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USAID CLIMATE ADAPTATION SUPPORT ACTIVITY (CASA)

WINDOWS OF OPPORTUNITY FOR RISK-INFORMED HUMANITARIAN ASSISTANCE

Policy Brief

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Introduction

Over the past two decades, improved technologies and capacities have created new opportunities to assist communities to reduce crisis impacts before they fully unfold. Recent analysis suggests that over a quarter of the funding for acute humanitarian crises is going to places where early warning systems or baseline risk models are *already* in operation (Montier et al. 2022). These advances present opportunities for humanitarian organizations (global, national, and local), governments, and other entities to organize plans, finance, and response capacities ahead of time to ensure that early warning turns into early action.

At the same time, improving the effectiveness and efficiency of funding for humanitarian crises has never been more critical, given the rapid increase in global humanitarian needs and the increasing pressure from climate change, conflict, and COVID-19.

Nevertheless, only a fraction of the funding for crises is pre-arranged (Weingärtner & Spencer 2019). The Centre for Disaster Protection estimates that pre-arranged crisis finance represented only 1.3% (877 million USD) of the 67 billion USD needed in 2021 (Plitcha 2023). In other words, the humanitarian system is reacting to disasters when it could be financially managing risks more proactively.

Part of the problem is that risk-informed approaches to humanitarian assistance lack a unifying framework to guide investments, learning, and efforts to scale innovative approaches. To address this challenge, USAID's Bureau for Humanitarian Assistance commissioned a series of reports through USAID's Climate Adaptation Support Activity (CASA) to i) map humanitarian disaster risk finance mechanisms; ii) develop a blueprint for a conceptual framework for disaster risk finance, early, and anticipatory action; and iii) develop a readiness tool for practitioners. The recommendations from that work are summarized in this policy brief.

Framing

This policy brief focuses on “risk-informed” approaches that bridge the gap between long-term action to reduce exposure to hazards or their impacts (the focus of traditional disaster risk reduction [DRR] programs) and reactive humanitarian response. These risk-informed approaches center on short-term actions that aim to reduce exposure (e.g., evacuation or preventative veterinary care) and reduce impacts (e.g., early cash transfers to help households meet basic needs), contributing to disaster risk reduction as a policy objective. Two separate but interlinked approaches have evolved in recent years and are the focus of this report: anticipatory action and disaster risk finance.

Anticipatory action (AA) leverages the opportunities afforded by the forecast of a hazard or its impact to support communities to take action to reduce that impact.

Anticipatory action interventions typically i) rely on forecasts and risk and vulnerability models, ii) are linked to short-term actions that aim to prevent or reduce impacts, and iii) require finance that is identified or arranged ahead of time (see ASEAN Secretariat 2022; IFRC 2022; UN OCHA 2023).

Disaster risk finance (DRF) refers to systems and approaches to preparing financially for future crisis events and their costs. Disaster risk finance instruments include contingency funds, contingent loans, and insurance. Disaster risk finance systems can meet several objectives, including budget protection, protection for agriculture, infrastructure protection, and protection of people and communities. The latter is the focus of the “humanitarian” disaster risk finance addressed in this brief.

While anticipatory action and humanitarian disaster risk finance are somewhat separate communities of practice, they are closely linked and both important elements of a comprehensive disaster risk management framework. For example, anticipatory action typically requires finance to be pre-arranged due to short lead times and could benefit from disaster risk finance tools that improve efficiency. For this reason, anticipatory action and humanitarian disaster risk finance are captured jointly in the reports that accompany this policy brief. Indeed, one recommendation of this policy brief itself is that policymakers and practitioners emphasize comprehensive disaster risk management approaches that limit silos between anticipatory action, disaster risk finance, and disaster risk reduction efforts.

“There is always this question: do I address real, known, and urgent humanitarian needs right now? Or do I invest to anticipate and hopefully nip in the bud a crisis that is likely to happen but hasn’t happened yet? The prevailing attitude is “wait and see.” And you can understand the logic when there are not enough resources to go around. But that keeps us on this humanitarian merry-go-round, and our objective should be to get off.”

