

# Anticipatory action (AA): Best practices and guiding principles for financial protocols of AA funds



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# Anticipatory action (AA): **Best practices and guiding principles for financial protocols of AA funds**

  
**SENDAI FRAMEWORK**  
FOR DISASTER RISK REDUCTION 2015-2030

  
**UNDRR**  
UN Office for Disaster Risk Reduction

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# Acronyms and Abbreviations

<b>AA</b>	Anticipatory action
<b>AATF</b>	Anticipatory Action Task Force
<b>CDP</b>	Centre for Disaster Protection
<b>DRM</b>	Disaster risk management
<b>DRF</b>	Disaster risk finance
<b>EAP</b>	Early action protocol
<b>FbA</b>	Forecast-based Action
<b>FbF</b>	Forecast-based Financing
<b>FSP</b>	Financial service provider
<b>IASC</b>	Inter-Agency Standing Committee
<b>M&amp;E</b>	Monitoring and evaluation
<b>MEAL</b>	Monitoring, evaluation, accountability and learning
<b>NGO</b>	Non-governmental organization
<b>REAP</b>	Risk-informed Early Action Partnership
<b>SOP</b>	Standard operating procedures
<b>UN</b>	United Nations

## **UN OCHA      UN OFFICE FOR THE COORDINATION OF HUMANITARIAN AFFAIRS**

CBPF	Country-based Pooled Fund
CERF	Central Emergency Response Fund
ERC	Emergency Relief Coordinator
RC/HC	Resident/Humanitarian Coordinator
RR	Rapid Response window
UFE	Underfunded emergencies window
UNGA	United Nations General Assembly

## **IFRC      INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES**

DREF	Disaster Response Emergency Fund
NS	National Red Cross and Red Crescent Societies

## **START NETWORK**

CARF	Crisis Anticipation and Risk Financing Team
PPP	Proposed project plan
SKUC	Save the Children UK
SFF	Start Network Financing Facility
WHH	Welthungerhilfe

## **FAO      UN FOOD AND AGRICULTURE ORGANIZATION**

AIRC	Agricultural Inputs Response Capacity
SFERA	Special Fund for Emergency and Rehabilitation Activities

## **WFP      UN WORLD FOOD PROGRAMME**

AAP	Anticipatory Action Plan
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# A. Introduction

Anticipatory action (AA) is a form of disaster risk management that involves taking action before a predicted hazardous event occurs, to prevent or reduce its impact. The concept of AA requires pre-established protocols for funding disbursements to finance pre-emptive interventions, similar to those used by other agencies and programmes focusing on early response efforts.

Anticipatory action is defined as “acting ahead of predicted hazardous events to prevent or reduce acute humanitarian impacts before they fully unfold.” AA can be implemented through pre-agreed financing for pre-planned interventions that are activated when a certain trigger point is reached, or through informal approaches based on forecasts. Example interventions include cash payments to pre-identified individuals and pre-organized “destocking” programmes of livestock in drought-prone areas. There is a debate among practitioners about the definition of AA and how it differs from related concepts. Some definitions include only activities that take place before the shock event, while others include activities that happen after the onset but before it reaches a full impact disaster level. Some consider only pre-planned, pre-funded activities initiated by pre-determined triggers to be anticipatory, while others include a wider range of activities with less advanced planning (Knox Clarke and REAP Secretariat, 2022).

This report examines the financial protocols of five multilateral and non-governmental AA financing mechanisms (AA funds) that finance anticipatory

interventions, and it collates best practices to develop financial protocols governing the deployment of AA funds once plans are activated. Building on these best practices, seven principles have been identified that can contribute to optimal design of AA financial protocols. These should be considered alongside lessons from existing literature, including seven good practices identified by REAP (REAP, 2022). This report is targeted towards practitioners in the humanitarian and development community from an array of state, non-state and multilateral organizations, who are interested in acquiring an in-depth understanding of the financial protocols underlying AA funding mechanisms and adopting some of the best practices and guiding principles in their own programmatic approach.

AA funds covered in this report, in alphabetic order, are:

- FAO: Special Fund for Emergency and Rehabilitation Activities (SFERA) – AA window
- IFRC: Disaster Response Emergency Fund (DREF)
- Start Network: Start Ready and Start Fund
- UN OCHA: Central Emergency Response Fund (CERF)
- WFP: Anticipatory Action (AA) Trust Fund

In 2020, these organizations disbursed a total of USD 41.5 million in AA funds, including USD 33.5 million from UN OCHA’s CERF, USD 4.1 million from SFERA-AA window, USD 2.3 million from the Start Fund, USD 1.59 million from IFRC’s DREF, and USD 100,000 from the WFP Anticipatory Action Trust Fund (REAP, 2022).

## A.1 Financial protocols

The AA approach requires pre-established systems for quick disbursements, to enable pre-emptive interventions. Financial protocols, which outline the process for estimating, monitoring and transferring amounts agreed upon in a financial transaction, are therefore an integral part of any AA initiative.

In the existing literature, AA financing resources are typically divided into two categories: ‘build’ funding and ‘fuel’ funding. Build funding is used to establish and improve the systems and capacities necessary for AA, such as improving risk data and early warning processes. Fuel funding is set aside to be disbursed in the event of a shock, and is used to pay for actual coverage (REAP, 2022). For this report, this categorization is extended to include ‘operational’ funding, which can be further divided into pre- and post-trigger cost (see box 1).

