

# DISASTER RISK FINANCING: A GUIDE TO OUR QUALITY ASSURANCE SERVICE



## About this document

This guidance note provides an overview of the Centre for Disaster Protection’s quality assurance service—a free-to-use and impartial service that provides governments, donors, multilateral organisations, and NGOs expert advice on the design and implementation of disaster risk financing projects.

## Suggested citation

Centre for Disaster Protection (2020) ‘Disaster risk financing: A guide to our quality assurance service’, Centre for Disaster Protection, London.

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## Acknowledgements

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## The Centre for Disaster Protection

The Centre for Disaster Protection works to find better ways to stop disasters devastating lives, by supporting countries and the international system to better manage risks. The Centre is funded with UK aid through the UK government.

## Disclaimer

This publication reflects the views of the Centre for Disaster Protection at the time of publication. This material has been funded by UK aid from the UK government; however, the views expressed do not necessarily reflect the UK government’s official policies.

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## WHAT IS THE CENTRE'S QUALITY ASSURANCE SERVICE?

This user guide provides an overview of the Centre for Disaster Protection (the Centre)'s quality assurance (QA) service—a free-to-use and impartial service that provides governments, donors, multilateral organisations, and NGOs expert advice on the design and implementation of disaster risk financing (DRF) projects. It sets out the service's aims, methods and processes.

The quality assurance service forms part of the Centre's mission to support countries and the international system to manage risks, helping them to transition from reaction to readiness. The Centre is ideally placed to help governments and organisations improve the quality, effectiveness, and transparency of DRF through impartial expert review. The Centre offers the services of a multidisciplinary team that comprises: risk financing experts; economists; actuaries; risk analytics specialists; public financial management (PFM) specialists; governance advisers; humanitarian advisers; social protection specialists; gender, equity and social inclusion (GESI) experts; monitoring and evaluation professionals; and experts in poverty and vulnerability dynamics.

The Centre does not stand to gain from particular approaches, products, or instruments, meaning that it can give countries and organisations a fair and unbiased view of how they can best manage and finance their risks. The Centre is rigorous about identifying any real or perceived conflicts of interest in its work and has no hidden incentives or agenda.

## WHY DOES DISASTER RISK FINANCING NEED QUALITY ASSURANCE?

DRF has an important and growing role to play in supporting the transition from reaction to readiness. It can provide reliable funding to pre-arranged plans, enhance disaster risk management processes, and ultimately reduce the impact of disasters on the world's most vulnerable people. However, poorly designed DRF can in fact weaken resilience, create mistrust or a false sense of security, and divert much needed funds away from other urgent development priorities.

Getting DRF right depends on:

- designing approaches that are grounded in **context**—this requires practitioners having the skills and tools to quantify the priority risks and needs, the local knowledge to integrate with existing strategies, and to be able to recognise wider enabling or limiting factors
- ensuring that funds from DRF instruments are linked to systems and processes that can get the **money out** to the right people—this requires the ability to target the right people, the development of appropriate plans, and effective delivery systems to be ready
- getting **money in** from pre-arranged financial instruments so that plans that are backed by the right amount of funds that come at the right time — this requires the design of mechanisms that trigger the timely, transparent, and reliable release of funds
- approaches that are supported by effective **project management processes**—this includes the skills and experience of the project team, and the value for money of instrument design, implementation and maintenance costs is only as strong as its weakest link.

The above approaches require a breadth of technical experience that not all governments and organisations have access to. This is the gap that the Centre seeks to fill.

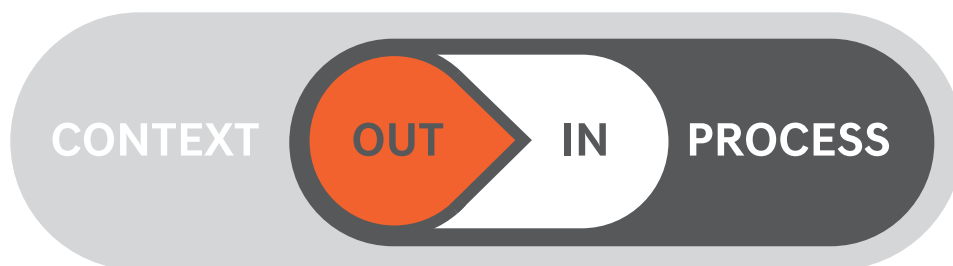
## WHAT DO WE REVIEW?

The Centre's QA methodology provides a flexible framework for the review of DRF projects. It can be applied early in the design process (quality enhancement) or later, following the implementation of DRF (quality review).

The framework allows us to set out, capture and evaluate key information, identify strengths and weaknesses, and to provide analysis and practical advice. It covers four principal elements.

