



USAID CLIMATE ADAPTATION SUPPORT ACTIVITY (CASA)

GLOBAL MAPPING OF HUMANITARIAN DISASTER RISK FINANCE

Mapping the Current Disaster Risk Finance Landscape

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ACRONYMS AND ABBREVIATIONS

ARC	African Risk Capacity
BHA	Bureau for Humanitarian Assistance
CASA	USAID Climate Adaptation Support Activity
CatDDO	Catastrophe Deferred Drawdown Option
CBPRF	Country-Based Pooled Funds
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CERC	Contingent Emergency Response Component
CERF	Central Emergency Response Fund
CRW	Crisis Response Window
DREF	Disaster Response Emergency Fund
DRF	Disaster Risk Finance
EAP	Emergency Action Protocols
ENSO	El Niño-Southern Oscillation
FEWS NET	Famine Early Warning Systems Network
FSL	BHA Food Security and Livelihood Unit
IDA	World Bank International Development Association
IFRC	International Federation of Red Cross and Red Crescent Societies
IPC	Integrated Food Security Phase Classification
MDB	Multilateral Development Bank
NGO	Non-Governmental Organization
OCHA	United Nations Offices for the Coordination of Humanitarian Affairs
PACRIC/PACRFI	Pacific Catastrophe Risk Insurance Company
PDNA	Post Disaster Needs Assessments
UN	United Nations
USAID	United States Agency for International Development
USD	United States Dollar
USG	United States Government
WFP	United Nations World Food Programme

SECTION 1.0

INTRODUCTION

For decades the international humanitarian system has been developing and improving financial mechanisms to ensure funding is available for emergency response, preparedness, and supply chain management activities. While large international humanitarian organizations, including the International Federation of Red Cross and Red Crescent Societies (IFRC) and United Nations (UN) agencies, as well as humanitarian donors, have established the most significant financial mechanisms, in recent years, networked approaches developed by non-governmental and civil society organizations have begun to take root. Many of these mechanisms have been supported or participated in global alliances to scale up climate and disaster risk finance, including the recently launched V20/G7 Global Shield Against Climate Risks.

In parallel, efforts to improve access to disaster risk finance are also being made at the national level. Many national governments have improved the policy environment and their national capabilities in disaster management. National efforts have been guided by implementing the Hyogo and Sendai Frameworks for Disaster Risk Reduction and have included establishing or strengthening national disaster management agencies and the establishment or mandate for national contingency funds and wider instruments to pre-arrange finance ahead of future crises.

This mapping exercise, funded by the USAID Bureau for Humanitarian Assistance's (BHA's) Food Security and Livelihood (FSL) division, and conducted by USAID's Climate Adaptation Support Activity (CASA), forms part of a suite of tools to strengthen BHA's and the broader humanitarian community's organizational readiness for risk financing, anticipatory, and early action.

1.1 Mapping Exercise Scope

The objective of this mapping exercise was to assess the state of 'humanitarian' disaster risk finance through a detailed mapping of the different kinds of risk finance instruments and initiatives.

Disaster Risk Finance (DRF) is defined as 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). Types of disaster risk finance instruments include contingency funds, contingent loans, and insurance.¹ Disaster risk finance systems can meet a number of different objectives, including budget protection, protection for agriculture, infrastructure protection, and protection of people and communities.

'Humanitarian' disaster risk finance has been defined for the purposes of this exercise as mechanisms specifically aimed at pre-financing support to persons or communities at risk of or affected by a shock. These mechanisms are a subset of wider disaster risk finance, proposed to delineate the scope of this mapping clearly. Humanitarian disaster risk finance can be implemented by humanitarian organizations (global, national, and local), governments, and other entities (for example, microfinance institutions), often working through different mechanisms and instruments but with the

¹ See accompanying framework for description of disaster risk finance instruments and their application.

same intent to arrange financing ahead of crisis risks to protect people and communities from the worst impacts of predictable shocks.

1.2 Methodology

The mapping exercise used a three-step process:

1. A sample of over 35 mechanisms was surveyed (see Annex B for a complete list of surveyed mechanisms). These mechanisms included principal disaster risk finance mechanisms operated by humanitarian organizations at global, regional, and local levels, a number of mechanisms operated by sovereign governments such as shock-responsive social protection, and at the community level, for example, through microinsurance.
2. A structured database was developed using a predefined set of criteria in AirTable. Each mechanism was entered into the database, and the criteria were mapped (See Table I below).
3. The results were analyzed to draw conclusions on the humanitarian disaster risk finance landscape and typologies of mechanisms. Once the database was populated, the team mapped the mechanisms against windows of opportunity (see accompanying report) and analyzed the data to extract insights into the state of humanitarian disaster risk finance.

TABLE I. DISASTER RISK FINANCE MAPPING CRITERIA	
<ul style="list-style-type: none"> • Geographical coverage • Hazards covered • Timing and sequencing • Triggers and risk layers 	<ul style="list-style-type: none"> • Finance arrangements • Delivery mechanisms and processes • Institutional factors • Gender, inclusion, and localization

An identified limitation of conducting a global mapping of humanitarian disaster risk finance is the risk of overstating the relative importance of global, well-known mechanisms compared to the cumulative total of national and community-based mechanisms. In addition, little information is publicly available on most sovereign disaster risk finance schemes, their intended objectives, the risk information on which they are based, and their impacts. It was therefore considered beyond the scope of this exercise to propose an exhaustive list of all mechanisms. Instead, the focus was on applying criteria to identify key patterns and to extract typologies of mechanisms that could be used to guide discussions around areas of investment.

The results from the mapping are presented in two sections below. First, this report provides a graphical mapping and description of key mechanisms and instruments. Second, the report outlines the insights gained for each major mapping criterion are presented. Finally, a list of instruments is provided.