It is important to distinguish between different types of costs as they may be treated differently in financial protocols of AA funds. Some financing instruments may be suitable for certain types of costs (e.g. insurance pay-

outs for intervention cost), while others may be earmarked for specific purposes or overlap with other cost categories. For example, AA interventions that include service-based components, such as information campaigns, may overlap with both post-trigger operational costs (B2) and intervention costs (C).

Broadly speaking, AA financing involves four different types of stakeholders: financiers, catalysts, implementers and recipients. Financiers provide the funds intended to be used for the different types of costs (investment, operational and intervention). Catalysts are institutions that facilitate the distribution of funds to recipients according to the agreed financial protocol. Implementers are stakeholders that receive resources from catalysts and are responsible for implementing the AA once it has been triggered. Recipients are the final recipients of the funds, whether individuals or communities, who are intended to benefit from the AA intervention. The roles of catalyst, financier and implementer can also overlap, with institutions fulfilling various roles e.g. by receiving funds and being the lead implementer of activities.

# B. Financial protocols of Anticipatory Action funds

## B.1 FAO - Special Fund for Emergency and Rehabilitation Activities (SFERA)

The Food and Agriculture Organization (FAO) of the United Nations is composed of 195 members. Tasked with leading international efforts to fight food insecurity and malnutrition, FAO is currently operating in over 130 countries. FAO has a broad mission, as reflected by its eight departments: Agriculture and Consumer Protection; Climate, Biodiversity, Land and Water Department; Corporate Services; Economic and Social Development; Fisheries and Aquaculture; Forestry; Technical Cooperation and Programme Management.

To achieve its goals, the FAO has an annual budget of USD 3.25 billion (planned for FY 2022/23). 31 per cent of the total budget (USD 1.01 billion) comes from assessed contributions paid by member countries, while voluntary contributions from members and other partner organizations are expected to cover the remaining 69 per cent (USD 2.25 billion). These contributions include technical and emergency assistance to governments for clearly defined purposes under the results framework, as well as direct support to FAO's core work (FAO, 2022a).

The FAO SFERA was established in 2004 to enable the FAO to take rapid and effective action in response to food and agricultural threats and emergencies. Through strategic resource partner funding, SFERA provides FAO with the financial means and flexibility to react promptly to humanitarian crises, reducing the time between funding decision and action on the ground. Between its inception in 2004, until the end of 2021, SFERA received USD 335 million (FAO, 2022c).

**SFERA comprises three components (FAO, 2022c):**

**Working capital component:** It finances advancement of funds committed by partners or donors toward the immediate procurement of inputs to protect livelihoods, restart agricultural<sup>1</sup> activities or contribute to an immediate response to a crisis.

**Revolving fund component:** It finances need assessments, programme development, reinforcement of emergency country team capacities, and preparedness and response activities following sudden-onset, large-scale disasters and crises that require a corporate response.

**Programme component:** for large-scale emergencies or strategically complements ongoing programmes, including the Agricultural Inputs Response Capacity (AIRC) window as well as the Anticipatory Action (AA) window triggered by corporate early warnings.

### SFERA AA Window

The Anticipatory Action window was established in 2016 as part of the SFERA programme component, with the goal of ensuring FAO country offices can access rapid, flexible and reliable funding for anticipatory action. The establishment of an AA window within the programme component also aimed at creating synergies between anticipatory action and early response interventions.

The shocks whose impact FAO aims at mitigating or preventing through SFERA AA window funds can be broadly categorized into sudden (e.g. floods) and slow onset (e.g. droughts) risks. FAO's anticipatory actions target four types of crisis contexts that can affect farming households negatively: i) countries experiencing prolonged crises and additional hazards; ii) countries experiencing intense climate extremes; iii) countries facing human-induced crises; and iv) countries facing crises due to threats to plant and animal health (FAO, 2021). Recipients include not only direct recipients of aid, but also groups directly involved in agriculture or dependent on agricultural markets, such as farmers, livestock keepers, fishers and agricultural labourers (FAO, 2022b).

<sup>1</sup> Agriculture encompasses not only cropping practices, but also those related to fisheries, livestock raising and forestry.

SFERA AA releases funds upon accurate early warning signals of an impending disaster, also called triggers. The trigger mechanisms are adapted to the context and priority hazards. They are based on quantitative thresholds (e.g. based on climate forecasts, food security projections, remote sensing data, and similar), and corroborated with qualitative information and expert judgement.

Similarly, anticipatory actions are also designed depending on the hazard and the livelihoods groups targeted. AA activities comprise a variety of interventions designed to protect food production, promote livelihood diversification, ensure economic access to food, and strengthen early warning and agricultural advisory services. Depending on the hazard and the livelihoods groups targeted, anticipatory actions may include livestock vaccination, provision of animal fodder and shock-resilient seeds, cash transfers, and promotion of good water management and agricultural practices (FAO, 2022b).

To ensure effectiveness and timeliness of actions, FAO Country Offices are encouraged to develop an Anticipatory Action Protocol, which provides pre-agreed triggers, pre-identified anticipatory actions and related operational arrangements for prioritized hazards.

In 2021, FAO implemented anticipatory action programmes in 14 countries through its SFERA AA window, with a total of USD 5.6 million allocated for these interventions. These programmes aimed to protect agricultural assets and livelihoods ahead of crises by, for example, providing cash, animal feed, and animal health support to vulnerable pastoral households in Kenya in response to a predicted failed rainy season. The main goal of these programmes is to prevent, during times

of crisis, the adoption of negative coping strategies of households whose livelihoods depend on agriculture (FAO, 2022c).

