

# Anticipatory Financing

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Herrenhausen Conference 2023  
Climate Related Systemic Risks Lessons Learned  
from COVID-19  
Dr. Zinta Zommers

“ *The rise of anticipatory and early action is one of the most significant shifts observed in the system.* ”

(ALNAP 2022)



# Agenda

Context

Anticipatory Action

OCHA-facilitated portfolio

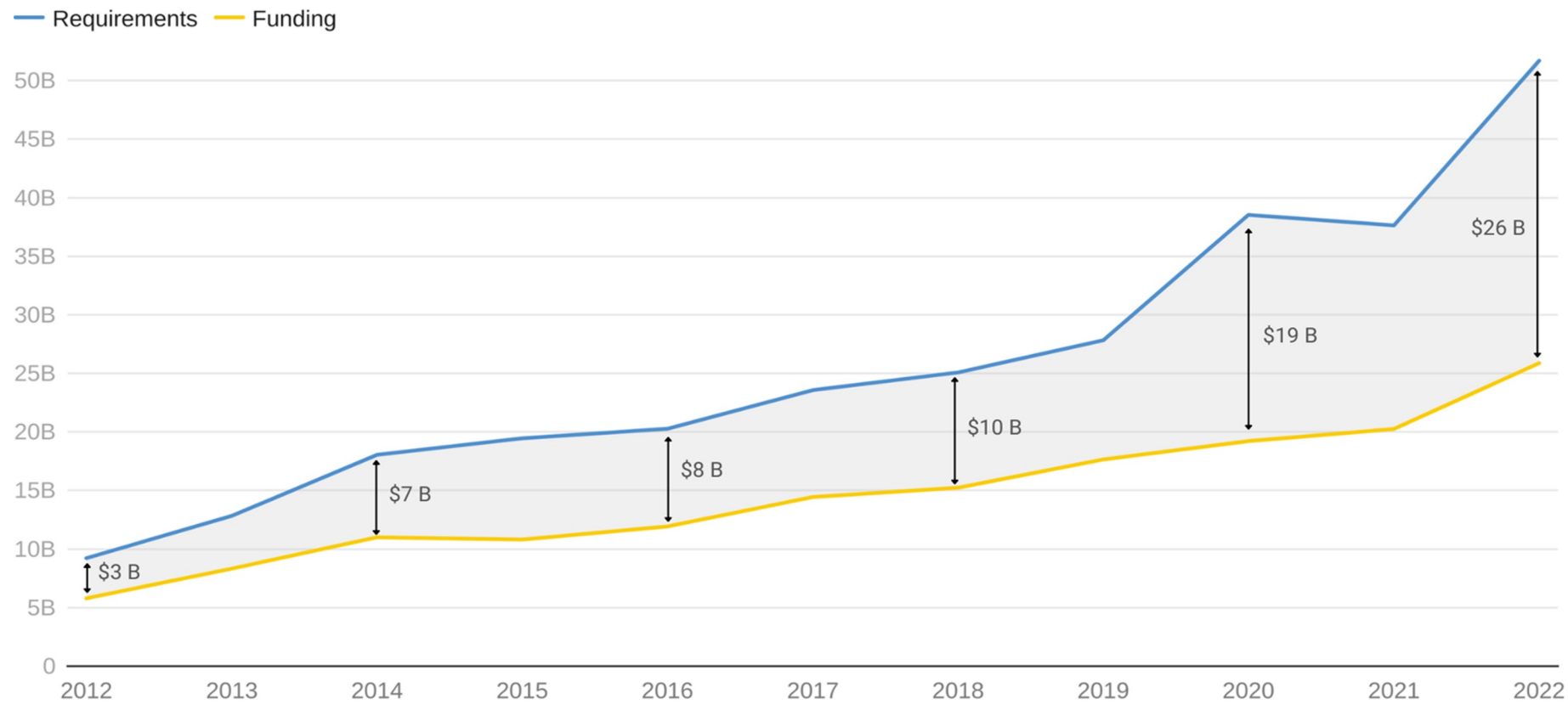
Learning and challenges

Next steps

# I. Context: Humanitarian aid landscape

Never before was the world so generous and never before did we have such a high funding shortfall

Appeal funding gap 2012 - 2022



Source: Financial Tracking Service

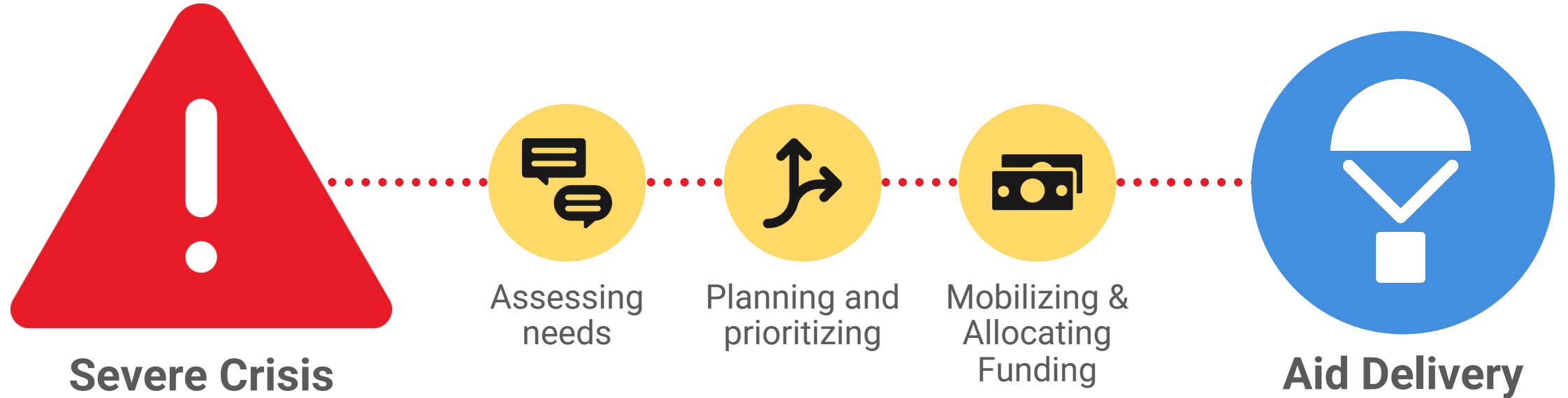
# The traditional humanitarian response is....

- ... effective
- ... comprehensive
- ... reaches more than 200+ million people
- ... saves millions of lives



