks. Making this happen will require strong political leadership, a solid strategy for implementation, the right funding and programme tools and partnerships, and the right incentives.

Accordingly, we must make the best possible use of the opportunities provided by the post-2015 processes. The World Humanitarian Summit, which will focus on more effective humanitarian response, and the High Level Panel on Humanitarian Financing, which will consider financing aspects, will be key to implementing the required changes to different parts of the humanitarian system. The Addis Accord on Financing for Development, and its implementation mechanism, should also help improve the coherence of development and humanitarian financing flows.

We must also find the space to reach out to others who provide humanitarian resources. OECD DAC members provide a significant amount of money to deal with humanitarian crises – nearly USD 14 billion in 2013, a figure that will increase for 2014. But the OECD members are not the only providers of humanitarian aid – there are other states, philanthropic foundations, and the private sector. Governments of crisis prone countries also provide resources to support those dealing with shocks. Greater efforts to reach out to these players, as part of the post-2015 processes, will be an important part of growing the pool of quality money.

Death, destruction, danger, despair – no more? We can't totally eliminate human suffering; nor can we avoid all the costs that shock-affected societies already bear: lost lives, deteriorating well-being, and ruined future prospects. But the humanitarian system can certainly do better than we are now – by taking those difficult, but necessary, steps towards better humanitarian financing: humanitarian financing that is fit for purpose in a crisis-prone world.

Bibliography

- Alonso et al. (2007), *Cooperation with middle-income countries*, Instituto Complutense de Estudios Internacionales, Madrid.
- CAFOD, FAO, World Vision International (2015), *Future Humanitarian Financing: Looking Beyond the Crisis*, Future Humanitarian Financing initiative.
- Cabot Venton, C. (2013), *Value for Money of Multi-year Approaches to Humanitarian Funding* available at www.gov.uk/government/uploads/system/uploads/attachment_data/file/226161/VfM_of_Multi-year_Humanitarian_Funding_Report.pdf.
- Development Initiatives (2008), *Good Humanitarian Donorship Indirect Support Cost Study: Final Report* available at www.lacs.ps/documentsShow.aspx?ATT_ID=4483.
- DFID (2014), *DFID CHASE Preparedness – Building Climate Aware Humanitarian Responses*, Internal working document
- Fiennes, C. (2012), *It Ain't What You Give, It's The Way That You Give It*, Giving Evidence.
- Global Humanitarian Assistance (forthcoming) *Coordinating decision making: meeting needs; Mapping donor preferences in humanitarian response*, Development Initiatives, Bristol.
- Global Humanitarian Assistance (2014) *Global Humanitarian Assistance Report 2014*, Development Initiatives, Bristol.
- Good Humanitarian Donorship (2003) *The Principles and Good Practice of Humanitarian Donorship*, agreement signed in Stockholm.
- Gregory and Howard (2009), *The Nonprofit Starvation Cycle*, Stanford Social Innovation Review Fall 2009, Stanford Graduate School of Business.
- Humanitarian Futures Programme (2013) *Is Cash Transfer Programming Fit for the Future?* Available at www.cashlearning.org/2012-2014/-fit-for-the-future-.
- Isbister, R. and T. Donnelly (2012), "International Markets for Security and Military Assistance", *OECD Development Co-operation Working Papers*, No. 2, OECD Publishing, Paris.
- Kanbur R. and A. Sumner (2011), *Poor Countries or Poor People? Development Assistance and the New Geography of Global Poverty*, Institute of Development Studies: Brighton.
- Macrae, J and Harmer, A (2004) *Beyond the continuum An overview of the changing role of aid policy in protracted crises*, HPG Research Briefing Number 16, July 2004.
- Nwajiaku, K., J. Profos, C. Sangaré and G.M. Semeraro (2014) "What place for remittances in the post-2015 framework?" in OECD, *Development Co-operation Report 2014: Mobilising Resources for Sustainable Development*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/dcr-2014-14-en>.
- OECD (2015a), *OECD DAC Peer Review of Development Co-operation - New Zealand*, OECD Publishing, Paris.
- OECD (2015b), *OECD DAC Peer Review of Development Co-operation – Germany*, OECD Publishing, Paris.
- OECD (2014a), *Illicit Financial Flows from Developing Countries: Measuring OECD Responses*, OECD Publishing, Paris.
- OECD (2014b), *OECD DAC Peer Review of Development Co-operation - Japan*, OECD Publishing, Paris.
- OECD (2014c), *Recommendation of the Council on the Governance of Critical Risks*, adopted by the OECD Council at Ministerial Level in May 2014, Paris.
- OECD (2014d), *2014 Global Outlook on Aid Results of the 2014: DAC Survey on Donors' Forward Spending Plans and Prospects for Improving Aid Predictability*, OECD Publishing, Paris.