### SFERA-AA allocation and disbursement process

Country offices can apply for SFERA-AA resources, provided that the request complies with eligibility criteria. Minimum key criteria include:

- the early warning system or risk analysis pointing to a hazard or shock that has high probability to materialize in the near future
- the forecast hazard being expected to cause a significant impact on agricultural livelihoods, food security and nutrition among the most vulnerable people in the affected areas
- anticipatory actions are able to be implemented to protect people's livelihoods before the forecast hazard has an impact on agricultural livelihoods that sustain food security
- the expected impact of the forecast hazard exceeding the capacity of affected communities and governments to cope with their own resources, thus requiring international humanitarian assistance.

Additional elements are also required in the request, such as a detailed budget. FAO Country Offices are provided detailed guidance on how to develop such requests - including provision of templates for the concept note and budget – as well as the on the step-by-step internal process to follow for the submission. The final decision to release funds is based on a technical review of the request to ensure respect of minimum criteria and quality control.

## B.2 IFRC - Disaster Response Emergency Fund (DREF)

The International Federation of Red Cross and Red Crescent Societies (IFRC) is a humanitarian network of 192 national entities called National Red Cross and Red Crescent Societies (NS). The mission of the IFRC is to inspire, encourage, facilitate and promote all forms of humanitarian activities by National Societies. One main task is to help coordinate humanitarian interventions and facilitate collaboration across networks (IFRC, 2021).

DREF is one of the IFRC's financing mechanisms, and provides both anticipatory and response funds to mitigate the severity and to respond to the impact of shock events.

**Response Pillar:** DREF provides two types of response funding: First, grants for NSs to respond to small- to medium-scale disasters that do not require emergency appeals. Second, loans to pre-finance funding for emergency appeals, which can be used while recipients fundraise from other sources.<sup>2</sup>

**Anticipatory Pillar:** DREF finances AA in two ways, via DREF funding for imminent crisis and through pre-arranged AA financing via Early Action Protocols (EAPs) (IFRC, 2021). Ad-hoc imminent crisis funding and pre-agreed EAPs serve complementary purposes, the former allowing for events that happen suddenly,

<sup>2</sup> IFRC Emergency Appeals are launched for larger and more complex shocks that require longer-term support <https://www.ifrc.org/emergencies/all>



for which there is no pre-agreed early action plan, or for needs adjustments of what has been covered by the pre-allocated EAP funds by NSs according to the unique shock-risk indicated by the warning system.<sup>3</sup>

For monitoring and evaluation (M&E) purposes, DREF tracks different performance indicators across its AA portfolio, including the number of people targeted by approved EAPs, volume of DREF allocations, and number of EAPs in place (IFRC, 2021). These indicators are not tracked on a disaggregated intervention-level but a final report is published for each operation three months after its end.<sup>4</sup>

## DREF pillar 2 - Anticipatory action

AA funded by the DREF are split into three types of activities (and costs): readiness, prepositioning, and early action. This distinction is relevant for financial and budgetary purposes.

- I. **Readiness cost:** Readiness costs cover expenses related to the maintenance of the AA systems. They align with pre-trigger operational cost (B1) as outlined in box 2. These are established in the recipient's country to ensure successful activation of EAPs and adherence to the protocols over the five-year lifecycle. These costs may include, for example, expenses for refresher training, warehouses, updating data, staff, market monitoring, and updating the cash transfer value. (IFRC, 2022c) (IFRC, 2022b).
- II. **Prepositioning cost:** Pre-positioned stocks include relief items ready to be used during the early action. They are a form of intervention cost (C) These may need to be purchased in advance to enable a rapid distribution in the short timeframe between event forecast and event onset. Examples of these items include shelter kits, aqua tabs and household items. Other logistics costs include storage facility arrangements for intervention items and transport arrangements (IFRC, 2022b) (IFRC, 2022c).
- III. **Early action cost:** Early action costs cover all expenditures linked to the activation of the EAP, once the trigger threshold has been reached. They are a combination of post-trigger operational cost (B2) and intervention cost (C). These vary with the nature on the shock exposure but may include costs related to evacuation efforts, early harvesting, information campaigns, distributing food and hygiene products, cash transfers and the provision of services to population at risk, and data collection used for implementation monitoring and to measure impacts (IFRC, 2022b) (IFRC, 2022c).

## AA funding type 1: Ad-hoc funding for imminent crisis

*DREF for imminent crisis* funds can be requested by an NS only after an alert for an onsetting shock occurs. Eligible shock events are both approaching weather and non-weather-related hazards. Funding for these imminent crises is neither pre-positioned nor pre-agreed. The NS submits an operational plan and budget for each specific approaching shock event. The duration of this funding is capped at six months. By contrast, the timeline for *readiness and prepositioning* funds are one month for a sudden-onset hazard and up to four months in advance of a slow-onset hazard (*Cash in Anticipatory Action learning series - Imminent Crisis DREF, IFRC Africa, 2022*).