SECTION 2.0

MAPPING INSIGHTS

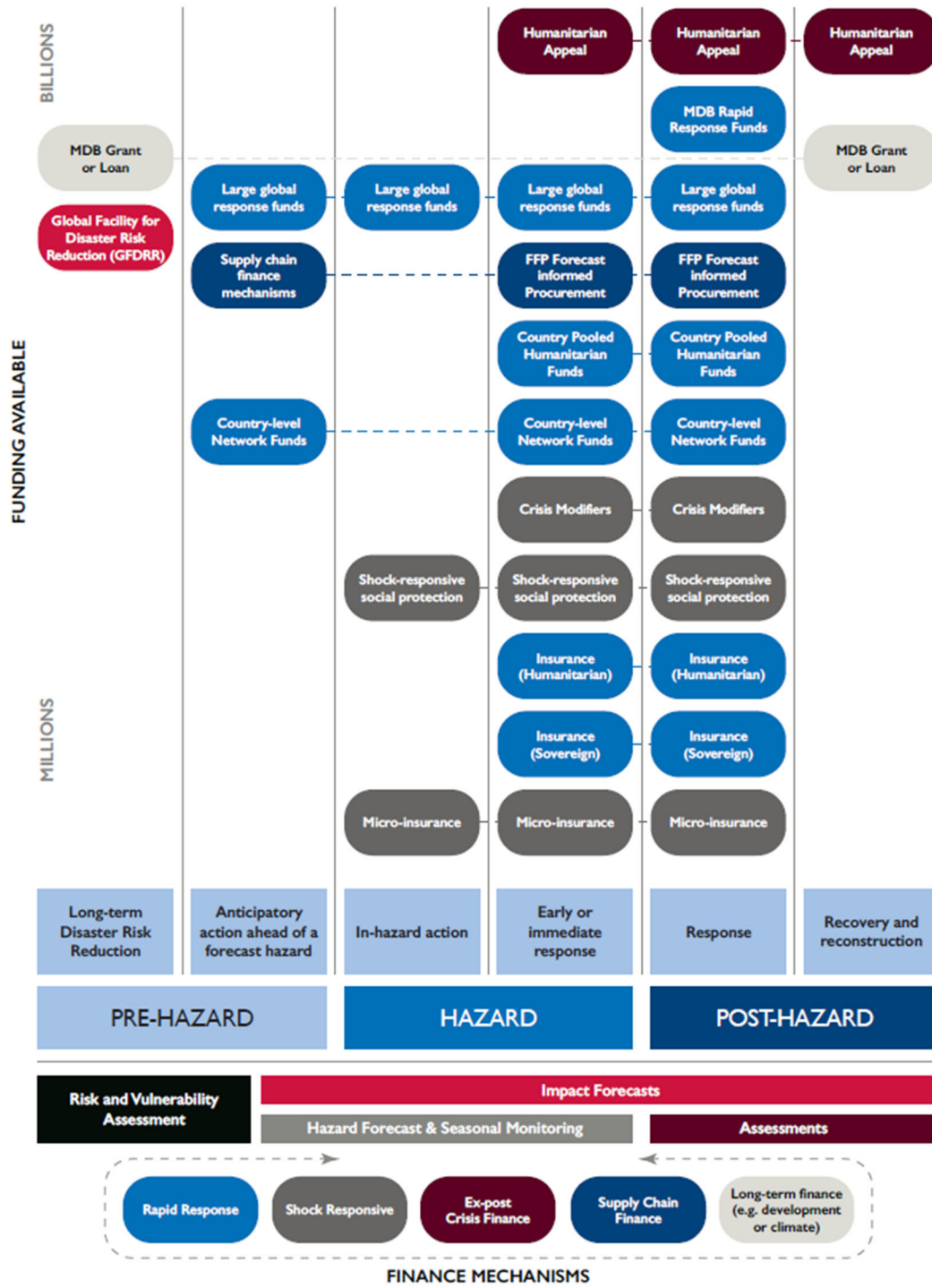
2.1 Humanitarian Disaster Risk Finance Landscape

The results below summarize the broad landscape of existing humanitarian disaster risk finance mechanisms and highlight characteristics of different types of specific mechanisms.

2.1.1 OVERALL HUMANITARIAN DISASTER RISK FINANCE LANDSCAPE

Humanitarian finance is dominated by a number of key pillars. First, the humanitarian appeals process, an ex-post process, represents by far the largest source of finance for disaster risk management. Second, a significant set of rapid response and supply chain funds, mostly held globally, are prepositioned to enable rapid response to humanitarian crises. These mechanisms have expanded to more sophisticated and structured disaster risk finance instruments such as insurance and earlier windows of opportunity in recent years. Finally, there are a growing number of financing mechanisms that are embedded in projects, programs, or national schemes (for example, social safety nets) that aim to improve their shock responsiveness and scalability. The map below shows the overall landscape range by the largest funds at the top and mapped against the windows of opportunity for risk-informed humanitarian assistance.

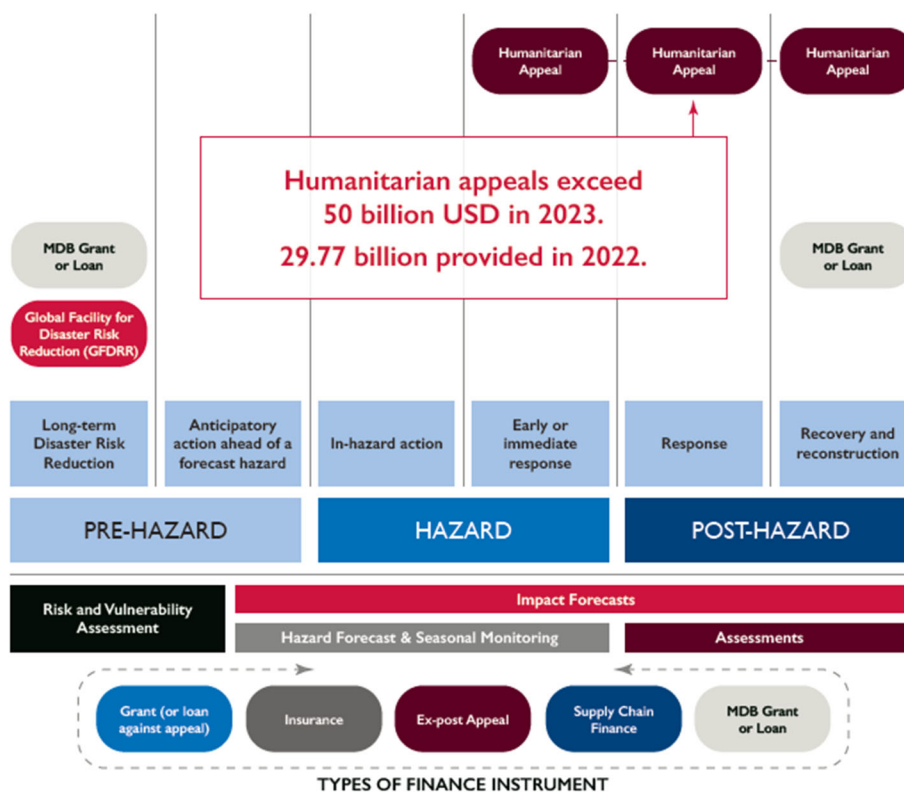
FIGURE I. OVERALL HUMANITARIAN DISASTER RISK FINANCE LANDSCAPE



2.1.2 TRADITIONAL EX-POST FINANCE INSTRUMENTS²

Humanitarian appeals continue to dominate humanitarian finance. In 2023, these appeals total over 51 billion USD (Plichta 2023). In 2022, almost 30 billion USD was provided in humanitarian funding. In contrast, the Centre for Disaster Protection estimates that only 1.3% of official crisis financing flows were pre-arranged in 2021 (Plichta 2023). In addition, some long-term finance for disaster risk reduction through mechanisms such as the Global Facility for Disaster Risk Reduction at the World Bank or climate finance is available on a much smaller scale. Finally, post-disaster reconstruction and recovery finance is also an essential source of finance. Recovery and reconstruction finance is provided through a combination of appeals and finance through multilateral development banks (MDB). Post Disaster Needs Assessments (PDNA) are conducted to inform these needs. As the allocation of funding is not done ahead of time, the PDNA process for recovery and reconstruction finance does not classify as a disaster risk finance instrument. Nonetheless, this type of finance forms an important part of the crisis finance toolkit available to countries putting in place financial protection strategies to balance ex-ante and ex-post finance.