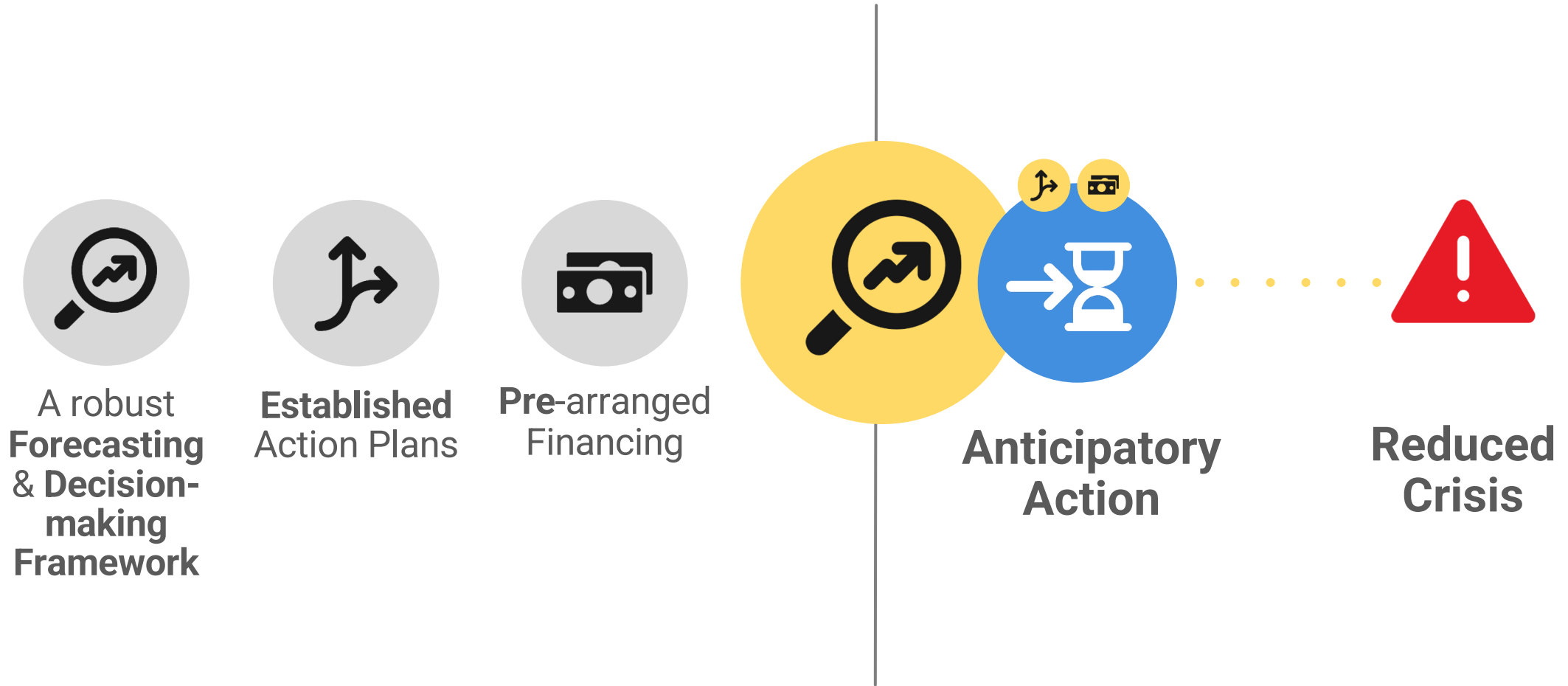


# What does traditional response look like?

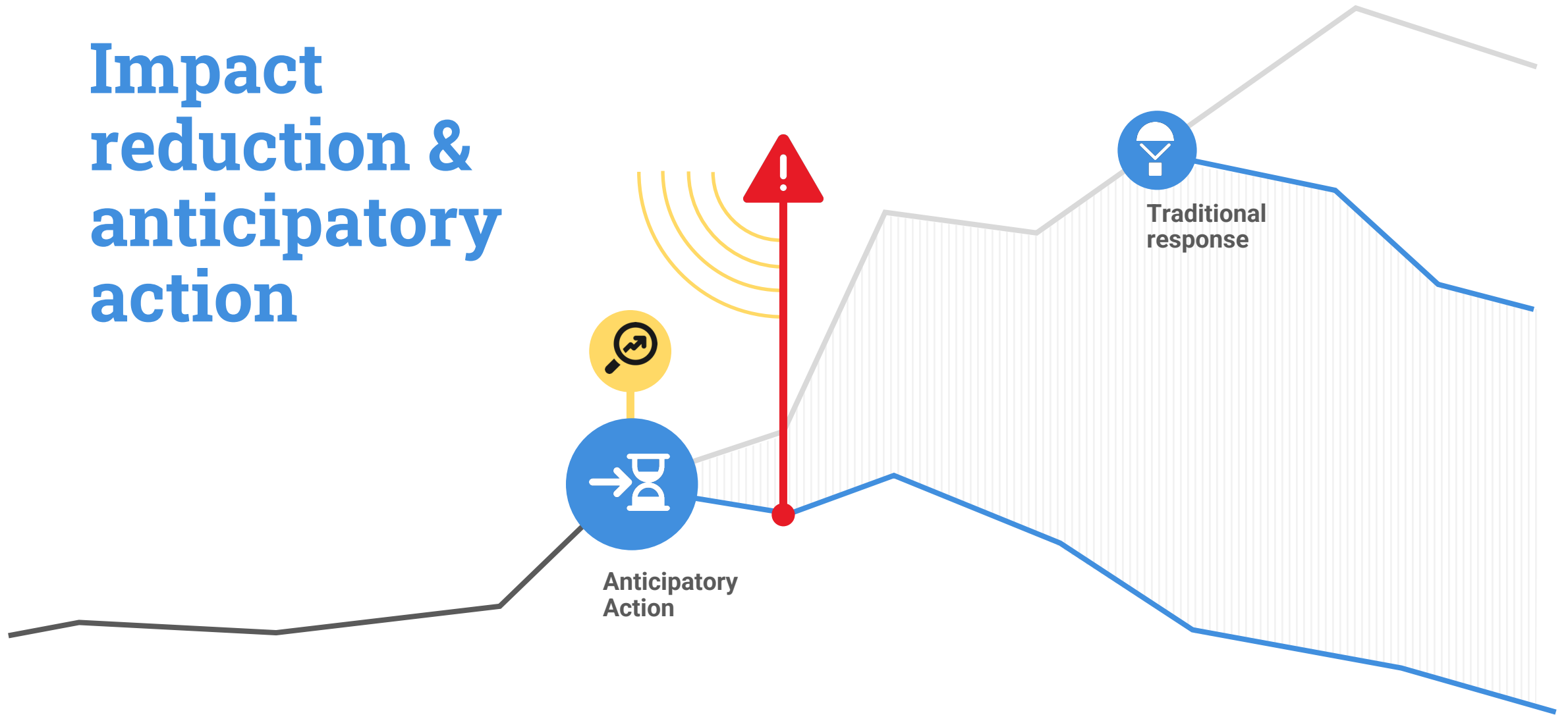


## II. Anticipatory Finance

What does anticipatory action look like ?



# Impact reduction & anticipatory action





# Trigger mechanisms

The trigger aims to anticipate the occurrence of a hazard, thereby signaling the opportunity to take action to reduce the impact of the crisis. **(objective)**

The trigger defines a **set of conditions** and alerts to an **upcoming event**. **(components)**

The trigger is evaluated **at specific points in time**. The timing affects forecast certainty and lead time available for action. **(monitoring)**





# Selection criteria for anticipatory actions

## Evidence of effectiveness

Is there evidence that the action would be effective in reducing the prioritized impact(s)?

## Feasibility

Time: Is it possible to execute the action effectively with the given forecast lead-time?

Access: Are there factors that could interfere with access to communities?

## Timing

Is the action beneficial at any time of the year, or does it depend on when the event occurs?