The DREF for an imminent event analysis guidance framework provides NSs with guidelines for developing an imminent crisis application. It also forms the basis for the DREF Team and IFRC delegations to assess applications. Key considerations in the funding decision include whether the application provides evidence that an intervention is required, and how the NS plans to select target areas for their interventions. Operational and intervention criteria vary between applications for events that already started and those that have not. Institutional election criteria include the NS's level of experience and ability to implement readiness, prepositioning and early action activities. Other selection criteria include how the type of hazard aligns with the lead time necessary to implement activities, the type of actions proposed and their associated costs, and the level of certainty that the event will materialize.<sup>5</sup>

## AA funding type 2: Pre-arranged financing via EAPs

Until July 2022, EAPs were financed via *Forecast*-based action (FbA) by the DREF, a separate fund managed by the IFRC Secretariat within DREF. Since then, the FbA by the DREF has been fully merged into the DREF and EAPs are funded from the anticipatory pillar of the DREF. EAPs are the operational guidelines and therefore the key prerequisite for NSs to access pre-arranged AA funds from DREF. EAPs summarize key AA components including trigger, early action, funding mechanism, roles and responsibilities (IFRC, 2022a). EAPs are not meant to be used for recurrent events, but instead for extreme events that had disastrous humanitarian impacts in the past and required international humanitarian assistance (IFRC, 2022a). While non-weather-related hazards, such as epidemics and population movement, are also eligible for EAP coverage, by the end of 2021, all EAPs were related to hydro-meteorological events. EAPs are

3 Expert interview

4 Ibid

5 Expert interview

restricted to one per country per hazard, but NSs can simultaneously have multiple EAPs for different hazards. For example, the Philippines Red Cross developed two EAPs for cyclone and flood risk, respectively (*Cash in Anticipatory Action learning series - Imminent Crisis DREF, IFRC Africa, 2022*) (IFRC, 2022b).

DREF offers two modalities of EAPs to account for different levels of readiness of NSs as well as differences in the exposure context and broader AA ecosystem in which they operate. Both EAP types provide pre-guaranteed funding for readiness, pre-positioning and early action activities, and are eligible for coverage against weather and non-weather-related hazard exposure. Key differences exist in the funding cap and lifespan. EAPs provide up to CHF 500,000 per EAP for up to five years. The Simplified Early Action Protocol (SEAP) was introduced in June 2022 as a lighter version of regular EAPs. They provide up to CHF 200,000 per SEAP for up to two years and need to target a minimum of 2,000 recipients (*Cash in Anticipatory Action learning series - Imminent Crisis DREF, IFRC Africa, 2022*).

## EAP application and approval process

As the operational plan that outlines implementation of early action activities, the EAP is the key financing agreement between DREF and NSs. In their EAP applications, NSs need to outline roles and responsibilities in the maintenance (*readiness and prepositioning*) and activation of the early actions once a trigger threshold is reached. Historical impact and vulnerability data helps decision makers to identify when and where early actions will be targeted (IFRC, 2022b). EAPs need to comply with, and are reviewed according to, the standardized quality criteria stipulated by DREF (IFRC, 2022a).

The standardized quality criteria<sup>6</sup> serve as a benchmark for the IFRC Validation Committee to determine whether an application for an EAP is eligible and should be funded by the DREF.<sup>7</sup> Criteria categories and associated evaluation considerations include the following:

- **Risk analysis and trigger model:** EAP triggers are based on a forecast data and the analysis of risk factors. They must include robust evidence on the calculated trigger frequency, return period of covered shock exposure, the likelihood of false alarms, and the lead time between the warning trigger and shock onset.
- **Early action:** Comprehensive overview of activities to be implemented in accordance with the IFRC planned intervention.
- **EAP activation:** Level of forecast monitoring capacity,

outreach channels to recipients, as well as a stop mechanism for forecast triggers.

- **M&E:** M&E plan that outlines impact assessments following early action activation, compliance with EAP procedures, and a learning component.
- **NS's capacity to implement the EAP:** Operational and administrative capacity and experience of NS to carry our EAP activities.
- **Budget:** Detailed cost breakdown according to the IFRC template that is in line with the 65/35 budget ratio for maintenance and early action cost, respectively (see EAP budget below).
- **Coordination:** Consultation with, and endorsement from, relevant stakeholders pertaining to the EAPs. Stakeholders may include communities, data agencies, DRM authorities, government ministries, development organizations, and other hazard-specific agencies and major anticipatory humanitarian actors.

## EAP allocation and disbursement process

**Readiness and prepositioning:** Once the EAP application has been approved by the DREF validation committee, disbursements of DREF funds to NSs for early action costs are guaranteed. After approval of the EAP, the full funding amount (i.e. covering readiness, prepositioning and early action expenses) is transferred from DREF to the national IFRC delegations located in the country of the applying NS. Delegations are responsible for managing and disbursing the funds to NSs as agreed in the EAP. For readiness and prepositioning costs, funds are transferred as soon as the EAP is approved and the legal agreement has been signed (IFRC, 2022b).<sup>8</sup>

**Early action:** Different to readiness and prepositioning resources, early action funds are transferred from the IFRC delegation to the NS only once a pre-agreed trigger has been met or breached. There is no standardized financial protocol governing the fund disbursement process across EAPs or NSs. Instead, individual NSs compiling the EAP are expected to “clearly define the funds release procedures including who initiates the funds request, internal approval chain/procedures and process of disbursement including time frames from the source of funds to HQ and branches” (IFRC, 2022c).