(Maxwell quoted in Rockefeller Foundation 2023)

DEFINITION: ANTICIPATORY ACTION

Anticipatory action (AA) is acting ahead of predicted hazardous events to prevent or reduce acute humanitarian impacts before they fully unfold. The terms “anticipatory action,” “early action,” and “forecast-based financing/action” are often used as synonyms.

(Clarke 2022)

DEFINITION: DISASTER RISK FINANCE

Disaster risk finance (DRF) is the system of budgetary and financial mechanisms to credibly pay for a specific risk, arranged before a potential shock. Disaster risk finance can be used to prevent and reduce disaster risk and prepare for and respond to disasters.

(Centre for Disaster Protection 2023)

Recommendations

This policy brief outlines recommendations synthesized from the accompanying reports, including a mapping of the state of humanitarian disaster risk finance and its links to anticipatory and early action and the development of a framework to assist humanitarian donors, practitioners, and their partners (including governments and local communities) to develop and implement more effective disaster risk financing activities. Building on these reports' findings, the following recommendations highlight key considerations for donors and humanitarian partners as they implement and scale up risk-informed and anticipatory approaches to humanitarian action.

I. UPDATE TRADITIONAL DISASTER RISK MANAGEMENT FRAMEWORKS AND GRANT FUNDING MECHANISMS TO FACILITATE RISK-INFORMED ASSISTANCE.

Risk-informed approaches are recognized in policy dialogues and global frameworks¹ but need to be more fully integrated into national legislation, donor policies, organizational rules and practices, operational frameworks, budget authorities, and guidance for the humanitarian system to move beyond the current low levels of pre-arranged crisis finance.

There are tradeoffs inherent in allocating funding on the basis of risk. For example, the risk may not materialize as expected. Therefore, donors and practitioners need to systematically determine when and where to pre-arrange funds (in the case of disaster risk finance) and release them (in the case of anticipatory action) ahead of a crisis. This determination should be driven by a detailed and context-specific understanding of the expected outcomes of proposed interventions in reducing the impacts of crises on communities, i.e., the “windows of opportunity.” The framework presented below (see Figure 1) and detailed in the accompanying report provides a structured process to surface this understanding and make decisions. This should be accompanied by technical approaches, such as double trigger structures, to minimize and manage risks.²

CHALLENGE



Tying down resources for future crises when there are many urgent and competing humanitarian needs today.