FIGURE 2. EX-POST APPEALS IN THE HUMANITARIAN DISASTER RISK FINANCE LANDSCAPE



² This mapping exercise did not comprehensively cover recovery and reconstruction finance or long-term disaster risk reduction finance sources. Instead, it focused on humanitarian finance mechanisms.

2.1.3 GLOBAL RAPID RESPONSE FUNDS

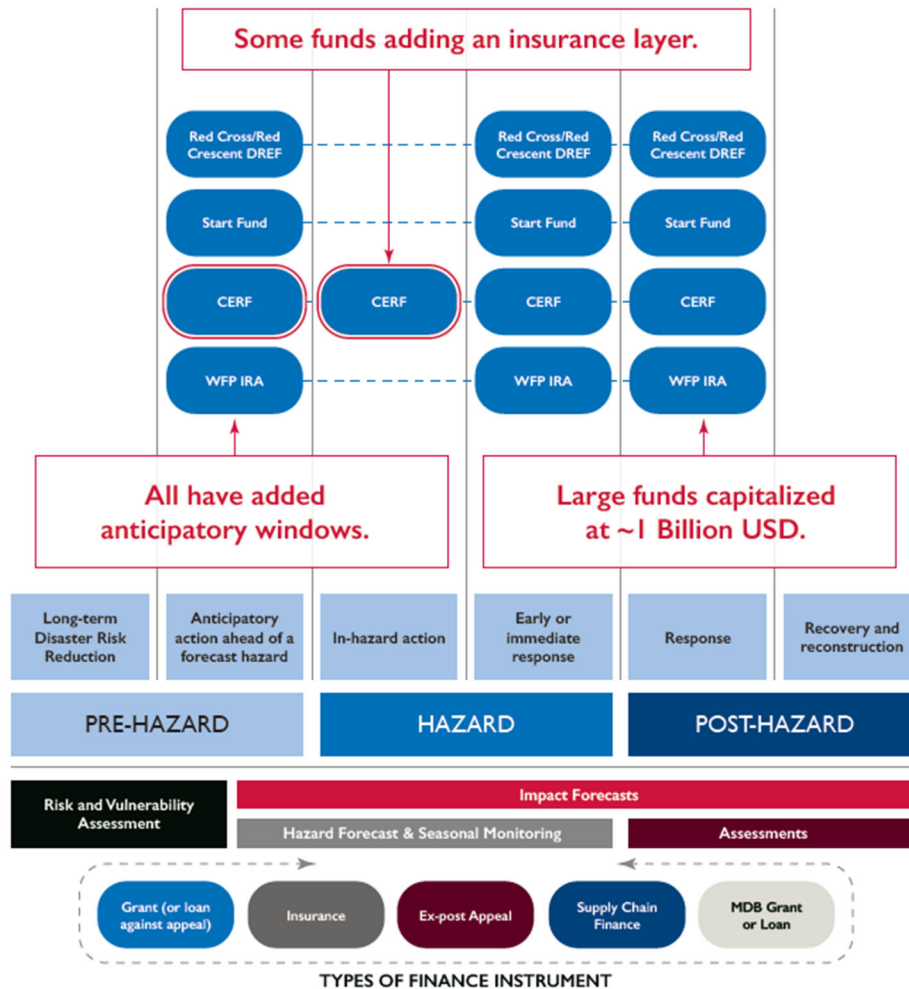
Global pooled funds represent the oldest and one of the largest sources of humanitarian disaster risk finance. While these funds have historically not been closely associated with disaster risk finance, having contingency finance or reserves in place that can rapidly release for frequent shocks is a foundational layer of disaster risk finance approaches, which these funds provide for the humanitarian sector³.

These rapid response funds include well-established contingent funds such as the Disaster Response Emergency Fund (DREF), Central Emergency Response Fund (CERF), Start Fund, and WFP IRA, as well as those held by individual global NGOs. These funds are mainstreamed in the international humanitarian system and provide a highly reliable, predictable funding source. Together these funds hold approximately 1 billion USD in rapid response finance. The significant global rapid response funds have all developed additional earlier anticipatory windows over the last ten years, and most are exploring financial risk layering by integrating insurance instruments into their portfolios.

Complementing these funds, the World Bank recently created the World Bank International Development Association (IDA) Crisis Response Window (CRW), capitalized with 2.5 billion USD at IDA19, to provide crisis response funding to public health emergencies, natural disasters, and economic crises. The CRW includes 500 million USD in funding for an early response using an anticipatory trigger system based on USAID's Famine Early Warning Systems Network (FEWS NET) early warnings. The CRW provides financing to eligible governments based on the existing terms of their IDA country allocations (IDA 2020). Organizations such as the Centre for Disaster Protection are advocating for more funding to be pre-arranged according to clear triggers in order for the CRW to act as an effective disaster risk finance mechanism (Plichta 2023).

³ There are differences in opinion as to whether global pooled funds meet the definition of disaster risk finance as arranging funding ahead of a 'specific risk'. Most disaster risk finance instruments are orientated towards a single hazard, such as financial protection ahead of floods or droughts. However, in practice, contingency funds are more flexible than other disaster risk finance instruments and even within a disaster risk finance strategy they are typically designed to release funding for a range of hazards, using objective or subjective triggers. It is therefore hard to distinguish 'Disaster Risk Finance' contingency funds from wider contingency funds arranged ahead of potential crises.

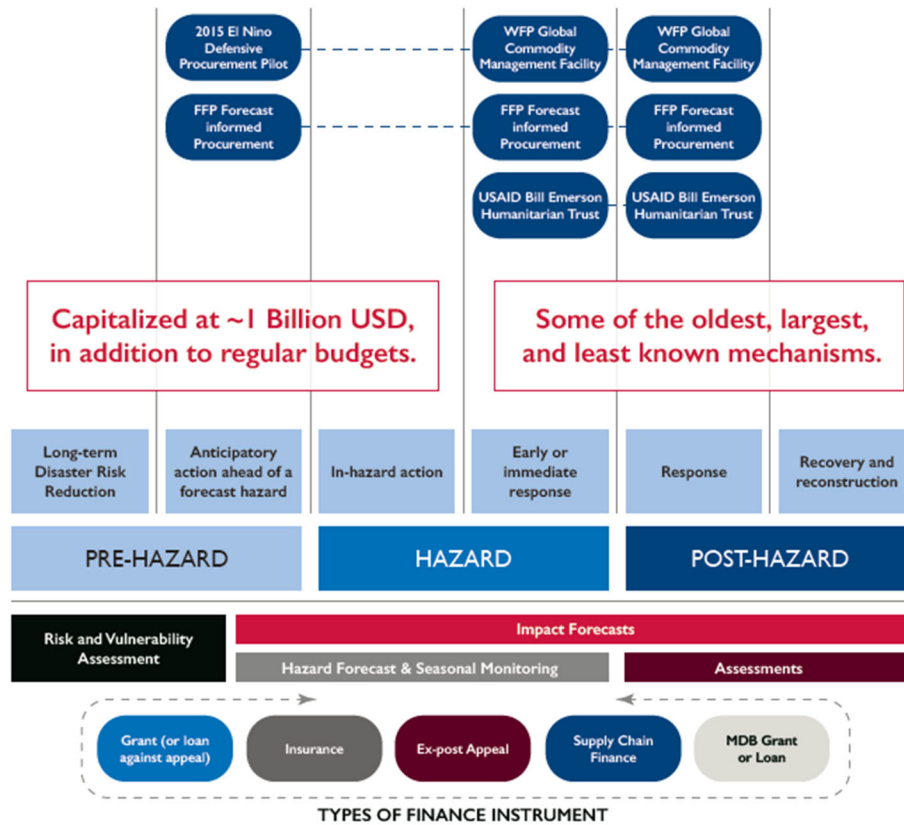
FIGURE 3. RAPID RESPONSE FUNDS IN THE HUMANITARIAN DISASTER RISK FINANCE LANDSCAPE