Funds for the early action activation will be transferred from the IFRC delegation to the NS only once the activation trigger has been met and the trigger notification has been received by IFRC. The fund transfer is immediately initiated upon notification of an activated

<sup>6</sup> Expert interview

<sup>7</sup> Similar types of criteria exist for simplified EAPs.

<sup>8</sup> Expert interview: The legal agreement is a standard template used for fund transfers from DREF to NSs, specifying financial transaction information including the amount and timing of transfers and conditions for disbursements in accordance to the operational procedures stipulated and agreed in the EAP.

trigger. It may still take a few days for the funds to arrive in the recipient's country (in part due to accounting and banking procedures). To extend the short lead time from trigger activation to shock onset, DREF started allocating EAP funds to IFRC country delegations, decreasing the time needed to transfer funds.<sup>9</sup>

## Other financial protocol documents

### EAP Budget

The EAP is accompanied by a budget, which tallies all costs related to the pre-positioning of stock, annual readiness activities and early action activities (IFRC, 2022c). The budget also provides details on the allocation of funds, including an overview of stakeholders responsible for each expenditure according to the roles and responsibilities in the EAP. For example, it may specify whether the applying NS, a partner NS, or the IFRC is tasked with the maintenance (pre-trigger operational cost (B1)) and activation (post-trigger operational cost (B2)) of the EAP. Funds are provided only for the maintenance and activation of the EAP. The development of an EAP (investment cost (A)) or for the set-up of the AA systems will not be financed from the DREF (IFRC, 2022b). The EAP budget should be provided as a separate annex using the IFRC standard budgeting template for EAP according to the EAP activation process section.

**Maintenance (I. Readiness and II. Prepositioning cost):** Readiness and prepositioning costs are limited to 65

per cent of the total EAP budget over the EAP's lifecycle and are disbursed by the DREF on an annual basis. Costs associated with the maintenance of the prepositioned stock, such as warehousing expenses, must be accounted for in the readiness costs of the EAP budget (IFRC, 2022c).

**III. Early action cost:** The remaining 35 per cent of the budget should be used for early action. For these items, the EAP budget needs to indicate how timely procurement can be ensured within the timespan between EAP activation and shock onset. One recommended strategy to ensure timely procurement is for NSs to establish pre-disaster agreements with suppliers and financial-service providers. In addition, the budget needs to provide details on other funding sources that can be used to finance relief items in the case of EAP activation (IFRC, 2022c).

### Financial Service Provider (FSP) Framework Agreement<sup>10</sup>

As described above, NSs are responsible for implementing the interventions laid out in the EAP. There are no standardized financial processes across different EAPs and NSs. However, DREF provides high-level guidance for instance for procurement agreements, e.g. in the form of pre-established contracts between NSs and selected suppliers. These contracts, which need to follow a tendering process, usually cover specific goods or services frequently requested and include information on agreed prices and quality. FAs remove the need to undertake the procurement process before each response, but they still need authorization to access and use the service.

## B.3 Start Network – Start Fund and Start Ready

Established in 2010, Start Network is a global network of more than 80 non-governmental organizations. It is an independent charity that collaborates with Save the Children UK (SCUK), which acts as grant custodian for the organization. In 2021, Start Network programmes disbursed close to GBP 15 million, providing over five million recipients with emergency humanitarian assistance. Over GBP 2 million was disbursed in anticipation of crises (Start Network, 2022b).

Start Network has two ways of financing anticipatory action (AA): *Start Ready*, its dedicated AA financing instrument that provides predictable, pre-positioned anticipatory funding, and *Start Fund*, providing rapid anticipatory and response funding based on expert

decision-making to under-the-radar, small- to medium-scale crises, filling a critical gap in the humanitarian aid system.

Start Ready and Start Fund may work together in some cases, such as when there are compounding shocks or simultaneous ex-ante interventions. For example, Start Ready may be used for forecastable shocks like a cyclone, while Start Fund can assist with forecastable and non-forecastable shocks, such as public health shocks like diseases that may result from or are exacerbated by the forecastable event. In other cases, pre-positioned Start Ready funds may only cover a certain part of the affected geographic region, and organizations can apply for Start Funds to finance interventions in non-covered areas with sufficient evidence and lead time.

<sup>9</sup> Expert interview

<sup>10</sup> Guidance note: <https://cash-hub.org/resource/ifrc-fsp-framework-agreement-tip-sheet/>

### B.3.1 START FUND

In 2021, the global Start Fund disbursed GBP 13 million to finance humanitarian interventions in response to 58 crises across 30 countries. 15 of the intervention partners were local NGOs, illustrating the network's commitment to locally-led actions (Start Network, 2022b).

The Global Start Fund is financed through donor contract agreements. These allocate funds to SCUK as the grant custodian. All decisions are made by Start Network members themselves. The Start Fund Allocation Committee makes decisions on funding, and projects are selected by Start Network members and their partners, who are closest to the location of the crisis. The disbursement of funds is stipulated in an award letter between SCUK and the implementing member organization. Once the agreement is reached, the member organizations can either implement the activities themselves or transfer the funds to implementing partners under a sub-grant agreement (Start Network, 2020b).

#### Crisis anticipation

In 2021, 15 per cent of the total global Start Fund disbursements were dedicated to AA measures.<sup>11</sup> Eligible interventions are anticipatory activities that aim to prevent or mitigate impacts, and can include risk analyses, response preparations, coordination efforts, market interventions, communication efforts and loss prevention measures such as livestock vaccination (Start Network, 2020a).

