# **Anticipatory Financing**

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)





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

- Requirements - Funding

3



Source: Financial Tracking Service

# The traditional humanitarian response is....

- ... effective
- Needs ... comprehensive assessment ... reaches more than 200+ million Planning and Ę people prioritization ... saves millions of lives Mobilizing and HUMANITARIAN ŝ allocating funds AID IS PROVIDED HUMANITARIAN CRISIS RESPONSE BEGINS SHOCK/EVENT

# What does traditional response look like?



## **II. Anticipatory Finance**

# What does anticipatory action look like?







8

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)

## Identifying shock impacts

Impact Pathways:	Jan <mark>F</mark> eb Mar		A	pr	May		Jun Jul		iul	Aug	Sep	Oct	Nov		
Livestock - Poor pasture and water availability															
Livestock - Abonromal livestock migration to distant grazing areas															
Livestock - Poor body condition															
Livestock- Low goat/sheep prices															
Livestock - availabilty of saleable animals and income from livestock sales															
Livestock - None to low livestock conception															
Livestock - Low livestock births															
Livestock - Poor milk production and availability															
Livestock - Disease outbreak															
Livestock - Increased livestock deaths															
Crop - Low crop cultivation, planting/replanting and low germination and poor crop growth															
Crop - Low agriculture labour opportunities, low wage rates and TOT															
Crop - Poor/failed cereal harvest (including off-season)															
Markets - Low stock and increased prices															
Population movement - increased population displacement from drought affected areas															
Nutrtion - Increased/high admission of acutely malnourished children to treatment centers															
Water - Low availability for human consumption															
Water - Increased prices															
Health - Increased measles outbreak															
S Health - Increased AWD/cholera outbreak															
Education - Low school attendance & increased number of children withdrawn from schools															

### Somalia Crisis Timeline

#### poor long rains

(copyright: Somalia Food Security and Nutrition Analysis Unit)

# → 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?

Source: based on Red Cross Forecast-Based Financing Manual

# Southern pastoral areas)

ICPAC seasonal forecast       ICPAC seasonal forecast <th>Seasonal info &amp;</th> <th>forecasts</th> <th>Ja</th> <th>an</th> <th>Fe</th> <th>b</th> <th>Mar</th> <th>A</th> <th>oril</th> <th>Ma</th> <th>v</th> <th>June</th> <th>Ju</th> <th>lv</th> <th>Aug</th> <th>Sep</th> <th>Oc</th> <th>t</th> <th>Nov</th> <th></th> <th>Dec</th>	Seasonal info &	forecasts	Ja	an	Fe	b	Mar	A	oril	Ma	v	June	Ju	lv	Aug	Sep	Oc	t	Nov		Dec
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Protection Mainstreaming protection across AA sectors incl GBV & child protection (Gu/Genna)	Protection	Mainstreaming protection across AA sectors incl GBV & child protection (Gu/Genna)																		$\top$	\$\$
Distribution of dignity kits (Gu/Genna)		Distribution of dignity kits (Gu/Genna)			\$\$																

# **III. OCHA-facilitated AA portfolio**



# 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 m3/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 m3/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
Туре	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 Tweet übersetzen



7:26 vorm. · 15. Aug. 2022 · Twitter for Android



...

Peter Van der Auweraert 🤣 @PeterAuweraert

Disaster averted in Bentiu, Unity State, **#SouthSudan**. Rainfall **C** 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** 



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

- 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.

## **<u>Dignified</u>**: 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
2017	2.4 million	105,000	\$23
2019	5.2 million	200,000	\$26
2020	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.
- Reached by phone during beneficiary verification, and verified name and location.
- 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)**

- 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.
- No confirmed access to an active bKash account by transfer date, but reported access to a mobile money account by survey date.



## Key results

#### 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





Effect size in standard deviations of the control group

## Costly borrowing was lower, and remittances increased

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



ENTRE FO

## Food security and life satisfaction was higher 10 weeks after transfers Impacts on child food consumption point to **long-run impacts** of the intervention





Effect size in standard deviations of the control group

## Households with a timelier response are doing better at recovering



CENTRE FOR DISASTER PROTECTION



- **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**



# Asking if anticipatory action makes sense for specific disasters:

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

![](_page_32_Figure_2.jpeg)

Do you have feasible & impactful actions in the prediction window? Can you create a **plan backed by prearranged money?** 

What will you learn and how will you improve?

# V. Key take-aways and next steps

- "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?

![](_page_34_Picture_0.jpeg)

![](_page_34_Picture_1.jpeg)

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.