ACTION

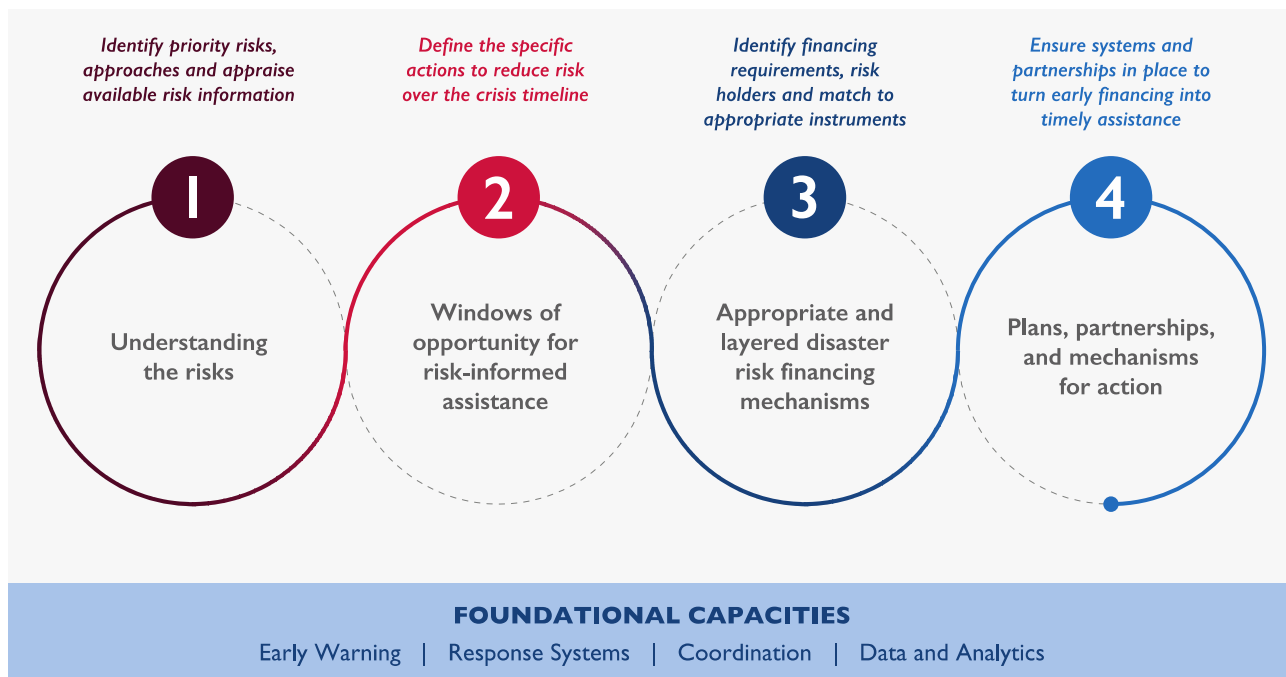


Deploy the proposed framework to determine when risk-informed approaches are “worth it”; i.e., i) clearly defined risk, ii) identified windows and actions to mitigate risk, iii) finance arranged efficiently, and iv) systems and partnerships in place for timely implementation.

¹ This is recognized under the 2015 Sendai Framework for Disaster Risk Reduction (Sendai Framework for Disaster Risk Reduction 2015-2030, 2015), and also in the UNFCCC framework on comprehensive risk management which highlights “anticipatory action to reduce the risk of loss and damage” as part of comprehensive risk management and the value of various financial risk transfer mechanisms (Warsaw International Mechanism for Loss and Damage Associated with Climate Change 2013).

² Several organizations, notably the IFRC, have adopted a “no-regrets” approach. Cheaper actions like training volunteers or preparing beneficiary lists are triggered further from the event. More expensive actions, like cash transfers, are triggered closer to the hazard event when forecasts are more reliable. Practitioners must also identify and communicate how anticipatory actions add value to communities and build resilience regardless of whether the crisis emerges at the expected severity.

FIGURE 1: COMPONENTS OF AN ANTICIPATORY, EARLY ACTION, AND DISASTER RISK FINANCE FRAMEWORK



2. SCALE UP “FUEL” WHILE CONTINUING SUPPORT FOR “BUILD”.

Disaster risk financing policy discussions refer to the funding for foundational capacity needs to implement risk-informed approaches, such as early warning systems, and the funds required for response as “build” and “fuel.” The “fuel” money available to be deployed through appropriate anticipatory and disaster risk finance mechanisms remains a key barrier to scale. Evidence suggests that most financing for anticipatory and early action comes from poor and climate-vulnerable communities themselves, with humanitarian actors lacking the finances and capacities to deliver more timely and protective assistance at scale (e.g., Centre for Humanitarian Change 2022). This is despite evidence that highlights the cost-effectiveness of early response to humanitarian crises (Idris 2018). For example, a 2018 study in Kenya, Ethiopia, and Somalia commissioned by USAID estimated that donors could save 30% on humanitarian aid spending through earlier and more proactive drought response (Cabot Venton 2018). This is equivalent to savings of US\$1.6 billion when applied to U.S. Government spending over the last 15 years in these three countries alone.

CHALLENGE
Lack of funding for ‘fuel’ inhibits the reach and potential impact of risk-informed approaches to humanitarian assistance.
ACTION
Scale up funding for ‘fuel.’