To be eligible for the Crisis Anticipation stream of the global Start Fund, there must be sufficient lead time between the alert and the onset, peak or anticipated spikes of the shock event to apply for and receive funding and implement activities. If anticipation is not an option, then members can raise alerts in response to a crisis to trigger the regular Start Fund response process should be followed. Eligible shock events must also be subject to robust anticipatory alerts that help identify potential needs and actions to mitigate emerging risks. Start Network offers analysis for action grants for inter-agency risk analysis to guide and strengthen the anticipatory alert system (Start Network, 2020a).

#### Anticipatory alert and disbursement process

Start Fund's anticipatory alert process closely mirrors decision-making protocols of shock-response

interventions. For regular Start Fund operations, it stipulates a fixed period of 72 hours between alert and project selection. However, there is some flexibility depending on the anticipated timing of the crisis. For example, sudden-onset shock types such as cyclones may require a shorter time interval from alert to project selection. Vice versa, longer-onset shock types like droughts might permit more time (Start Network, 2020b). The exact steps of the institutional process and timelines can be found below:

1. **Crisis anticipation:** Robust forecast data suggests a looming shock situation.
2. **Alert:** Start Network members collectively raise an alert via an Anticipation Alert Note (see below).
3. **Allocation:** Decision whether and how much funding from Start Fund will be disbursed is made democratically via a committee composed of the members rotating across the membership.
4. **Project selection:** The local project selection committee decides which implementing Start Network members will carry out anticipatory actions and the funding amount they will receive on the basis of their Anticipation Project Proposals (see below).
5. **Implementation**
6. **Evaluation and learning**

#### Financial protocol documents

##### Anticipation Alert Note<sup>12</sup>

The Anticipation Alert Note provides an overview of the projected crisis, highlights need assessments of the affected population, provides relevant forecast and risk information, and the rationale for the disbursement decision. The Anticipation Alert Note also outlines financing needs (disaggregated by sector) based on the alerting member organization's assessment of necessary interventions.

##### Anticipation Project Proposal<sup>13</sup>

Anticipation Project Proposals provide detailed information on the intervention design (such as activities, profile and number of recipients, expected impact), a breakdown of activities, and a detailed financial plan including separate cost items, for example, implementation, operation and indirect project expenses. To ensure a fair funding decision, the selection process is anonymized, ensuring that selection committee members do not know whose member organization's proposal they are reviewing.

<sup>11</sup> Expert interview

<sup>12</sup> Template: <https://start-network.app.box.com/s/i0hl7eq2nl0k3kqrqe1jsspxb143qv39m>

<sup>13</sup> Template: <https://start-network.app.box.com/s/nkcpf5u0yqmcui27v13bdgyoa882cldh/file/962863947487>

<sup>14</sup> Template: <https://startprogrammes.app.box.com/s/22z9epmaz9mage7qggpps24jehhajoh>



## Award Letter<sup>14</sup>

The Award Letter is the financial agreement between SCUK, acting as the grant custodian of the Start Network, and the Start Network member organization receiving funds for AA interventions. The document stipulates the amount that the implementing member organization

will receive and the terms and conditions of the grant agreement. It is a legally binding agreement, committing SCUK to disburse grant payments on behalf of Start Network accordingly. Upon receiving the Award Letter, the member organization can thus initiate the implementation of activities.

### B.3.2 START READY

Launched in 2021, Start Ready provides pre-positioned funding for predictable worldwide crises (Start Network, 2022b). Donors contribute funding in advance to ensure that the pre-arranged activities can take place when a crisis threatens. The first risk pool, launched in 2022, collected GBP 4 million in funding, which helped offer coverage to 280,000 vulnerable people (Start Network, 2022c). Start-ready disbursement amounts range from EUR 30,000 (e.g. for activities related to an onsetting heatwave) to EUR 10,000,000 (such as for early drought interventions).<sup>15</sup>

Start Ready pre-arranges financing at a global level through the global Start Ready Committee, for which donors provide funding to the global Start Ready risk pool (Start Network, 2022d). The un-earmarked funding for Start Ready is pre-arranged across the different contingency plans. The Start Ready Committee is tasked with allocating available funds across the Start Ready crisis finance instruments. Key determinants in this process include an assessment of risks, financing gaps and needs, how efficiency funds are used, and the expected scope and frequency of future demands. Start Ready's financing strategy follows a risk pooling approach to limit reserve requirements and thus minimize opportunity cost. According to the organizations' estimations, Start Ready can benefit up to three times more people than if each local DRF instrument was held separately (Start Network, 2022d).

The financial protocols for the disbursement of funds are closely intertwined with the design and implementation process of the Start Ready interventions on a local level.

#### Design and application process

- 1. Creation of a national DRF system:** AA systems of receiving networks must be based on pre-planning, meaning they must include predictive models, pre-planning activities via contingency plans and pre-positioning financing that can be released when a crisis is forecast.
- 2. Application for coverage:** Networks of members at national level apply collectively for Start Ready coverage (see below). Applications are reviewed by the governance committee, which decides based on

i) needs and financing requests of member networks and ii) financial efficiency, which helps to decide the final financial structuring across risks and countries. Applications need to make reference to risk layering (national reserves, global risk pooled fund or insurance).