## Capacity of implementation

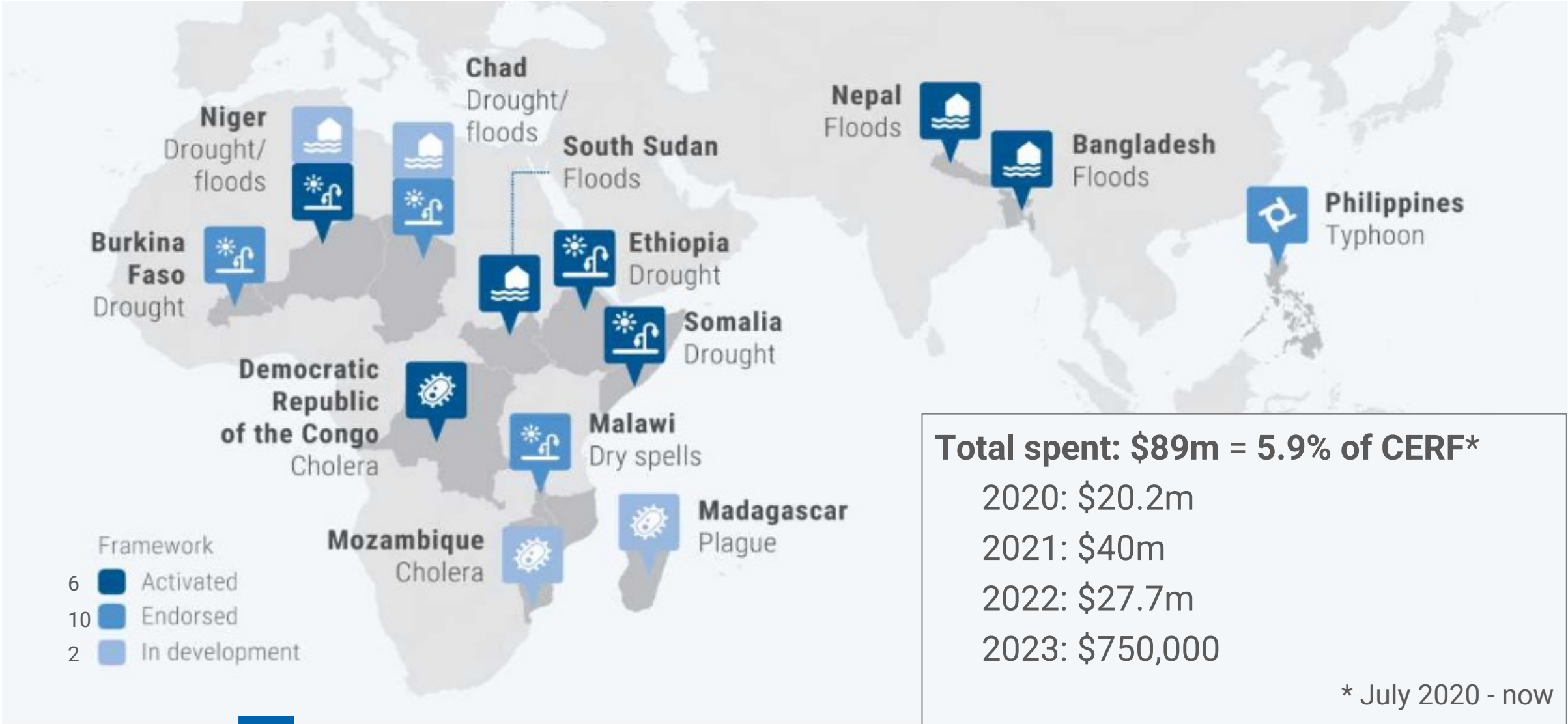
Does the agency have the institutional capacity (thematic, logistic, administrative, financial, human resources) to implement the action effectively given the lead time and scale?

## Value for Money/Efficiency

How does the cost for the action compare to the expected (or proven) benefit? Are there other actions that could achieve the same impact for less?



# III. OCHA-facilitated AA portfolio



100+ partners: NGO, government, Red Cross

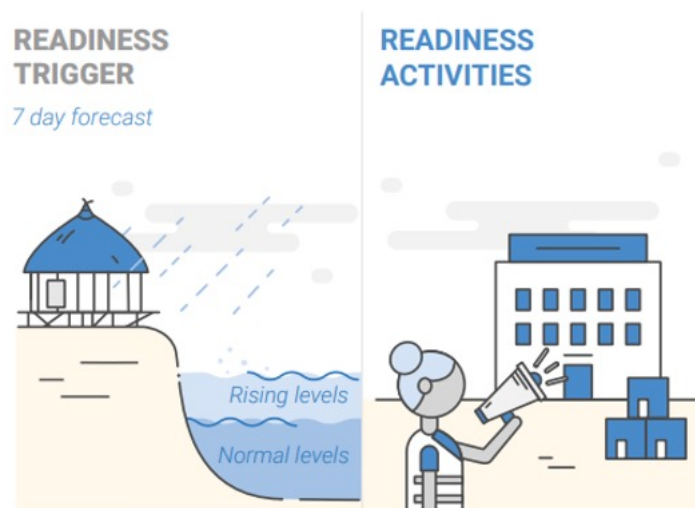


# Sudden-onset emergencies: Flooding in Nepal (1/2)

Developed in 2021

Riverine flooding

2-stage trigger mechanism



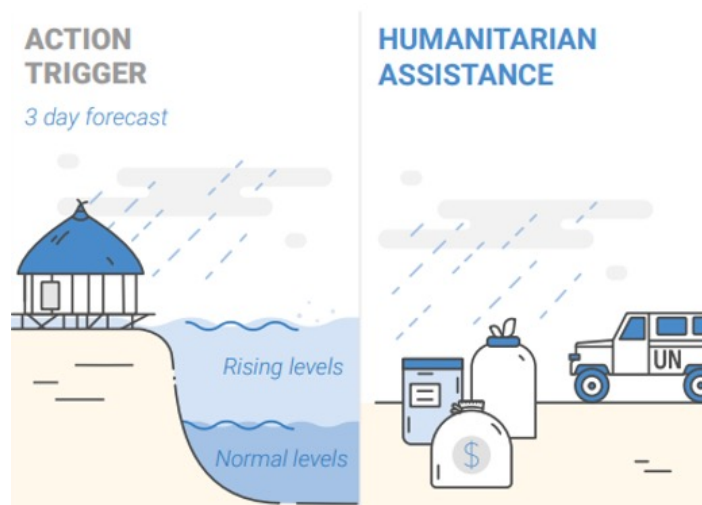
## STAGE I: READINESS TRIGGER

The GloFAS 7-day forecast predicts a 70% likelihood of water levels exceeding 6,300 m<sup>3</sup>/s

## ACTIVATION 2022:

- **2 October 2022: readiness** trigger met
- CERF released **\$3.2 million** for UNFPA, WFP and UN Women within 20min.
- Agencies authorized to spend a small **portion** of the funds for **critical readiness** activities.

# Sudden-onset emergencies: Flooding in Nepal (2/2)



## STAGE II: ACTION TRIGGER

Either the GloFAS 3-day forecast predicts a 70% likelihood of water levels exceeding 6,300 m<sup>3</sup>/s or water levels exceed the government-defined *danger level* **AND** DHM issues a flood warning bulletin for the affected area

- **7 October 2022:** action trigger were met.
- Agencies authorized to use the **entire funding** amount to implement a **pre-agreed action plan**.
- **Activities:** (1) Cash; (2) hygiene, dignity and health kits (3) early warning messages; (4) access to critical health services and protection services.
- Within 15 days: WFP provided cash to 80% of its planned caseload of 14,000 households.

# Slow onset emergencies: Drought in Niger (1/2)

Framework for drought developed in 2021, revised in July 2022.

Building on existing drought forecasting (IRI/WFP/Gov't)

Three triggers; two windows.

Maximum support by CERF: \$15m

	Trigger 1	Trigger 2	Trigger 3
Type	Forecast-based	Forecast-based	Observational
Indicator	Precipitation forecast	Precipitation forecast	SPI*
Target Period	Jul-Sep	Jul-Sep	Jun-July
Activation Timepoints	Jan, Feb, Mar	Apr, May, June	Aug
Lead Time	6 - 4 months	3 -1 months	N/A
Activity Package	Window 1	Window 2	Window 2
Funding	\$5.25m	\$9.5m	\$9.5m

## WINDOW 1

**Safeguarding the harvest** includes interventions primarily focused on activities to prepare agriculture and market gardens to make the most of the little rains that will fall.



## WINDOW 2

**Mitigation of direct drought impact** includes interventions that directly target those most at risk and vulnerable to drought through a multi-sectoral package of activities.