Scalable mechanisms already exist, and donors might consider increased grant funding to global rapid response finance mechanisms in line with the commitments made in the Grand Bargain, increased support to replica-type arrangements, and increased use of shock-responsive mechanisms embedded within ongoing development and resilience programming (including not just social safety nets, but also education, health, or livelihoods programming). USAID and other donors should also continue their valuable support to global public goods, such as the baseline climate and socio-economic datasets that underpin risk-informed approaches. Donors should equally invest in the robust early warning, operational delivery systems, and preparedness measures needed to facilitate early action and response within the “windows of opportunity” identified in the report that accompanies this policy brief.

3. AVOID SILOS BETWEEN DISASTER RISK FINANCE, ANTICIPATORY ACTION, AND DISASTER RISK REDUCTION.

At present, investment in anticipatory action and disaster risk finance is fragmented, as are the communities of practice around these two topics. A more holistic approach is needed for the sector to move past piloting and toward a more risk-informed humanitarian system better connected to longer-term disaster risk reduction efforts. Connecting the approaches is more than a technical exercise (e.g., developing anticipatory insurance) and should consider the expertise and capacities that each community can bring to the other. Donors and humanitarian organizations should focus on supporting and creating incentives for comprehensive disaster risk management approaches that better achieve the policy objectives of disaster risk reduction and avoid uncoordinated parallel investments in early warning systems, risk analysis, early action contingency plans, delivery structures, and coordination structures that could be brought and developed together to strengthen national efforts.

CHALLENGE 

Anticipatory action and disaster risk finance are separate communities of practice with limited overlap resulting in missed opportunities for collective impact.

ACTION 

Facilitate coordination between anticipatory action and disaster risk finance, especially coordinate investments into shared capacities (e.g., risk analysis, planning, implementation channels) at national, regional, and global levels.



4. FOCUS ON IMPACT, NOT INSTRUMENTS.

As humanitarians have learned about disaster risk finance, many efforts have started with the instruments they wish to use rather than the specific impact they aim to achieve in support of national efforts. Practitioners will strengthen their efforts by focusing instead on improving the quality and effectiveness of humanitarian action as outlined in the framework provided in the accompanying report.

At the donor level, strong disaster risk finance requires donor financing to be “instrument agnostic” to the extent possible to allow pre-arranged finance to be held and layered in the most efficient and effective form. In most circumstances, donor funding is limited by regulations and legislative requirements. Defining and communicating clearly what can and cannot be funded under current grant-making guidelines is important for identifying required changes and exploring burden-share with other donors or implementers who may have different risk appetites.

Risk layering is a practical approach to “joining the funding dots” (Rockefeller Foundation 2023) to ensure that long-term and short-term actions to reduce risk and emergency responses work alongside and complement each other and national priorities. There is positive evidence from the mapping report that accompanies this policy brief that risk layering approaches are already happening in practice, with global humanitarian contingency funds (such as the OCHA CERF, Red Cross DREF, or Start Fund) acting as a springboard for innovation, developing anticipatory windows, or integrating new forms finance (e.g., re-insurance) into their portfolios.

CHALLENGE



Disaster risk finance is often categorized by type of instrument, including discussions about who should fund what. This contrasts with best practice, which uses multiple instruments that are layered for efficiency.

ACTION



Avoid typologizing by type of instrument. Instead, try to focus investments according to the objectives of the system (e.g., protecting development gains vs. facilitating more timely humanitarian response) and the delivery mechanisms (e.g., shock-responsive programming, rapid response systems, supply chain management).

5. AS LOCAL AS POSSIBLE, AS INTERNATIONAL AS NECESSARY.

Practitioners and donors should avoid designing or funding risk-informed mechanisms in isolation and instead take a holistic approach that considers the specific actors, approaches, and mechanisms, including the appropriate entity to carry risks. Efforts should be undertaken by national and local authorities and responders where possible and supported by international actors like the UN, Red Cross, or NGOs only where capacities are absent (e.g., in fragile states) or exceeded (e.g., due to the scale of a crisis).