2.1.4 SUPPLY CHAIN MECHANISMS

Supply chain finance mechanisms are among the largest and least known humanitarian disaster risk finance mechanisms. These mechanisms primarily support food assistance supply chains by enabling earlier procurement of commodities to reduce the time it takes to ship and deliver food assistance. The mechanisms identified in the mapping are capitalized at approximately 1 billion USD. The World Food Programme (WFP) has piloted forecast-based procurement using these mechanisms to anticipate impacts on food prices and food needs related to El Niño-Southern Oscillation (ENSO) events. In addition, WFP and USAID have integrated early warning and climate forecasts into their regular resource allocation and procurement processes so that they are anticipating shifting needs throughout their supply chains. While separate supply chain finance mechanisms like the Bill Emerson Trust exist, these organizations' regular procurement and budget allocation processes are also risk informed.

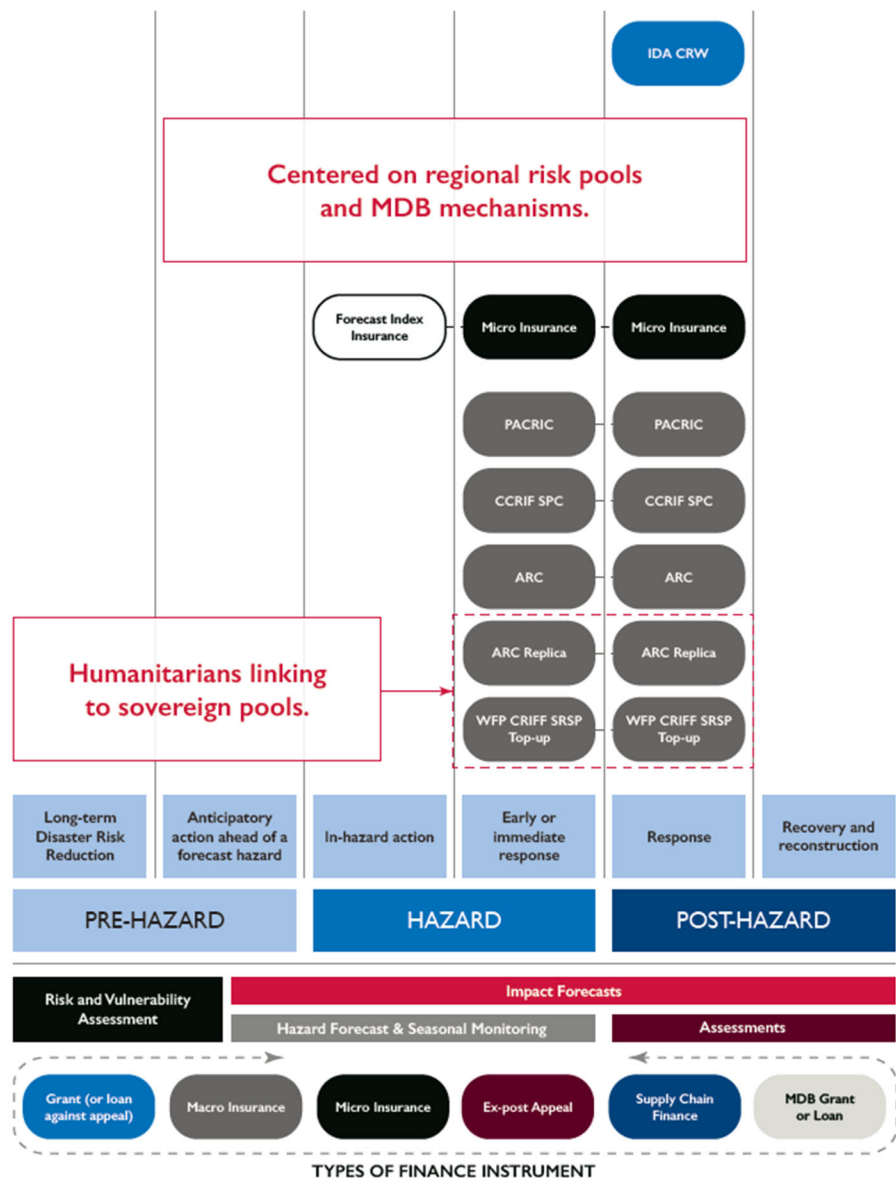
FIGURE 4. SUPPLY CHAIN MECHANISMS IN THE HUMANITARIAN DISASTER RISK FINANCE LANDSCAPE



2.1.5 INSURANCE AND PARAMETRIC RISK FINANCE INSTRUMENTS

Governments and humanitarian organizations have been testing index insurance and other risk transfer solutions for almost two decades, parallel with the emergence of regional insurance pools such as African Risk Capacity (ARC), Caribbean Catastrophe Risk Insurance Facility (CCRIF SPC), and Pacific Catastrophe Risk Insurance Company (PACRIC). These risk pools made up of sovereign member states allow countries to pool their risks across the region and access insurance at a lower cost. Over the last ten years, replica arrangements have expanded where humanitarian organizations buy or complement national government sovereign insurance policies. These arrangements increase available disaster risk finance and create platforms for increased coordination and technical assistance. Insurance and risk transfer solutions are instruments that can service a range of delivery systems, from ensuring shock responsiveness to facilitating rapid response.