- 1. Context**—the underlying risk and need, and wider factors to consider when developing DRF-based approaches.
- 2. Money-out systems**—the systems and plans in place that use money to reduce the impact of disasters on people.
- 3. Money-in instruments**—the DRF instruments in place to supply the right amount of money at the right time.
- 4. Project management processes**—practical considerations including project implementation processes, costs, contingencies, and monitoring and evaluation.

The quality of a DRF-based approach is influenced by each of these four elements, and the interactions between them.



In principle, we believe an evaluation of **context** should inform the design of appropriate systems and plans to get **money out**, and these in turn should inform the selection and design of appropriate financial instruments to get **money in**. Collectively the approach should be costed and implemented according to good **project management processes** (see Figure 1).

In practice, the distinction between elements is often blurred, and a sequenced approach is not always possible. The Centre recognises real-world challenges and has deliberately designed the QA methodology to be applied flexibly.

We will examine each of the four elements, guided by practical questions, analysis and expert opinion.

## CONTEXT

We will examine the underlying risk and need, and wider factors to consider when developing DRF-based approaches.

Aspect	What will we evaluate?
<b>Risk</b>	<b>Hazard</b> How well defined are the event and hazard types, and does this constitute a priority risk type for the most vulnerable people?
	<b>Exposure</b> What is at risk and is the exposure sufficiently defined?
	<b>Location</b> Is the geography sufficiently defined?
	<b>Frequency</b> How often is funding likely to be needed, and is the expected frequency of impact sufficiently defined to inform best approaches?
<b>Need</b>	<b>At risk</b> Who is at risk, and who receives funds or support?
	<b>Purpose</b> How well defined is the purpose for the funds?
	<b>Scale</b> How well defined is the scale of funding need, and is it met by proposed approaches?
	<b>Timing</b> How well defined are the timing requirements, and does the approach support this?
<b>Strategy</b>	<b>Integration</b> How does this approach support or displace existing or planned initiatives?
	<b>Ownership</b> Who is taking responsibility for the risk?
	<b>Political will</b> What are the motivating or limiting factors that influence the design and implementation?

## MONEY-OUT

We will review the systems and plans in place that use money to reduce the impact of disasters on people.

Aspect	What will we evaluate?
<b>Planning</b>	<b>Plans</b> Are there pre-agreed plans for using and delivering funds, and are these appropriate?
	<b>Stakeholders</b> How well defined are the stakeholders who are required for implementation of plans?
	<b>Disbursement</b> Are disbursement channels defined (flow of money or resources), and is there capacity in these systems to absorb the money and distribute it effectively?
	<b>Incentives</b> Does the approach promote preparedness, risk reduction, and risk ownership?
	<b>Risks</b> Are risks of adverse or unintended consequences adequately identified and addressed?
<b>Targeting</b>	<b>Beneficiaries</b> Who are the beneficiaries, how have they been selected, and is the approach appropriate?
	<b>Prioritisation</b> How have beneficiary needs been identified, and does the approach support a priority need?
<b>Participation</b>	<b>Involvement</b> How are different stakeholder groups, including vulnerable communities involved?
	<b>Communication</b> How will a common understanding of the costs, benefits, and risks of the approach be achieved?

# MONEY-IN

We will evaluate whether the DRF instruments are in place to supply the right amount of money at the right time.

Aspect	What will we evaluate?
<b>Reliability</b>	<b>Appropriateness</b> How well do trigger thresholds meet money-out needs?
	<b>Adequacy</b> Does the scale of funding supplied by the instrument cover the money-out needs?
	<b>Timeliness</b> Does the timing for delivery of funds align with underlying money-out needs?
	<b>Uncertainty</b> What is the risk that money is not triggered when it is needed, and can beneficiaries manage this risk?
	<b>Back-ups</b> Are there appropriate backup mechanisms in place to protect beneficiaries from additional harm should the approach not work as expected?
<b>Transparency</b>	<b>Documentation</b> Is there appropriate documentation to ensure parity of information between stakeholders, stakeholder accountability, and the option for external scrutiny?
	<b>Alternatives</b> Are there more impactful and cost-effective alternatives, and are these known to stakeholders?
	<b>Pre-agreement</b> Are the terms of the financial instrument understood and agreed between all stakeholders?
<b>Scalability</b>	<b>Repeatability</b> Can the approach be replicated in the same or a similar context?
	<b>Flexibility</b> Can the instrument accommodate a reasonable range of underlying need, or changing needs through time?
	<b>Simplicity</b> Are there simpler instrument options which serve the same purpose?



# PROCESS

We will review project management processes and practical considerations such as project costs and plans, and monitoring and evaluation.