As presented in the report that accompanies this policy brief, humanitarian risk layering of long-term and short-term actions to reduce risk should be informed by national plans and strategies (such as National Adaptation Plans and national disaster management policies) and connected to processes

CHALLENGE



A proliferation of small-scale anticipatory action and disaster risk finance projects can potentially be duplicative and will miss opportunities to support and coordinate with broader national efforts to prepare ahead of climate risks.

ACTION



Take a broader view of risks and the appropriate entities and mechanisms to manage them. Humanitarian risk layering is a proposed approach to this.

such as the Global Shield³ country engagement.⁴ At a minimum, and where national capacity is absent, this can be done at the Mission level to connect donor initiatives. Opportunities identified in the report that accompanies this policy brief to advance localization also include sovereign and humanitarian collaboration on disaster risk finance and networked financing arrangements where local NGO-driven mechanisms are backstopped by regional or global finance (e.g., Start Network).

6. LEVERAGE CLIMATE FINANCE.

Humanitarian funding is often project-based, short-term, and founded in needs-based logic, making it hard to adapt it to the longer-term approaches necessary to prepare for and ensure predictable support ahead of emergent new crises. Moreover, many practitioners express concerns regarding the “cannibalization” of scarce humanitarian funding away from longer-term disaster risk reduction or emergency response in favor of risk-informed approaches.

Climate funds, including the Green Climate Fund and Adaptation Fund, are already supporting anticipatory action, early warning systems, and disaster risk finance initiatives. These investments and others with baseline capacities and “fuel” to implement anticipatory and early action are essential to support communities before impacts are fully felt, protect resilience gains, and slow the climate-induced escalation of humanitarian needs.

Finally, parties currently examining options for loss and damage finance under the United Nations Framework Convention on Climate Change (UNFCCC) process should also consider how best to coordinate international and national climate-related loss and damage mechanisms with the international humanitarian system to rebalance where global capacities stand and ensure mutual aid can be provided around the world for crises beyond the capacity of any one country. Parties can also learn from the structure of global humanitarian rapid response funds as they design new loss and damage funding mechanisms.

CHALLENGE



Risk-informed approaches require long-term funding at scale beyond the capacities of the current humanitarian system.

ACTION



Scale-up allocation of climate finance to risk-informed assistance, in line with the principles of subsidiarity and national priorities.

³ The Global Shield Against Climate Risks (Global Shield), launched in 2022, is a joint initiative between the Vulnerable 20 (V20) and G7, including the United States, that will “increase protection for poor and vulnerable people by substantially enhancing prearranged finance, insurance, and social protection mechanisms.” The Global Shield aims to bring together previously separate climate and DRF programs under one umbrella, to channel better coordinated and harmonized support, finance, and products to climate-vulnerable countries. Global Shield is a facility housed at the World Bank, with a Secretariat based in Germany that evolved from the InsuResilience Global Partnership, which the United States government (USG) joined in the margins of the G7 in June 2021.

⁴ Note that international assistance is currently not systematically included in national DRF and/or risk layering strategies. At the donor level, advocating for and supporting the inclusion of international assistance as a tool to be included within risk layering strategies opens the potential for a more significant collective impact across humanitarian and sovereign efforts to prepare for and mitigate the impacts of future crises.

Conclusion & Resources

This policy brief outlines key take-aways and recommendations from a series of reports commissioned by USAID's Bureau for Humanitarian Assistance and developed under the USAID Climate Adaptation Support Activity (CASA) (see box). Its goal is to provide actionable recommendations for donors and humanitarian partners working on anticipatory, early action and disaster risk finance and to support and guide investments and learning.

ACCOMPANYING RESOURCES

Windows of Opportunity for Risk-Informed Humanitarian Assistance: An Anticipatory, Early Action, and Disaster Risk Finance Framework.

Global Mapping of Humanitarian Disaster Risk Finance

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