- OECD (2014e), *OECD DAC Peer Review of Development Co-operation – United Kingdom*, OECD Publishing, Paris.
- OECD (2013a), *What are the right incentives to help donors support resilience?* OECD Publishing, Paris, available at www.oecd.org/dac/Experts%20Group%20working%20paper%20-%20Incentives.pdf.
- OECD (2013b), *OECD DAC Peer Review of Development Co-operation - Australia*, OECD Publishing, Paris.
- OECD (2013c), *OECD DAC Peer Review of Development Co-operation - Norway*, OECD Publishing, Paris.
- OECD (2013d), *OECD DAC Peer Review of Development Co-operation - France*, OECD Publishing, Paris.
- OECD (2012), *Towards Better Humanitarian Donorship: 12 Lessons from DAC Peer Reviews*, OECD Publishing, Paris.
- OECD (2011), *OECD DAC Peer Review of Development Co-operation - Greece*, OECD Publishing, Paris.
- Poole, L. (2014a), *Afghanistan Beyond 2014: Aid and the Transformation Decade*, available at www.globalhumanitarianassistance.org/wp-content/uploads/2014/11/GHA_Afganistan2014_.pdf.
- Poole, L. (2014b), *A Calculated Risk How Donors Should Engage with Risk Financing and Transfer Mechanisms*, OECD Development Co-operation Working Paper 17, OECD Publishing, Paris, available at www.oecd.org/dac/A%20calculated%20risk.pdf.
- Scott, R. (2014), *Imagining More Effective Humanitarian Aid: A Donor Perspective* OECD Development Co-Operation Working Paper 18, available at www.oecd.org/dac/Imagining%20More%20Effective%20Humanitarian%20Aid_October%202014.pdf.
- Tsui, E. (2015), *Review Of The Potential For Assessed Funding For The Central Emergency Response Fund (CERF)*, available at <https://docs.unocha.org/sites/dms/CERF/Funding%20CERF%20through%20UN%20assessed%20contributions.pdf>.
- World Conference on Disaster Risk Reduction (2015), *Sendai Framework for Disaster Risk Reduction 2015-2030*, Agreement signed in Sendai, 2015.
- World Humanitarian Summit (2015), *Co-Chairs Summary: Regional Consultation Europe and Others Group*, Budapest, February 2015, available at www.worldhumanitariansummit.org/node/477917.

Notes

- 1 The OECD Development Assistance Committee has 29 members - www.oecd.org/dac/dacmembers.htm
- 2 There have been several studies to help better understand the components of humanitarian effectiveness. See for example Scott (2014). UN-OCHA also plans to release a report on humanitarian effectiveness in 2015.
- 3 United Nations appeals (now called Strategic Response Plans) are used as a proxy for global humanitarian need, however they are far from an accurate picture – focusing mostly on high profile, large-scale crises, often in Africa, and thus missing the smaller scale crises (for example in the Pacific region). A broader analysis of the concerns around UN appeals as proxies of need can be found at: www.globalhumanitarianassistance.org/funding-according-to-needs-the-un-consolidated-appeal-process-619.html
- 4 Principle 13 of GHD: “While stressing the importance of transparent and strategic priority-setting and financial planning by implementing organisations, explore the possibility of reducing, or enhancing the flexibility of, earmarking, and of introducing longer-term funding arrangements” (GHD, 2003).
- 5 The term “operational humanitarian agency” refers to all actors who implement humanitarian programmes, including United Nations agencies and funds, the various actors in the Red Cross movement, and non-governmental organisations, both national and international.
- 6 This is often known as an indirect support charge or programme support charge, but is known by many different names in different operational agencies. This is described in more detail in Development Initiatives (2008).
- 7 Non-Food items: Clothing, blankets and bedding materials meet the most personal human needs for shelter from the climate and the maintenance of health, privacy and dignity. Basic goods and supplies are required to enable families to meet personal hygiene needs, prepare and eat food, provide thermal comfort and build, maintain or repair shelters. More at www.ifrc.org/PageFiles/95884/D.01.02.a.%20SPHERE%20Chap.%204-%20shelter%20and%20NFIs_%20English.pdf
- 8 More on WFP’s forward purchase facility at: <http://home.wfp.org/stellent/groups/public/documents/resources/wfp247602.pdf>
- 9 Refer, for example, to a study by the CERF on assessed vs voluntary contributions (Tsui, 2015)
- 10 These top 20 crises received the majority – 75% – of all country-allocated humanitarian assistance over that decade (GHA, 2014).
- 11 This argument has been advanced by the Future Humanitarian Finance initiative (CAFOD, FAO, World Vision International, 2015), by the Framework for Action for Food Security and Nutrition in Protracted Crises (to be adopted in October 2015: more information at www.fao.org/cfs/cfs-home/cfs-fipc/en/) and in the draft Bosphorus Compact (programmed for adoption during the World Humanitarian Summit in May 2016), which seeks to bring the humanitarian and development communities closer together towards sharing the management of risks and protracted crises
- 12 The Resilience Systems Analysis tool, and the analyses to date (including Democratic Republic of Congo, Lebanon and Somalia) can be found at: www.oecd.org/dac/risk-resilience.htm
- 13 Cash transfer programming is discussed in more depth in HFP (2013)
- 14 The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action are available at www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm. The Busan Partnership for Effective Development Co-operation is available at www.oecd.org/development/effectiveness/busanpartnership.htm