# Slow onset emergencies: Drought in Niger (2/2)

## ACTIVATION 2022

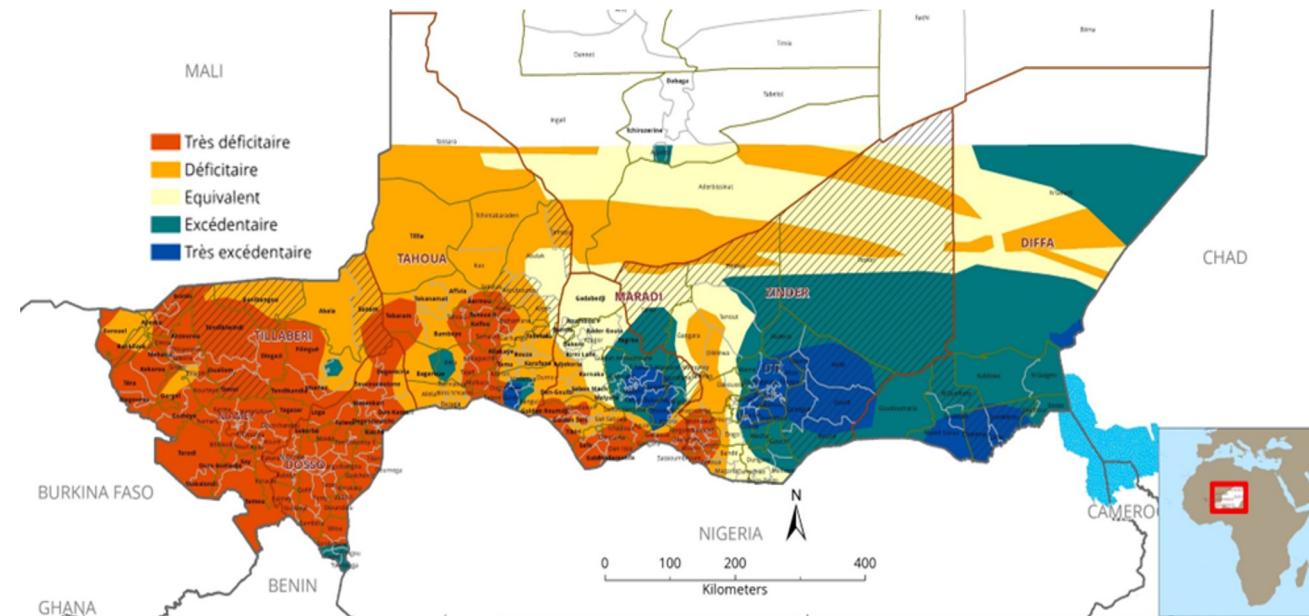
Forecasts between January and June predicted no severe drought.

**Observational trigger** indicated significant rainfall deficits (period: 1 June – 30 July), particularly in the south and west.

**11 August** – framework is triggered for window 2.

CERF releases **\$9.5m to 7 UN agencies & 24+ partners**, targeting jointly 4 communes (some **152,000 people**) in the most affected areas

**6 sectors:** food security, education, health, nutrition, protection, WASH















Peter Van der Auweraert ✓

@PeterAuweraert



7 hours non-stop heavy 🌧️ in Rubkona yesterday. 🙏 shot today. Without @UNCERF @FCDOGovUK @USAIDSouthSudan @eu\_echo #SSHf support for emergency infrastructure & storm water management, @IOMSouthSudan wouldn't have been able to keep situation under control 🙏🙏🙏 #SouthSudan #SSOT

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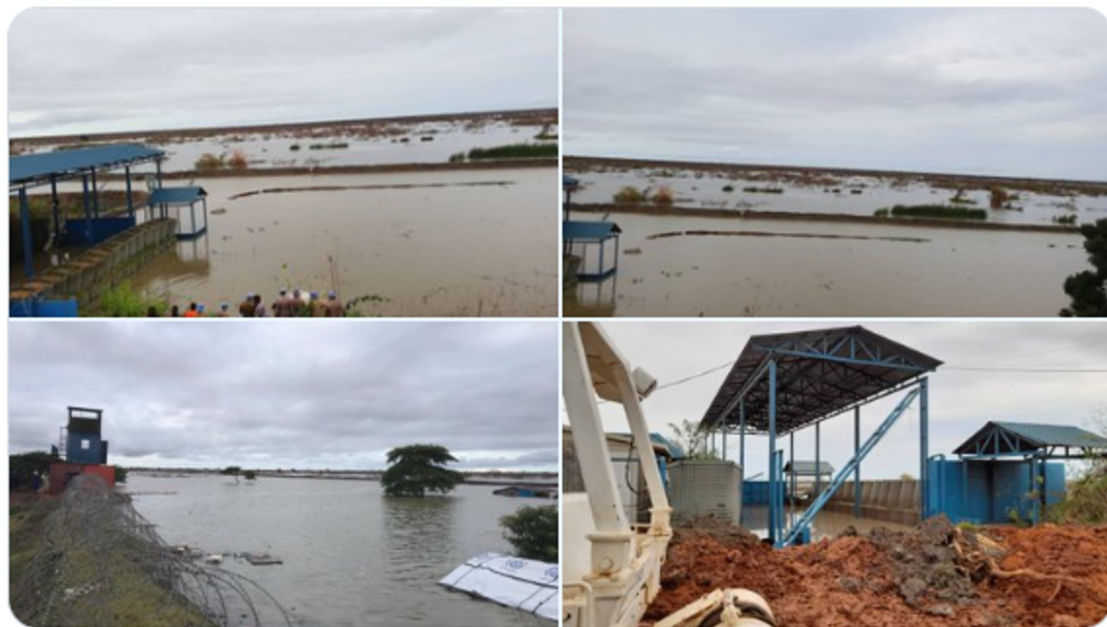
Peter Van der Auweraert ✓

@PeterAuweraert



Disaster averted in Bentiu, Unity State, #SouthSudan. Rainfall 🙏 dike break near camp for internally displaced people/humanitarian/@unmissmedia base. 🙏 to collective rapid response of @IOMSouthSudan @UN\_SouthSudan @unmissmedia teams worst was avoided but lots of work ahead #SSOT

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👤 IOM East and Horn of Africa und 4 weitere Personen

1:18 nachm. · 9. Okt. 2022 · Twitter for Android

## IV. Learning and co-benefits: key take-aways

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- **AA works for a wide variety of shocks:** OCHA and other partners have successfully built and triggered frameworks for drought, and dry spells, flooding, cyclones (not yet triggered), and communicable disease outbreaks.
- **AA delivers better outcomes for people:** it is faster, its more dignified, more efficient efficient, and impactful. It protects hard-won development gains.



## Learning & co-benefits (continued)

**Earlier and faster**: Pre-agreed plans & financing pulls a humanitarian response forward.

- Ethiopia 2021: Funding released **3 months before failed rains**.
- Bangladesh 2020: Funding released **within 4 hours** of warning.
- Nepal 2022: Funding released **within 14 minutes** of warning.

**Dignified**: Empowers people to face disasters **on their own terms**.

*“It is impossible to describe how much I benefited from it. This kit seems to have given my family a lot of relief at the time of the disaster and coronavirus pandemic. Maintaining a hygienic life is very important to serve food to other family members. Thus, this kit has helped a lot in remaining healthy during the flood situation.”*

*Female, 27, Rangpur, UNFPA*

## A more cost-effective response

*“This assistance reached more people [at] half the cost of the previous year’s operation.”*

*– UN Secretary-General*

	CERF \$	People reached	Cost per person reached
<b>2017</b>	2.4 million	105,000	\$23
<b>2019</b>	5.2 million	200,000	\$26
<b>2020</b>	2.8 million	220,000	\$13

### Cost-savings:

- mobile cash transfers (WFP)
- anticipatory procurement and logistics: UNFPA saved 12%, FAO increased reach by 10%