FIGURE 5. INSURANCE AND RISK TRANSFER INSTRUMENTS IN THE HUMANITARIAN DISASTER RISK FINANCE LANDSCAPE



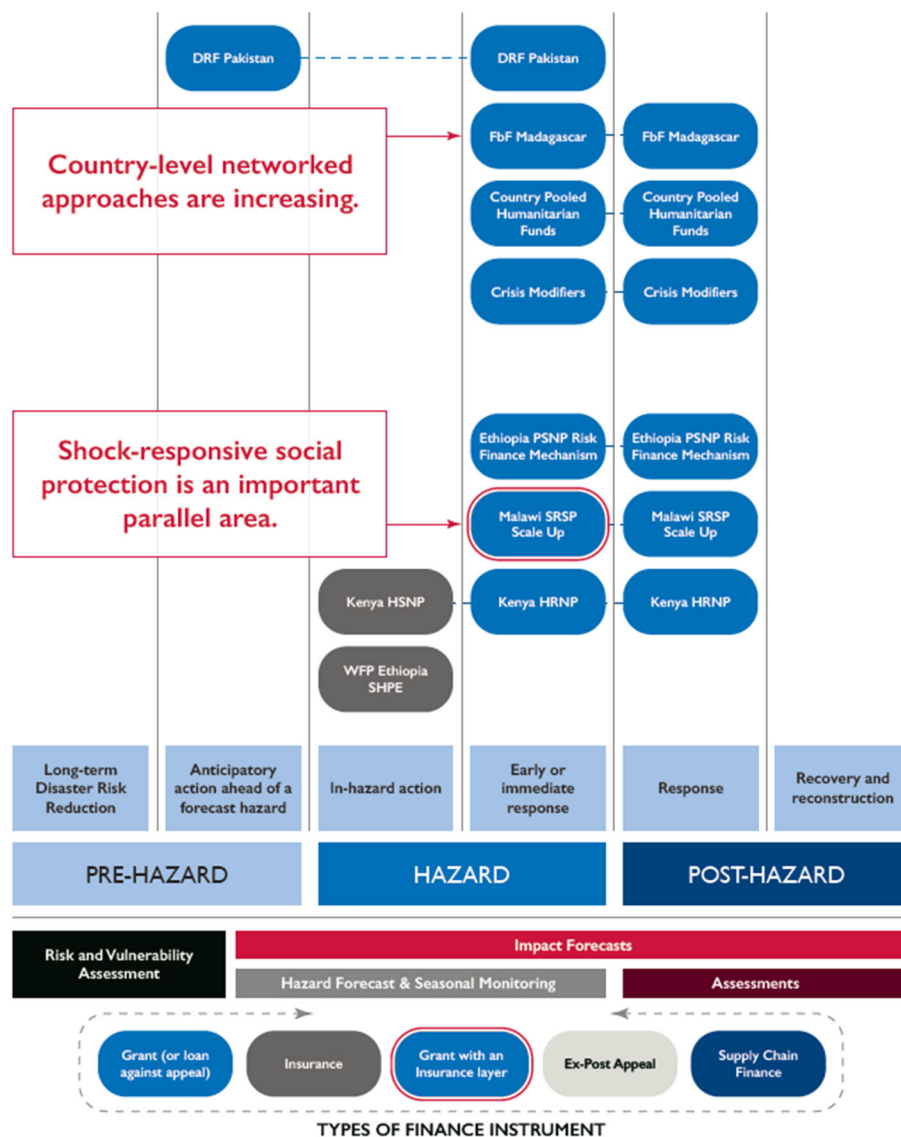
2.1.6 SHOCK-RESPONSIVE AND/OR SCALABLE MECHANISMS

Many governments are investing in shock-responsive social protection programs that use disaster risk finance to enable early and more predictable scale-up of assistance to households. These can be linked to a wide range of public assistance interventions (e.g., school feeding, benefits, and public labor programs), enabling them to scale up rapidly to provide timely and targeted assistance to existing or new beneficiaries. Shock responsiveness can be facilitated via different risk retention or risk transfer instruments.

Amongst humanitarian and development organizations, the shock-responsiveness of ongoing development or resilience-building programs is being facilitated through financing mechanisms such as crisis modifiers, which are included within a development or other program that enables the program to rapidly surge or scale-up assistance to beneficiaries when a crisis shock materializes. There is growing interest in this category, but investment levels are presently not reported or collected in an aggregate manner.

At the community level, schemes such as WFP's R4 Rural Resilience initiative aim to support the poorest farmers to build assets through activities such as cash for work whilst also ensuring that when a shock hits, farmers are protected through microinsurance policies and savings.

FIGURE 6. SHOCK-RESPONSIVE FINANCE MECHANISMS IN THE HUMANITARIAN DISASTER RISK FINANCE LANDSCAPE



2.2 Humanitarian Disaster Risk Finance Characteristics

The mapping results below summarize the current state of humanitarian disaster risk finance mechanisms, organized by the criteria identified in the introduction.

2.2.1 GEOGRAPHICAL COVERAGE

While traditionally, humanitarian disaster risk finance has been dominated by global mechanisms, particularly rapid response funds, where they can operate on economies of scale, regional and national arrangements to support governments and local civil society are growing in prominence.

Global. Global pooled funds represent the largest source of disaster risk finance for humanitarian action, collectively capitalized at over 1 billion USD. Traditionally, these funds have provided grants and loans through different windows using criteria such as the severity and scale of the crisis impacts and the ability to recover from future resource mobilization. These funds are highly predictable and critical, especially at the onset of new crises. Global mechanisms also include the World Bank's recently created IDA CRW, which supports governments and is capitalized with 2.5 billion USD and significant institutional supply chain management mechanisms, including USAID's Bill Emerson Trust, which holds 280 million USD (USAID 2023), and WFP's Global Commodity Management Facility, with a ceiling of 950 million USD (WFP 2022).

Regional. Regional mechanisms include the risk pools that provide an essential layer of disaster risk finance to sovereign states and, increasingly, to humanitarian organizations and shock-responsive social protection programs. For example, ARC currently provides drought and tropical cyclone insurance to a pool of 14 countries, where, in return for an annual premium, countries can access rapid payouts of up to 30 million USD when pre-agreed objective triggers of crisis are met. In seven of these countries, humanitarian partners, including WFP and the Start Network, are taking out 'replica' policies, thereby extending the coverage of ARC to protect more people. In addition, governments are increasingly taking out policies to finance the scale-up of shock-responsive social protection programs, for example, in Malawi through ARC and in Guatemala and Honduras through the CCRIF SPC. Aside from ARC, which requires pre-agreed contingency plans, payouts from regional risk pools can be used for diverse uses, not all meeting the definition of 'humanitarian' disaster risk finance focusing on assistance to households.

National. Sovereign 'humanitarian' disaster risk finance aimed at improving the delivery of assistance to populations affected by crises is rapidly evolving beyond traditional national contingency funds, which are frequently under or unfunded. Governments worldwide are also implementing insurance policies through regional risk pools or bilaterally with private sector partners and putting in place credit lines, such as the World Bank Catastrophe Deferred Drawdown Option (CatDDO).

UNcountry-based pooled funds (CBPRF) have operated for nearly 20 years to provide rapid finance in countries facing protracted humanitarian crises. In 2022, CBPRFs managed by the UN Office for the Coordination of Humanitarian Affairs (OCHA) received 1.34 billion USD in funding (UN CBPF 2023). In 2019, these funds allocated 1.03 billion USD to 18 countries (UN CBPF 2023). In recent years, country-level disaster risk finance has expanded to include network approaches to funding among non-governmental organizations, such as through the Start Network.