Aspect	What will we evaluate?
<b>Cost</b>	<b>Budget</b> What is the breakdown of individual costs relating to both money-in and money-out elements?
	<b>Comparison</b> Does the approach represent good value for money relative to alternative options?
	<b>Responsibility</b> Are stakeholder responsibilities for current and future costs of the approach clearly outlined?
	<b>Affordability</b> Are the costs affordable to stakeholders?
<b>Management</b>	<b>Project plan</b> Is the project plan appropriately defined, including tasks and timings?
	<b>Roles</b> Are stakeholder roles in the project plan clearly defined?
	<b>Timescales</b> When does the approach have to be implemented, and is there any tolerance for setbacks?
<b>Expertise</b>	<b>Competency</b> Is there appropriate stakeholder experience and expertise?
	<b>Specialists</b> What specialist impartial external input is needed?
<b>Review</b>	<b>Evaluation</b> Is impartial external review or independent evaluation possible?
	<b>Performance</b> What indicators will be measured to monitor performance, and are they appropriate?
	<b>Improvement</b> Can the approach be improved or scaled back, based on performance?

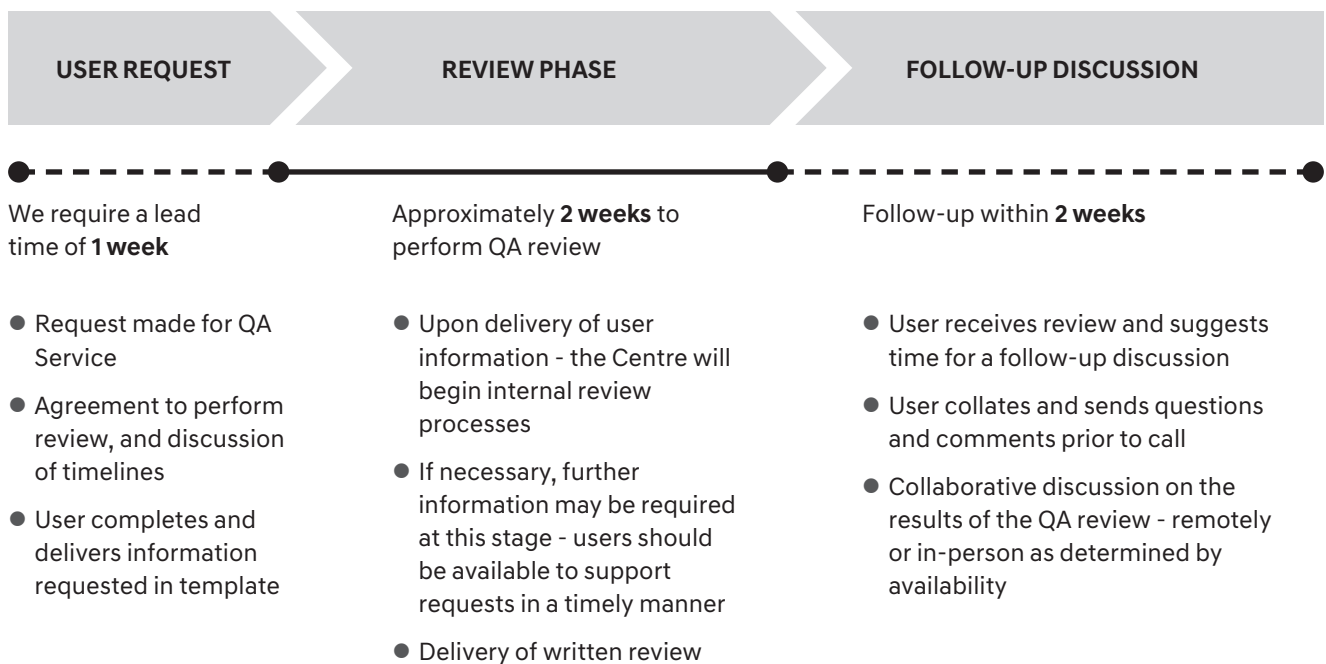
## WHAT DOES THE PROCESS INVOLVE AND WHAT ARE THE OUTPUTS?

The figure below outlines what to expect from the service in terms of phases and timing.

At the outset we provide our clients with a detailed but standardised information request, noting that it might not always be possible to provide all the information requested. Confidentiality is paramount—the Centre will only seek external information or expertise with a client’s prior approval, and under agreed terms. This will be discussed prior to all QA work commencing.

We expect reviews to be completed within two weeks of receiving the information requested. However, timescales may vary depending on levels of demand for the service, the availability of information, or complexity of supporting analyses—timelines will be discussed at the outset and throughout the project.

Users will receive a written review containing independent analysis, supported with evidence, and constructive, practical guidance. There will be a chance to discuss the review in a follow-up discussion.



### How to get in touch


To find out more about the service, or to get in touch about a potential project, please contact:

[info@disasterprotection.org](mailto:info@disasterprotection.org)

Comments, questions, and suggestions are welcome.

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**Cover image:** Women's association work on food security, Burkina Faso.  
Image: Ollivier Girard/International Federation of Red Cross and Red Crescent Societies