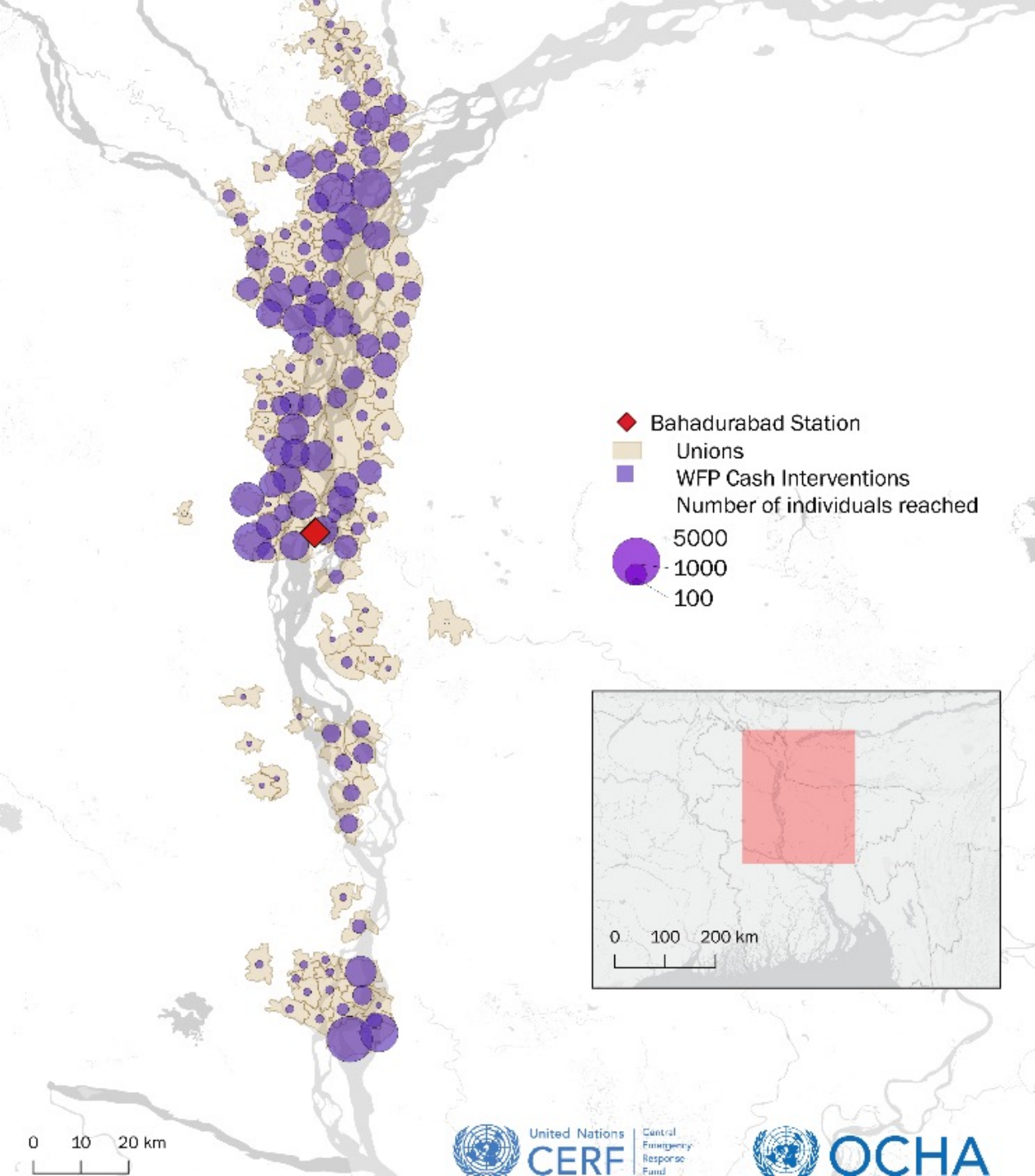
# Impact evaluation

Does a small (\$54) but timely, one-off cash transfer prevent losses and protect food security in the short run?

We assess, 10 weeks later, if transfers:

- Increased prevention activities
- Reduced asset losses
- Reduced use of other coping strategies
- Increased child and adult food consumption (at time of survey)
- Increased well-being (at time of survey)

We also examine whether transfers designed for response also have an impact on household's ability to start recovering.





# Method: large survey focused on identifying “control”

## Beneficiary households (6,566)

1. On the pre-existing list of vulnerable households.
2. Reached by phone during beneficiary verification, and verified name and location.
3. Had access to active bKash mobile wallet account by transfer date (could be a new account).

(14 July=3,312, 15 July=1,218, 16 July=1,085, 30 July=670)

## Control households (2,388)

1. On the pre-existing list of vulnerable households.
2. Reached by phone during initial compilation of lists and verified name and location, but not reached by WFP during beneficiary verification.
3. No confirmed access to an active bKash account by transfer date, but reported access to a mobile money account by survey date.



# Key results

de No. 25

## Anticipatory action 'works'.

Beneficiaries were:

- **More likely to evacuate** people and livestock, and **lost fewer assets**
- **Less likely to borrow** any amount post-flooding and borrowed more effectively
- Experiencing **higher child and adult food consumption** and life satisfaction 10 weeks later
- More likely to **recover quicker**

## Timing seems to make the difference.

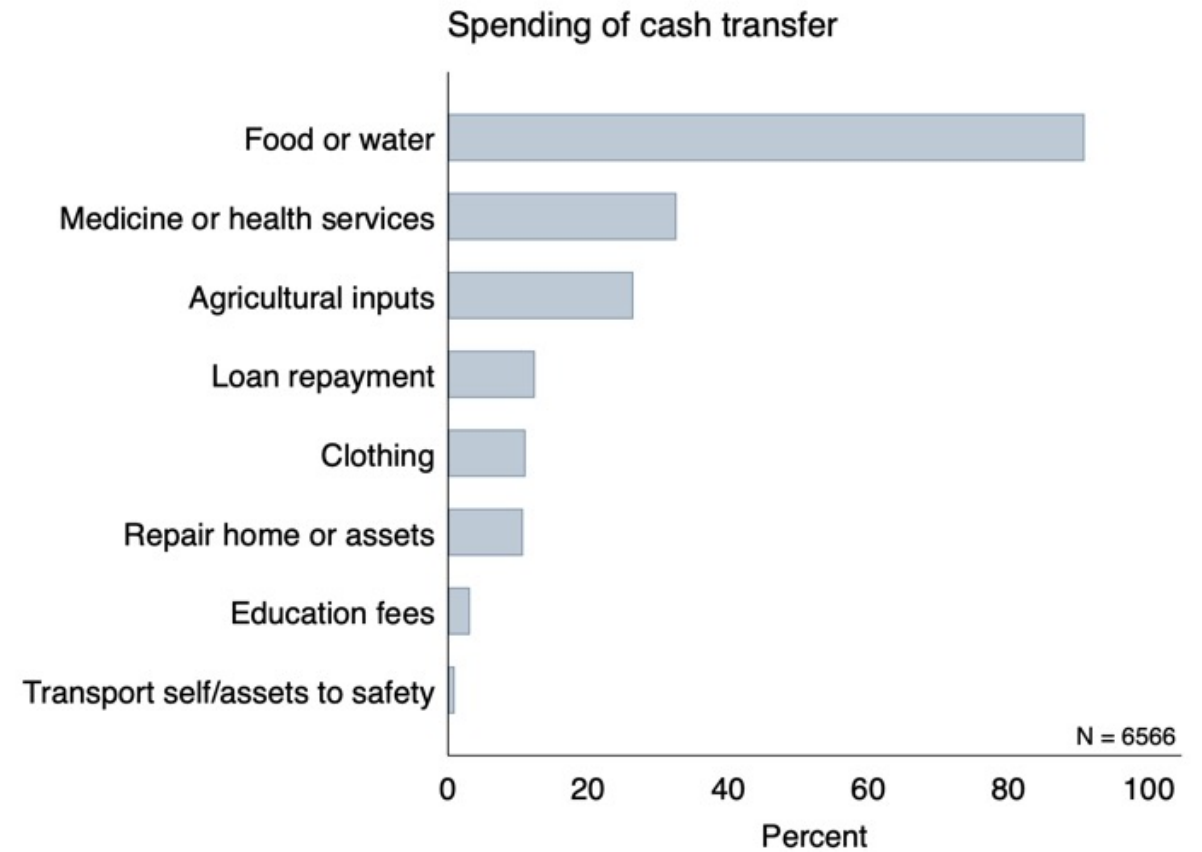
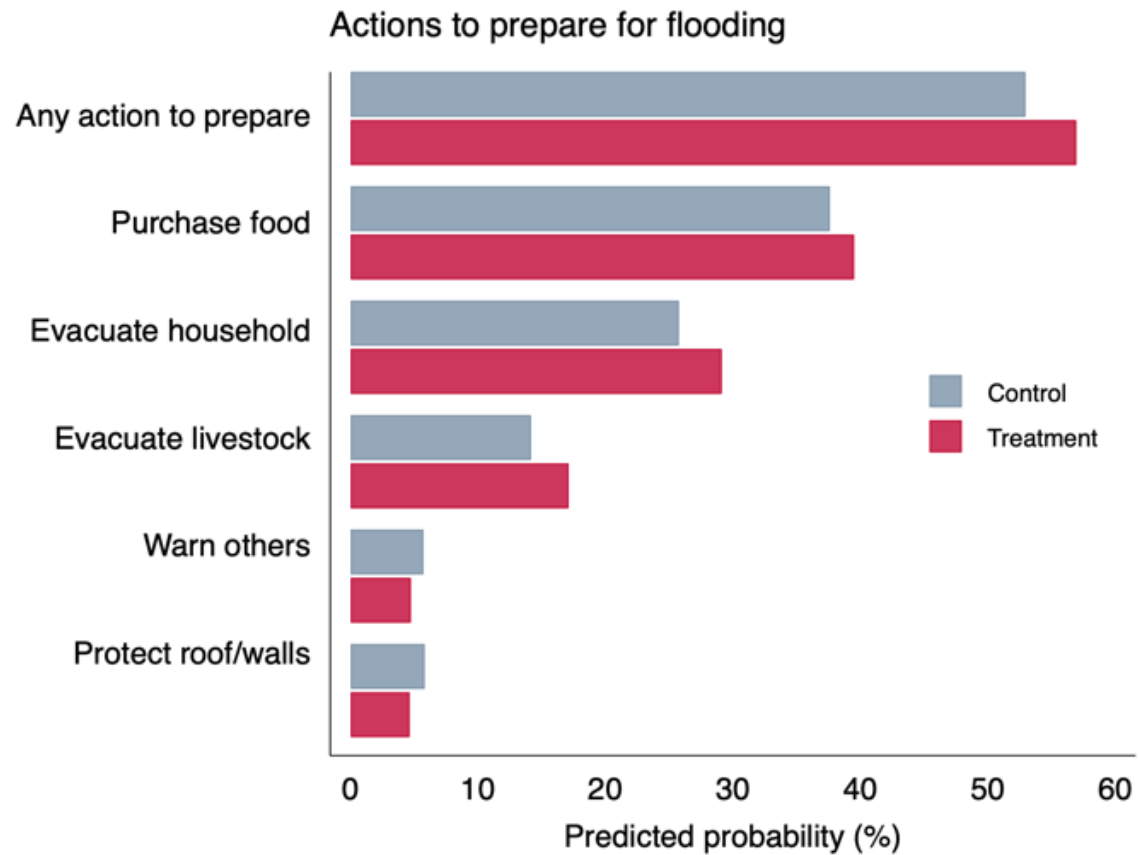
Lack of rigorous evaluations of humanitarian response make this hard to assess but:

- Beneficiaries of **earlier transfers more likely to evacuate and have larger welfare gains**
- Meaningful **impacts documented before traditional response** usually arrives

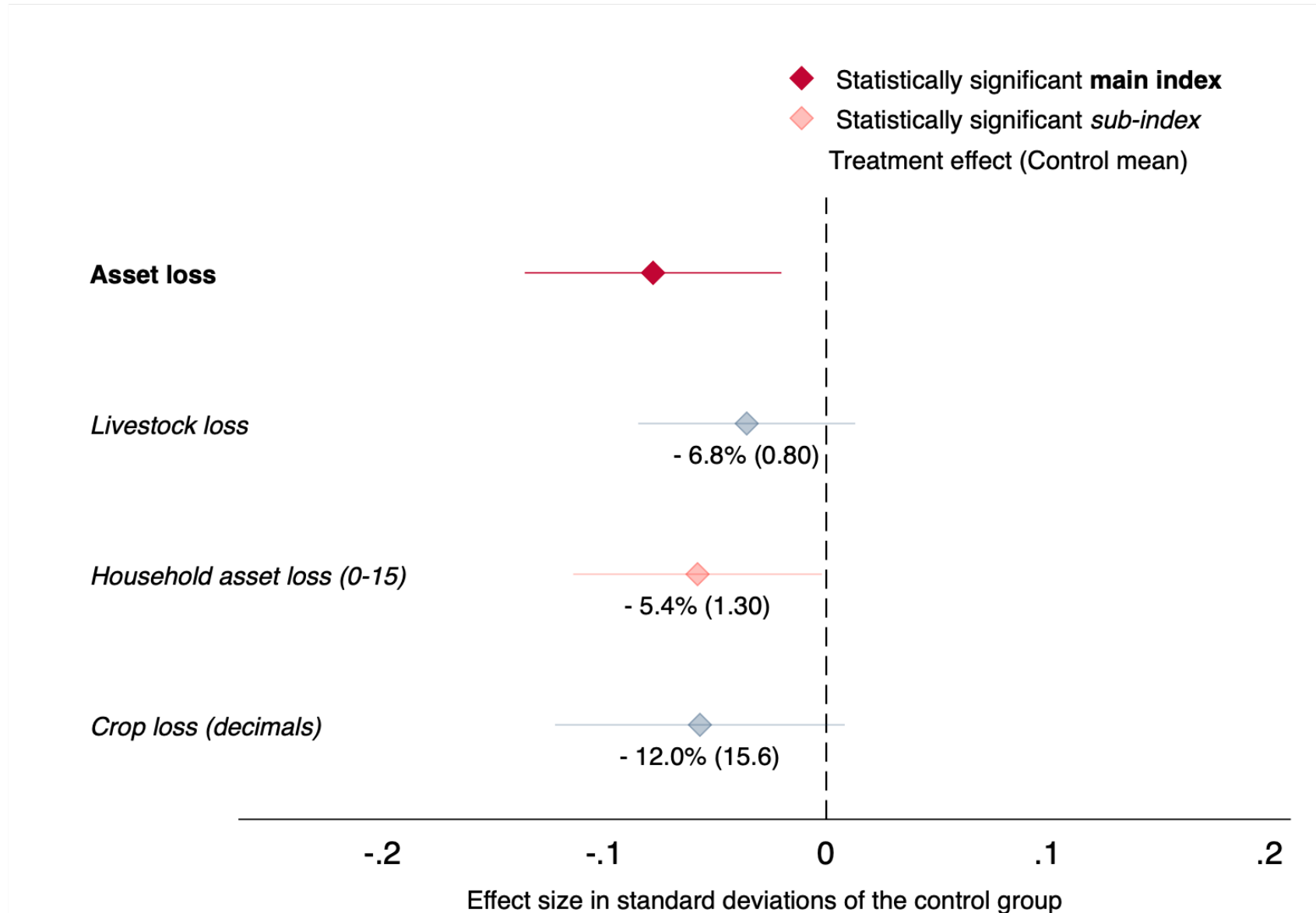


Recipients were more likely to take pre-emptive action and evacuate; other behaviour similar