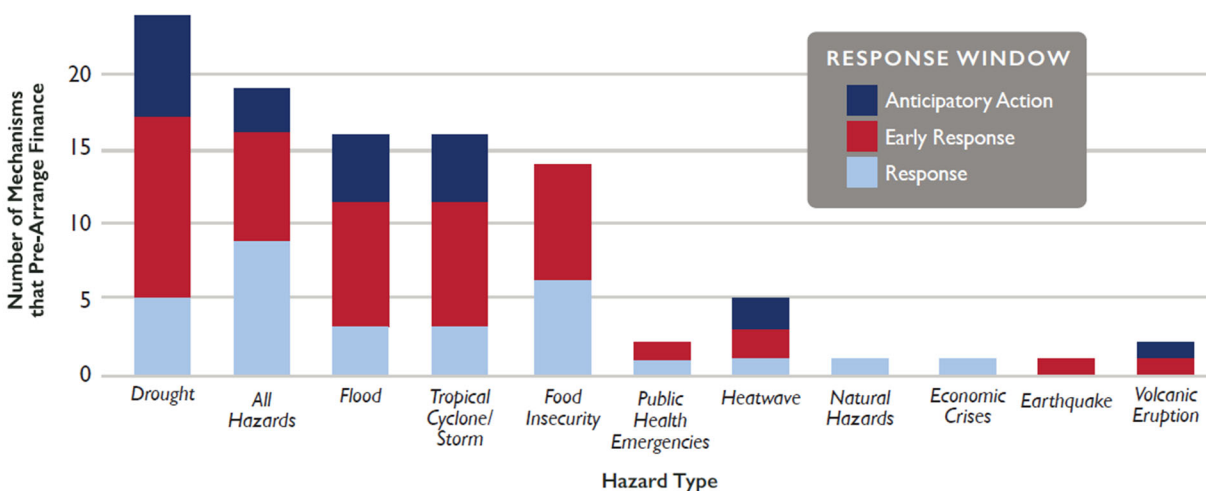
Humanitarian organizations with a long-term presence and programs are integrating more disaster risk finance mechanisms into their national programs, including through project-specific mechanisms such as crisis modifiers. In addition, increasing funding is being mobilized at the national level to finance the 'build' work needed to fulfill access requirements for anticipatory action funding, such as developing Emergency Action Protocols (EAPs).

Locally led country-based arrangements are also being developed, particularly by the Start Network. These enable local and international non-governmental organizations (NGOs) to collaborate on risk analysis, planning, and the establishment of country-level contingency funds, often linked to global funds. This networked approach allows for more decision-making at the country level and in coordination with national and local governments. However, these bottom-up arrangements are scaling up at a slower pace than the mechanisms driven at the global level.

2.2.2 HAZARDS AND SHOCKS

Humanitarian disaster risk finance falls into two broad categories. Some mechanisms are hazard-specific, covering floods, droughts, or storms or linked to food security early warning systems such as FEWS NET or Integrated Food Security Phase Classification (IPC). In contrast, other mechanisms are more open and cover multiple or all hazards.

FIGURE 7. HUMANITARIAN RISK FINANCE MECHANISMS AGGREGATED BY HAZARD⁴



2.2.3 TIMING AND SEQUENCING FACTORS

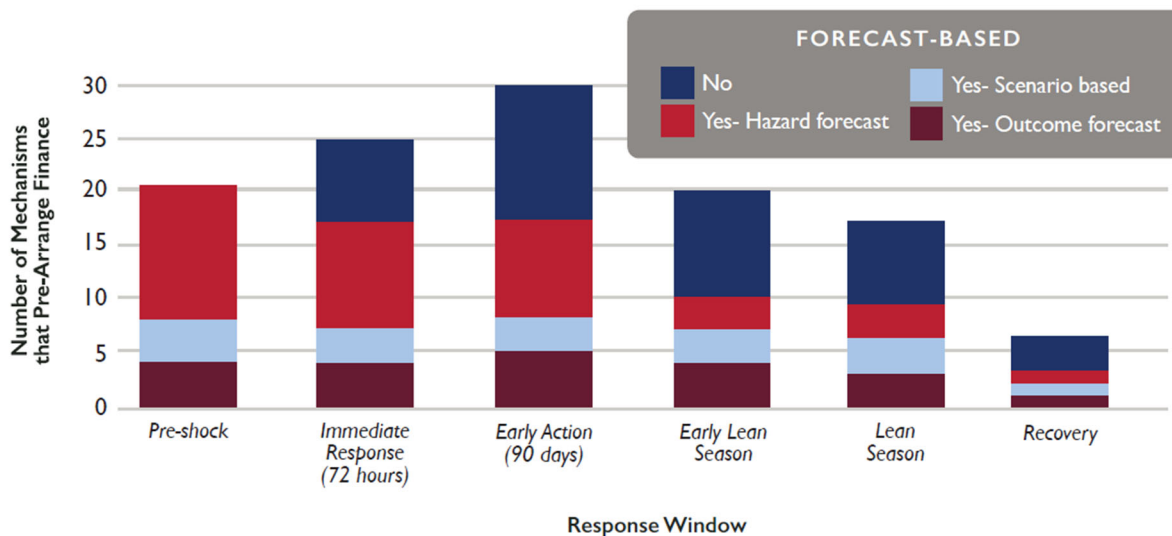
Different mechanisms trigger action or funding during different response windows. Some are anticipatory and trigger action before a shock or humanitarian outcome occurs. In contrast, others are triggered after a shock has occurred or is occurring, aiming to support early response (e.g., early lean season assistance).

Most of the humanitarian disaster risk finance mechanisms surveyed focus on early post-shock windows of opportunity, including immediate response and early action windows. These mechanisms are designed to ensure pre-arranged finance is available to deploy immediately to accelerate the delivery of

⁴ Mechanisms are counted if they pre-arrange finance for a specific hazard. Mechanisms are counted more than once if they cover more than one specific hazard (e.g., flood and droughts). Mechanisms that cover all hazards typically use soft triggers and activation request processes, rather than index-based triggers.

humanitarian assistance. While rapid finance is critical, how this translates into the timing of assistance delivery is determined by programmatic considerations and operational capacities.

FIGURE 8. HUMANITARIAN RISK FINANCE MECHANISMS AGGREGATED BY RESPONSE WINDOW



2.2.4 TRIGGER STRUCTURES

Both hard (objective) and soft (subjective) triggers are used across the mechanisms surveyed. Hard triggers are more prevalent for climate hazards as they depend on rigorous risk models and forecasts. Hard triggers are required for parametric insurance and other market-based risk finance solutions. These mechanisms are typically single-peril insurance products or derivatives.⁵ In contrast, contingent finance facilities such as national contingency budgets and global, rapid response funds are more flexible, often taking an all-hazards approach.

Triggers are most commonly single triggers. These can include formally defined indexes of hazard proxies (e.g., rainfall) or outcome forecasts (e.g., IPC projections). They can also include organizational requests to activate disaster risk finance mechanisms or a government declaration of a disaster.

Increasingly, double, or multi-trigger structures are being developed to address the risk of a model misfiring and to provide flexibility when needed. These trigger structures can combine multiple hard triggers (e.g., two weather indexes) or hard and soft triggers. For example, in Niger, OCHA’s drought Anticipatory Action system has two trigger points for when resources can be released based on precipitation forecasts. The first, earlier trigger releases finance for activities to safeguard the harvest by enabling farmers to make the most of a poor season. The second, later trigger releases a large volume of finance for activities aiming to mitigate drought impacts on affected households.

Finally, outside of all hazard triggers (accounting for approximately 25 percent of the triggers mapped), triggers are either based on hazard or outcome indicators. Approximately 40 percent of triggers use

⁵ A derivative is a contract that derives its value from the performance of an underlying entity. This underlying entity can be an asset, index, or interest rate. In disaster risk finance, indexes based on hazard or other risk data are used as the basis for derivative contracts. Many sovereign insurance products are technically derivatives, as there is no defined asset at risk, a requirement of most insurance regulations.

hazard indicators, while approximately 30 percent use humanitarian outcomes such as IPC food security projections from FEWS NET.