- 3. Confirmation of pool capital:** Start Network announces the available capital for the year. The committee then allocates the funds across applications.
- 4. Pre-positioning and structuring of funding:** The Committee, with help from third-party experts, decides how to pre-position funding across the risk types and likely funding needs and timing in the application pool. It also chooses a financing strategy, which combines different financing instruments and may vary by year, country, season, and region.

#### Allocation and disbursement process

- 5. Issuance of coverage certificates:** The Start Ready Committee informs national networks of members of the funding decision and the coverage they have been awarded.
- 6. Launch of Start Ready pool:** Start Network issues a pool structuring report, which summarizes the committee's funding allocations by country and risk type. The Start Ready risk pool is then activated for 12 months. Funds are released if trigger thresholds are reached during this period.
- 7. Seasonal readiness and monitoring of risks:** The National network of members monitors risk data. Each country network has contingency plans in place that outline which organisations will receive what proportion of a disbursement, and for what activities.
- 8. Activation cycle:** Once it is verified that pre-agreed thresholds are crossed, funding is released to the recipient member organizations. To initiate the transfer, receiving member institutions need to notify Start Ready via the Pay Out Confirmation Form (see below). Start Programmes' Crisis Anticipation and Risk Financing (CARF) team<sup>16</sup>, housed within SCUK, then cross-checks this form and verifies that the threshold is met or exceeded. The team sends a response email within 24 hours if the threshold breach is confirmed. Once this confirmation email is received, activities and

<sup>15</sup> The upper ceiling is aspirational, but not within the current capacity of the fund (Interview with START representative)

<sup>16</sup> The Start Programmes CARF team supports Start Ready Manager, who is the focal point for the delivery of the system. CARF is housed within SCUK.



implementation according to the contingency plan can begin (Start Network, 2022d).

- 9. Fund disbursement:** Implementing organizations receive funding from Start Network within 72 hours of the threshold breach verification email. As discussed, the coverage letter outlines the activities implemented by each involved institution. These roles are often pre-agreed before the onset of the risk season in the contingency plans. The award letter also includes information on the type of assistance to be offered, the scale of the intervention, and its geographic scope<sup>17</sup> (Start Network, 2022d).

## Financial protocol documents

### Coverage application form<sup>18</sup>

The Start Ready coverage application is a form used to request pre-positioned funding from Start Ready for a 12-month period. It includes information on the risks to be covered, contingency plans, costs of interventions, lead times of forecasts, and vulnerability information. It also includes information on financial layering, illustrating how the request for funding would be distributed across national reserves, the global risk pooled fund, and insurance (Start Network, 2022d).

### Coverage certificate

A coverage certificate is a document outlining the terms and conditions for the release of funding from a financial instrument in the event of a pre-determined trigger being met. It is a commitment to fund, but not a guarantee, and includes information such as the number of people

expected to be protected, the amount of funding pre-positioned, and the duration of the risk season. The institution responsible for monitoring the risk indicators is also specified in the coverage certificate (Start Network, 2022d).

### Pay-out confirmation form<sup>19</sup>

The stakeholder tasked with monitoring risk indicators should complete the pay-out confirmation form as soon as trigger thresholds have been met or exceeded. The form has three main purposes: it documents that funding criteria were met, provides a monitoring, evaluation, accountability, and learning (MEAL) evaluation. The document is reviewed by someone at the national level before being submitted.

Typically, the DRF Coordinator sends a confirmation that the form was received, accompanied by a notification of commitment to fund contingency plan projects. The DRF Coordinator then supervises that projects are implemented according to standard operation procedures.

### Award Letter<sup>20</sup>

Serving as the financial agreement between SCUUK (as Start Network's Grant Custodian) and the Start Network member organization that is awarded funds to implement AA programmes, the Award Letter includes the funding amount and terms and condition of the grant agreement. Since the Award Letter is legally binding, it allows member organizations to start implementing activities.

## B.4 OCHA and the Central Emergency Response Fund (CERF)

The United Nations Office for the Coordination of Humanitarian Affairs (OCHA), established in 1991, is part of the United Nations Secretariat. Its main responsibilities include organizing and coordinating humanitarian interventions in partnership with national and international actors following disasters and emergencies. OCHA's main strategies to achieve these goals include coordination, advocacy, information management and humanitarian financing tools and services (UN OCHA, 2022d). OCHA's main source of funding is voluntary contributions from a broad set of donors, the most important of whom are bilateral Member States and the European Commission. In addition, 5 per cent of OCHA's annual budget is funded from the United Nations Regular Budget (UN OCHA, 2022b).

OCHA's mandate is to mobilize resources for humanitarian response globally. In addition, OCHA allocates donor contributions via two forms of emergency funds for the humanitarian system: the globally operating CERF and Country-based Pooled Funds (CBPFs) established at country or regional level. In 2022, USD 734.6 million of CERF funds and USD 1.23 billion of CBPFs funds were allocated for humanitarian response activities in 42 countries.

CERF was established by the United Nations General Assembly (UNGA) in 2005. CERF is led by the OCHA in close collaboration with the broader humanitarian system (UN OCHA, 2021). CERF core funding functions are structured under the Rapid Response (RR) and

<sup>17</sup> For slow-onset crises, such as drought, plans might be adapted based on targeting on up-to-date information on needs.