Cash strengthened existing coping strategies, with cash mostly spent on food

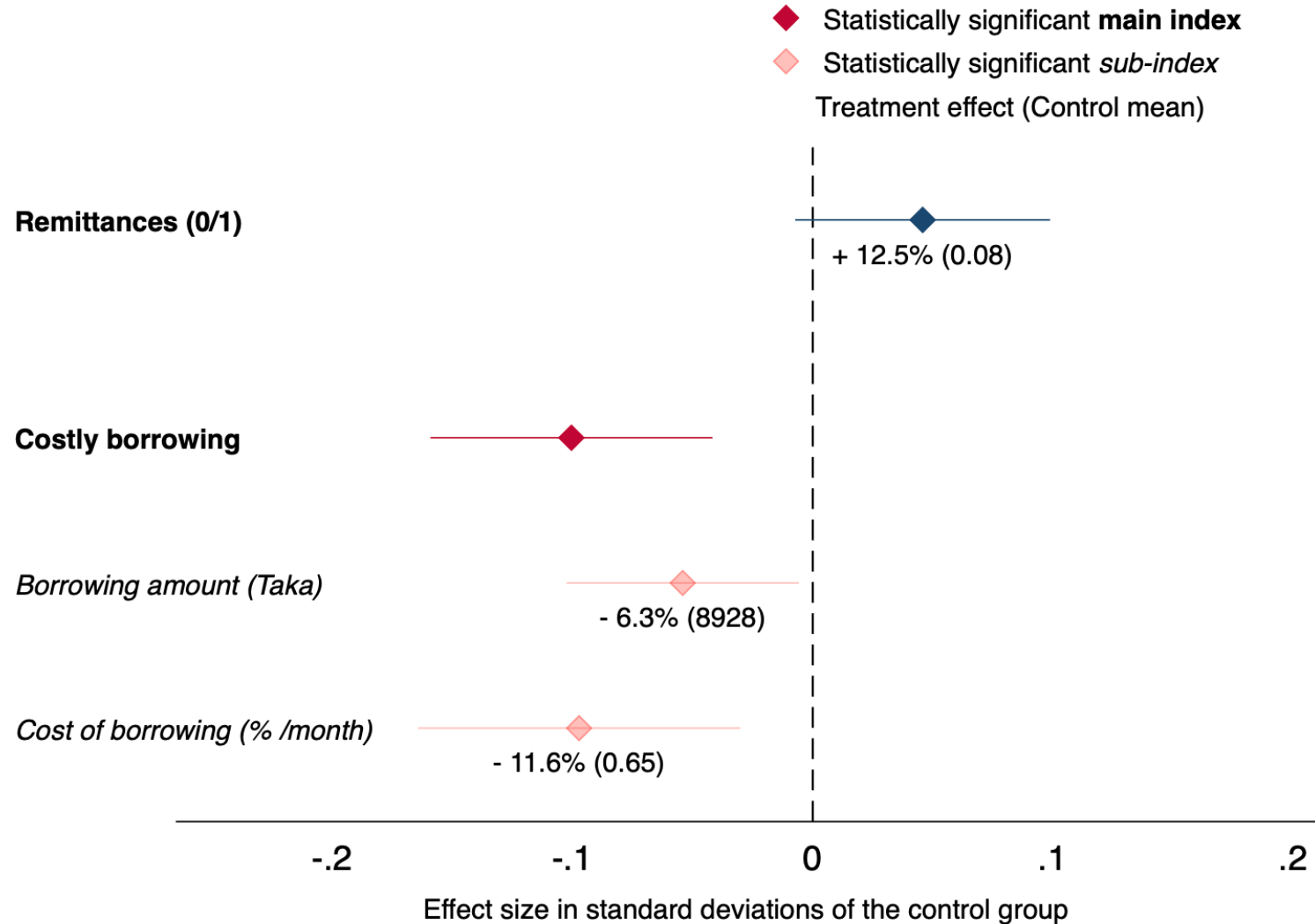


# Beneficiaries had lower asset losses



# Costly borrowing was lower, and remittances increased

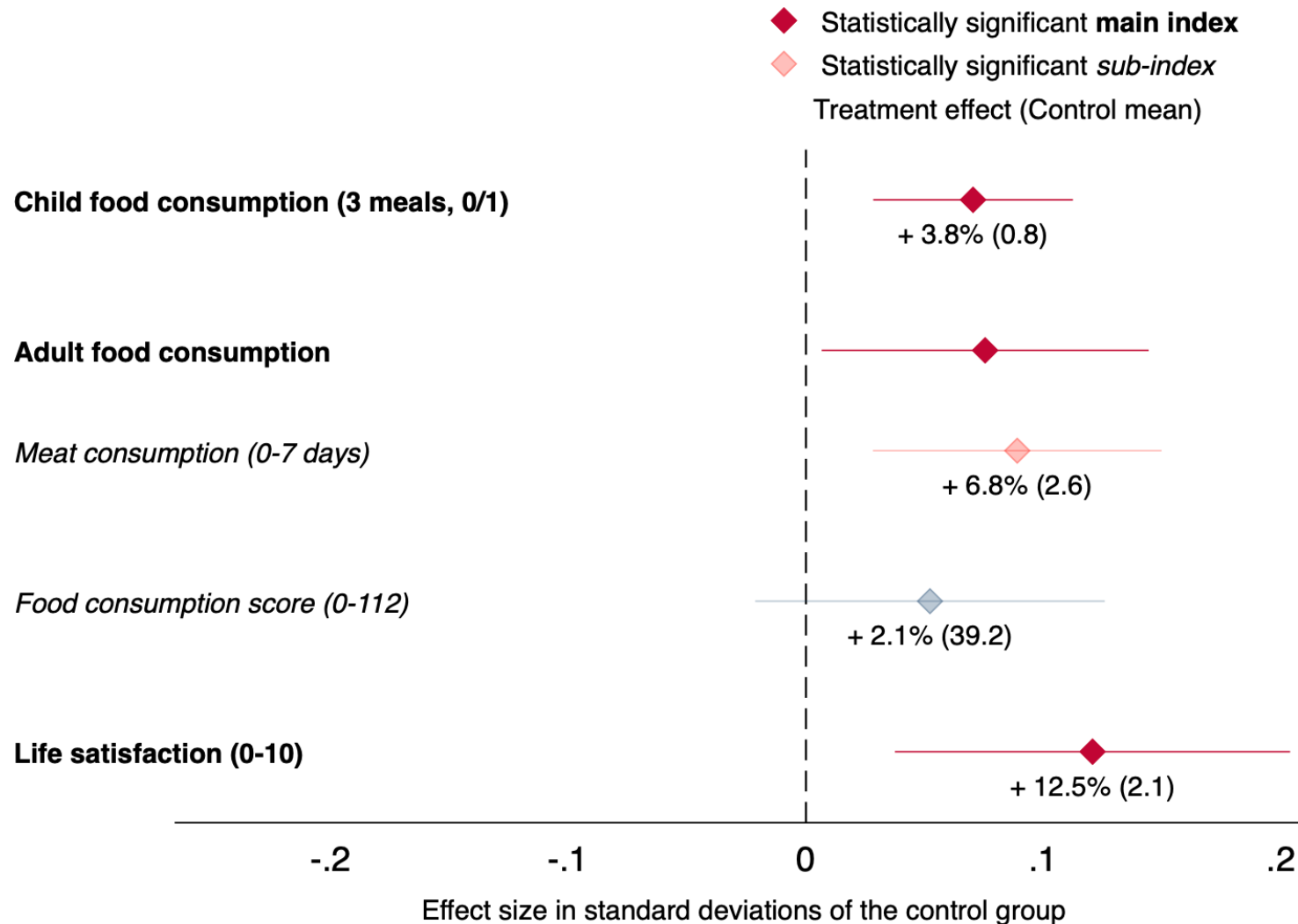
Impacts on costly borrowing point to **long-run impacts** of the intervention