2.2.5 FINANCING FACTORS

While various disaster risk finance types are used for disaster management, humanitarian organizations overwhelmingly rely on grant funds and internal budget mechanisms such as revolving funds and loans (e.g., WFP advance finance facility) or project-level crisis modifiers.

The majority of mechanisms are internal and institutionalized mechanisms. These include single-entity mechanisms in large humanitarian organizations and mechanisms that cover global networks such as the Start Network or IFRC.

A number of humanitarian organizations have begun to deploy layered approaches to arranging disaster risk finance in line with recognized best practices. For example, under 'ARC Replica plus,' both WFP and Start Network are working to combine their ARC insurance policies with trigger-based contingency funds that can release finance for the smaller-scale droughts not covered by the insurance policy. At the IFRC, an insurance layer is being put in place for the DREF to provide surge financing for the bad years when the DREF is under pressure from multiple competing needs. Under Start Network's Start Ready, reinsurance is put in place to top up the global risk pool that provides finance for country-level disaster risk finance projects. In a similar structure, Vision Fund has a two-tiered mechanism that uses a low-interest contingent credit line backed by a parametric drought insurance policy, both linked to a drought index, to release funding to its local microfinance institutions to support clients during drought cycles (VisionFund 2023).

2.2.6 FUNDING LEVEL AND APPROACH

Most of the mechanisms surveyed are designed to pay out frequently with a 3-5-year period of return (where the mechanism includes a return period), for relatively small payouts. Global rapid response funds tend to have tiers of funding based on the delegated authority within organizations and the severity of the crisis. Smaller amounts of money, ranging from 50,000 USD to 500,000 USD, are triggered regularly to jump-start early response activities and increasingly for anticipatory action based on forecast-based triggers. However, most funds also allow larger amounts, in the millions to tens of millions, to be deployed for significant crises. These larger allocations are made on either a grant or loan basis, depending on the fund's criteria. Loans are recovered from future contributions to humanitarian appeals. For example, WFP's Immediate Response Account allows funds to be advanced to provide immediate life-saving assistance. These funds are then replenished through donor contributions and repayments to the response or transfers from reserves or other internal accounts (WFP 2023).

Insurance mechanisms, such as ARC Replica, have maximum payout levels ranging up to 30 million USD but are often less. In addition, these policies are structured so that the severity of the hazard determines the payout and typically do not pay out the maximum amount. Pre-arranged finance through disaster risk finance instruments is not intended to cover the full cost of a response. It is intended to meet identified windows where the timeliness of assistance can mitigate the worst impacts of a crisis; nonetheless, the size of payouts from risk pools such as ARC and CCRIF is, in many circumstances covering only a small percentage (2-3%) of the overall finance required (VisionFund 2023).

2.2.7 DELIVERY MECHANISMS AND PROCESS

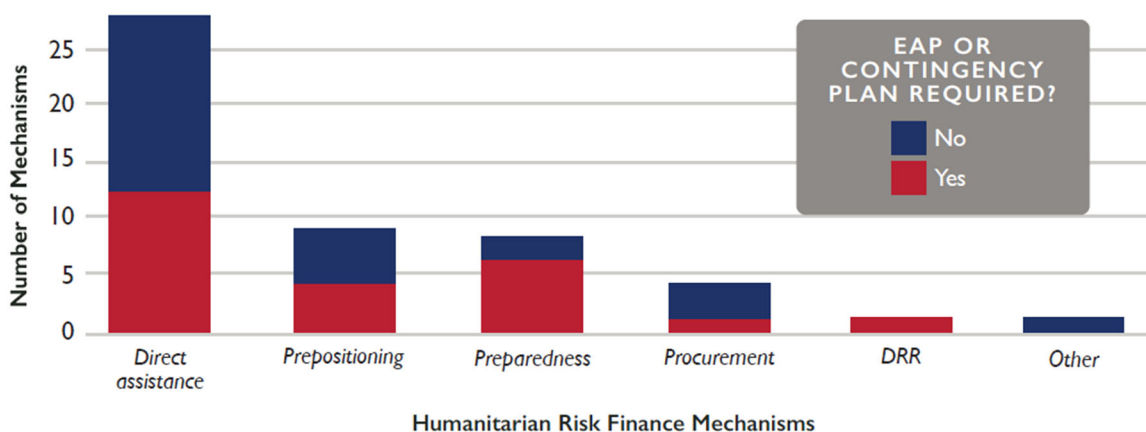
Various delivery mechanisms are used to deliver disaster risk finance to beneficiaries. These include:

- **National system level: Shock-responsive social protection mechanisms.** A significant amount of work is being done to integrate anticipatory action and disaster risk finance into national social protection systems to make them shock responsive. These systems often include a coordination mechanism linking humanitarian responses to social protection scale-up.
- **Project level: Shock-responsive projects.** Some mechanisms are tied to specific projects and allow for the scaling up of project activities in anticipation of a humanitarian crisis. For example, the crisis modifier approach falls into this category.
- **Response level: Standalone response mechanisms.** These mechanisms are designed to initiate new humanitarian responses at an earlier stage in the evolution of a crisis than "traditional" reactive humanitarian approaches. These mechanisms can be at the national level (led by sovereign states) or driven by humanitarian actors.
- **Organizational level: Budget/portfolio mechanisms.** These mechanisms target an organization's budget/financial/procurement capacity to deliver adequate pre-arranged finance (or goods) for their portfolio's system-, project-, or response-level mechanisms. Budget and portfolio-level mechanisms can be indirect. Pipelines can be managed flexibly so that more funding or goods are close to where they might be needed, with final allocations being made to projects or programs after initial funding allocations. For example, higher levels of food assistance than planned may be procured ahead of time based on a forecast of a bad harvest in a region. Food is then shipped to that region, with final allocations to countries being made – or changed – based on the latest early warning information as the food nears the destination region.

Disaster risk finance mechanisms are increasingly linked to contingency plans, standard operating procedures, or emergency action plans (EAPs). These plans define the triggers for action and the response actions that will be taken when triggered. However, several recent evaluations highlight the importance of effective response systems to ensure these plans can be implemented.

Most funding mechanisms arrange for direct response, but funding is also arranged for preparedness, prepositioning, and advanced procurement. For example, the WFP IRA includes an annual allocation of approximately 6 million USD to fund preparedness planning exercises, contingency plans, and logistics capacity assessments designed to enable WFP and its partners to respond more quickly when a shock occurs. In another example, USAID BHA uses early warning to inform its prepositioning of funding and commodities ahead of potential food crises. While these actions do not necessarily deliver direct assistance to people at risk, they enable more effective delivery when a response is triggered.

FIGURE 10. HUMANITARIAN RISK FINANCE MECHANISMS BY AGGREGATED BY CONTINGENCY PLAN



2.2.8 INSTITUTIONAL FACTORS

Large humanitarian organizations have institutionalized disaster risk finance mechanisms and are piloting new mechanisms, including insurance and anticipatory action mechanisms. For example, the DREF, WFP IRA, CERF, and Start Fund have all either integrated or are exploring integrating anticipatory action windows and adding insurance layers to their funds. In addition, there are many project and network-level innovations to expand disaster risk finance mechanisms at the national level and with new pre-shock and immediate response windows.