-
- 15 More on the Sustainable Livelihoods Approach at www.eldis.org/vfile/upload/1/document/0901/section2.pdf
 - 16 Some OECD DAC members do still support development programmes with local authorities and communities, despite their international commitments. Notable examples are Germany (OECD, 2015b) and Australia (OECD, 2013b)
 - 17 Quote tweeted by @UNOCHA on 12 Apr 2015
 - 18 Under the Syria Regional Refugee and Resilience Plan – more at www.3rpsyriacrisis.org, plus the Syria Response Plan – combined funding requirements available at <http://fts.unocha.org/pageloader.aspx?page=special-syriancrisis>
 - 19 Middle income countries are defined as per capita GNI \$1 046-\$4 125 (lower middle income countries) and per capita GNI \$4 126-\$12 745 in 2013 (upper middle income countries). The list of DAC ODA eligible countries and their classifications can be found at: www.oecd.org/dac/stats/documentupload/DAC%20List%20of%20ODA%20Recipients%202014%20final.pdf
 - 20 Figures correct at 15 April 2015. Further appeals may be launched during the year, as new emergencies arise.
 - 21 Strategic Response Plans have been developed for these five middle income countries and economies in 2015: Cameroon, Libya, Nigeria, Palestinian Authority and Ukraine.
 - 22 More on IDA at <http://www.worldbank.org/ida/what-is-ida.html>. The list of eligible borrowing countries is available at <http://www.worldbank.org/ida/borrowing-countries.html>
 - 23 Humanitarian assistance is based on a set of core principles: humanity, neutrality, impartiality and independence. More at https://docs.unocha.org/sites/dms/Documents/OOM-humanitarianprinciples_eng_June12.pdf
 - 24 Source: OCHA Financial Tracking System, see <http://fts.unocha.org/pageloader.aspx?page=special-syriancrisis&year=2014>
 25. SECURE stands for the Standby Emergency Credit for Urgent Recovery.
 - 26 Source: OECD Creditor Reporting System, USD Current Prices. France, Germany, Italy, Japan and Korea have provided humanitarian loans to the following disaster affected countries since 2004: Algeria, Bangladesh, Indonesia, Madagascar, Maldives, Pakistan, the Philippines and Sri Lanka. Most of these loans have been for the rehabilitation of key infrastructure post-disaster; although there was one loan to Madagascar (by Korea) for the establishment of disaster prevention and preparedness centres.
 - 27 Refer, for example to the Future Humanitarian Financing paper, which outlines a vision of the future where “the majority of needs are met by local actors” (CAFOD, FAO, World Vision International, 2015) and the World Humanitarian Summit Europe and others consultations “emphasis on support to local, national and sub-national response and providing, where possible, support to capacity-building” (WHS, 2015).
 - 28 Using USD constant price deflators, with 2013 = 1.