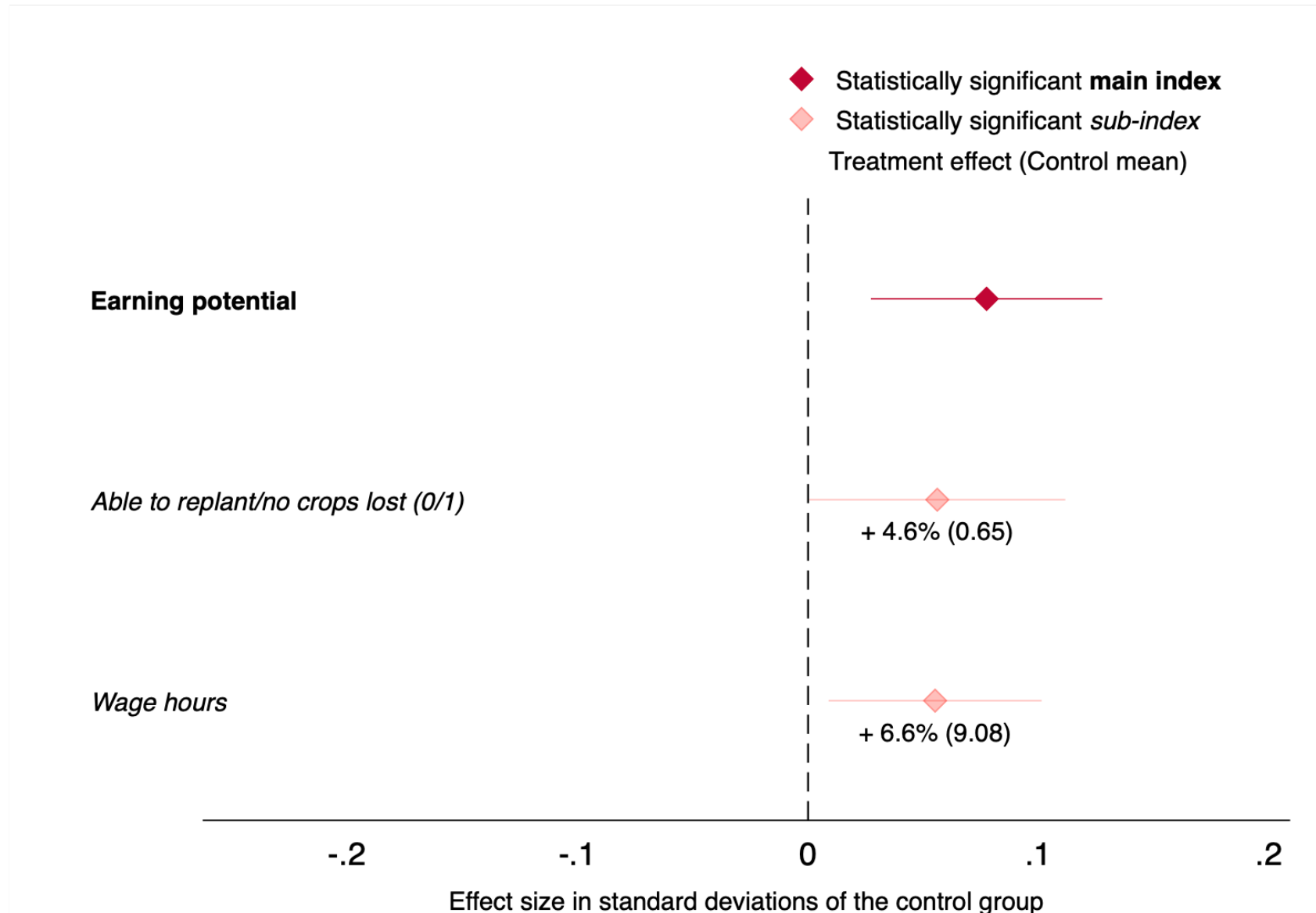


# Food security and life satisfaction was higher 10 weeks after transfers

Impacts on child food consumption point to **long-run impacts** of the intervention



# Households with a timelier response are doing better at recovering



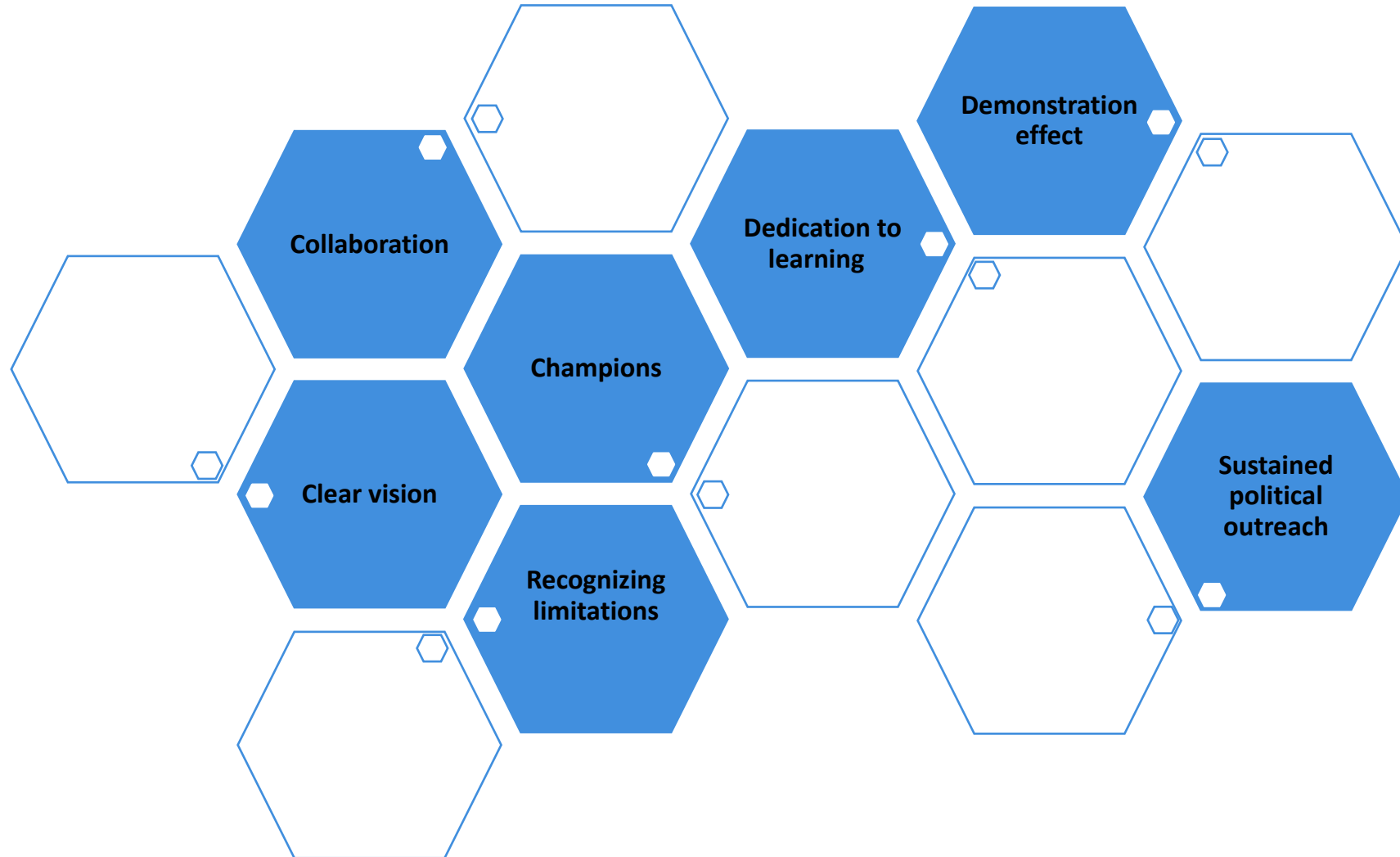
# Challenges

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- **Financial:** How do we finance anticipatory action when virtually all crisis finance is ex post?
- **Conceptual & Philosophical:** Is it legitimate to spend money on risks that have yet to materialize when crisis response is so severely underfunded?
- **Evidence:** Is anticipatory action more effective (or cost-effective) than traditional post-crisis response? Could it help buffer systemic risks?
- **Operational:** How does it work in practice? What triggers should we use? What actions should be implemented when?

# Overcoming challenges

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# Asking if anticipatory action makes sense for specific disasters:



Can you **predict** what's going to happen?



Do you have **feasible & impactful actions** in the prediction window?



Can you create a **plan backed by pre-arranged money**?



What will you **learn** and how will you **improve**?

## V. Key take-aways and next steps

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- “Anticipatory Action” to a range of climate and health related shocks has been piloted and scaled in past decade
- There is compelling evidence that acting ahead of shocks is faster, cheaper, more dignified and protects hard-won development gains.
- Need to apply this to greater range of shocks including compound or cascading
- Need further evidence of long- term impacts
- This has been funded by humanitarian finance. How do we scale up using climate finance? Is that appropriate?

# THANK YOU



## OCHA

“ Anticipatory action protects lives, livelihoods, homes and entire communities. These early investments also prevent higher response costs down the road. This is at the core of my prevention agenda — to put better data, and more innovation, foresight and inclusion, into our work to address major risks. ”

Secretary-General, 9 September 2021