2.2.9 GENDER, INCLUSION, AND LOCALIZATION

Of the mechanisms surveyed, almost no disaster risk finance mechanisms seem to have explicit gender and inclusion considerations, which is consistent with recent research conducted by the Insuresilience Global Partnership (Hillier et al. 2022). Their organizational gender and inclusion policies inform the programming of the funds. This lack of specific consideration represents a lost opportunity, given the evidence base on the gendered impact of disasters.

In contrast, localization considerations are apparent within the increasing number of national government disaster risk finance systems, supported by increasing engagement with regional risk pools (ARC, CCRIF) that provide a basis for risk sharing and regional solidarity. At the local level, progress on strengthening systems, increasing responsiveness to local communities, and providing direct access to funds for local actors is being addressed through the networked approaches to pre-arranging funds at the country level, as exemplified by Start Network. Nonetheless, these efforts are still dwarfed by the volume of global funds and mechanisms.

SECTION 3.0

CONCLUSION

Humanitarian disaster risk finance is rapidly developing, as evidenced by the number of mechanisms and their evolution over time. Good practice in disaster risk finance is to layer financing instruments, which involves putting place the cheapest sources of financing first (for example, budget reserves or contingency funds) for small-scale recurrent risks, working towards the more expensive financing such as insurance for larger-scale, less frequent risks (Clarke and Mahul 2011). There is positive evidence from this mapping that this approach to risk layering is happening in practice, whereby global humanitarian contingency funds are acting as a springboard for innovation, developing anticipatory windows, or integrating new forms of finance (e.g., reinsurance for the IFRC DREF or Start Ready). The mapping also revealed the scale of forecast-based global supply chain finance, which has not historically been captured in the mapping of anticipatory action and disaster risk finance. Finally, the growing number of financing instruments that are embedded in projects, programs, or national schemes (for example, social safety nets) aiming to improve their shock responsiveness and/or scalability also emerged as an important category of mechanisms.

Whilst the mapping has successfully captured larger international mechanisms, innovation around humanitarian disaster risk finance at the national government level and local or community level is harder to capture from a global perspective and is under-represented in the analysis. In contexts where investments in humanitarian disaster risk finance are being considered, further mapping at national and sub-national levels is recommended to identify the mechanisms available across the different risk holders (community level, government level, humanitarian) and identify where, when, and through which layered instruments disaster risk finance could be deployed most strategically ahead of future crises to meet identified gaps.

ANNEX A

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ANNEX B

MAPPED DISASTER RISK FINANCE MECHANISMS

MAPPED DISASTER RISK FINANCE MECHANISMS		
DRF MECHANISM OR INSTRUMENT	DONOR OR LEAD IMPLEMENTER	DRF MECHANISM TYPE
ARC Replica Policy ARC Replica	Africa Risk Capacity, World Food Programme, START Network	Parametric Insurance
ARC Sovereign Insurance Policy ARC Sovereign Parametric Insurance	Africa Risk Capacity	Parametric Insurance; Sovereign Risk Pool
ARDIS Vision Fund Insurance for Microlending	Vision Fund	Parametric Insurance; Credit Line
BHA Food for Peace Risk Informed Procurement	USAID Bureau for Humanitarian Assistance	Budget Allocation
Bill Emerson Humanitarian Trust (BEHT)	USAID Bureau for Humanitarian Assistance	Contingent or Grant Fund
Central Emergency Response Fund	United Nations Office for the Coordination of Humanitarian Affairs	Contingent or Grant Fund
Central Emergency Response Fund Anticipatory Action Window	United Nations Office for the Coordination of Humanitarian Affairs	Contingent or Grant Fund
Disaster Risk Finance Pakistan	START Network	Contingent or Grant Fund
Ethiopia PSNP Scale Up Mechanism Contingency Budget	Government of Ethiopia	Budget Allocation
Ethiopia PSNP Scale Up Mechanism Contingent Finance Facility	Government of Ethiopia	Credit Line

MAPPED DISASTER RISK FINANCE MECHANISMS		
DRF MECHANISM OR INSTRUMENT	DONOR OR LEAD IMPLEMENTER	DRF MECHANISM TYPE
Forecast-Based Action Mechanisms Addressing Drought-Induced Food Insecurity in Kenya	Welthungerhilfe	Earmarked Funding
Forecast-Based Financing Madagascar	START Network	Contingent or Grant Fund
Global Start Fund Anticipation	START Network	Contingent or Grant Fund
Global Start Fund Rapid Response	START Network	Contingent or Grant Fund
IDA Crisis Response Window Early Response	World Bank	Contingent or Grant Fund
IDA Crisis Response Window Severe Crises	World Bank	Contingent or Grant Fund
IFRC Disaster Response Emergency Fund (DREF) FbA	International Federation of Red Cross and Red Crescent Societies	Contingent or Grant Fund
IFRC Disaster Response Emergency Fund (DREF) Grant	International Federation of Red Cross and Red Crescent Societies	Contingent or Grant Fund; Loan
IFRC Disaster Response Emergency Fund (DREF) Loan	International Federation of Red Cross and Red Crescent Societies	Loan
Innovative Approaches to Response Preparedness	National Red Cross Societies	Contingent or Grant Fund
Malawi SRSP Scale Up Mechanism	World Bank	Contingent or Grant Fund
Mozambique Red Cross (CVM) Multihazard FbF	National Red Cross Societies	Earmarked Funding
Philippine Red Cross Typhoon & Flood FbF	National Red Cross Societies	Contingent or Grant Fund
Scaling Up Anticipatory Actions for Food Security in Kenya	World Food Programme	Contingent or Grant Fund
Start Fund Bangladesh Rapid Response	START Network	Contingent or Grant Fund
Start Fund Nepal Anticipation	START Network	Contingent or Grant Fund
Start Fund Nepal Rapid Response	START Network	Contingent or Grant Fund
Start Ready	START Network	Contingent or Grant Fund; Earmarked Funding; Parametric Insurance

MAPPED DISASTER RISK FINANCE MECHANISMS		
DRF MECHANISM OR INSTRUMENT	DONOR OR LEAD IMPLEMENTER	DRF MECHANISM TYPE
Strengthening FbF Readiness and Disaster Preparedness in Guatemala	National Red Cross Societies	Contingent or Grant Fund
Supporting Flood Forecast-Based Action and Learning (SUFAL) FbA and Learning	CARE Bangladesh	Contingent or Grant Fund
WFP Caribbean SRSP CRRIF Top Up Immediate Response	World Food Programme	Parametric Insurance
WFP Forecast-based Procurement El Nino Procurement	World Food Programme	Budget Allocation
WFP Global Commodity Management Facility	World Food Programme	Revolving fund
WFP Immediate Response Account IRA Operations	World Food Programme	Contingent or Grant Fund; Loan
WFP Immediate Response Account IRA PREP	World Food Programme	Contingent or Grant Fund
WFP Immediate Response Account IRA Rapid Response	World Food Programme	Contingent or Grant Fund