<sup>18</sup> Template: <https://start-network.app.box.com/s/lqfgtin1138p71j57wjn6gxb4qmmsfiy>

<sup>19</sup> Template: <https://start-network.app.box.com/s/m8c39p4zuq5dkr6vel50lfw31za6wcv7>

<sup>20</sup> Template: <https://startprogrammes.app.box.com/s/22z9epmaz9mage7qggppsz4jehhajoh>

Underfunded Emergencies (UFE) windows. In 2022, 51 per cent of the total CERF allocations of USD 734.6 million were spent on conflict-related emergencies, 36 per cent on natural disasters, 9 per cent on other human-made disasters, and 4 per cent on disease outbreaks.

### **OCHA-facilitated anticipatory action**

OCHA coordinates collective anticipatory action. This includes the facilitation of anticipatory action frameworks, which have three components: a risk model that provides verified risk-specific forecasts or established triggers of the shock at stake, pre-arranged financing that ensures funds are available and ready to be disbursed once a pay-out has been triggered, and pre-agreed humanitarian actions that specify what activities will be financed and which agency receives how much funding (UN OCHA, 2021). The Resident/Humanitarian Coordinator (RC/HC) leads the development process of the AA framework in coordination with the OCHA headquarters and international partners.

These AAs target hazards, with a return period of one in three, to one in five years. Each framework is also accompanied by a learning strategy.

Since 2018, OCHA has worked with donors, implementing organizations, governments and experts to help scale anticipatory action and promote change toward a more anticipatory system. This included an initial commitment of up to USD 140 million from CERF to develop 12 pilot AA frameworks for different shocks, including drought, dry spells, flooding, cyclones and communicable disease outbreaks.

As of January 2023, 10 frameworks have been endorsed. Seven collective anticipatory action pilots have triggered, reaching more than 3.5 million people (Bangladesh, Democratic Republic of the Congo, Ethiopia, Nepal, Niger, Somalia and South Sudan).

Going forward, the OCHA 2023-2026 Strategic Plan commits OCHA to “support and facilitate a systemic shift to coherent and embedded anticipatory approaches”; as well as to “use [OCHA’s] financing tools to facilitate, generate evidence for, and scale-up collective anticipatory action” (UN OCHA, 2023).

### **CERF anticipatory financing**

While CERF has typically allocated funds in the context of traditional response, helping to kickstart or bolster humanitarian operations following a shock event or in support of underfunded humanitarian contexts,

CERF’s mandate also provides for time-critical action in anticipation of predictable, severe crises.

Over the past decade, CERF has supported ad-hoc anticipatory and early allocations. These included a USD 5 million allocation in Myanmar in anticipation of the 2013 monsoon season as well as a USD 30 million allocation to Sahel countries for drought resilience measures in 2018 (UN OCHA, 2021).

CERF also provides pre-arranged finance in support of OCHA-facilitated coordinated anticipatory action, in addition to other funding that is invested in the frameworks. Between July 2020 and January 2023, CERF has released USD 89 million, or about 5.5 per cent of the total CERF expenditure over the same period.

CERF funding for AA does not have a separate window and is instead housed under the Rapid Response window, which means funding is not set aside, but managed through CERF’s cash flow. Anticipatory finance is provided on a no-regrets basis. Receiving CERF financing for anticipatory action does not preclude (or guarantee) additional CERF funding for a traditional rapid response to complement response efforts for prioritized life-saving needs resulting from the same (or other) shocks.

OCHA manages the financial risk associated with forecast uncertainty for AA, where there is a trade-off between early warning lead times versus the reliability of those warnings. For example, in sudden-onset emergencies, CERF manages this risk by a) relying on two-stage trigger mechanisms with a readiness and an action stage and b) ring-fencing funds associated with the second (action) stage. For slow-onset emergencies - where different activities have different windows of opportunity distributed over longer timelines - CERF has adopted a phased approach, whereby separate sets of activities are disbursed at different moments in time, making use of the best available forecast at that moment. Another way to offset the risk is in focusing on financing activities – and targeting these activities on the most vulnerable communities - those that have a humanitarian impact even if the predicted shock is not as severe as initially forecast (UN OCHA).

CERF prioritizes spending on activities that meet its life-saving criteria<sup>25</sup>, with the vast majority going towards intervention costs. Some operational costs may also be covered if directly related to emergency processes. CERF’s AA efforts complement other project-based anticipatory funding mechanisms. CERF therefore requires a multi-agency coordinated, consolidated response under Resident/Humanitarian Coordinator (RC/HC) leadership (UN OCHA, 2021).

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25 Central Emergency Response Fund Life-saving Criteria

## Allocation and disbursement process

Protocols to release CERF finance for anticipatory action were adapted from (and are therefore similar to) the regular procedures associated with fund disbursements from the Rapid Response window, with the key difference that funding applications are often put in place before shocks occur.

Specifically, the AA funding release depends on three criteria (UN OCHA, 2021):

- i. **Resident/Humanitarian Coordinator (RC/HC) endorsement.** The RC/HC in the respective country reviews and endorses the AA framework document itself, as well as the CERF application package comprising of an application chapeau, agency-specific project proposals, and agency-specific budgets.
- ii. **Emergency Relief Coordinator (ERC) endorsement.** The ERC reviews and endorses the AA framework document and then approves the agency-specific projects. Endorsements can be pre-arranged, meaning that AA interventions are automatically approved once a trigger is met or breached.
- iii. **Activation of the pre-agreed trigger.** Specific activation protocols are agreed upon in the development stages of the AA framework. These should clearly define trigger thresholds, specify who monitors the trigger, and clarify who has the authority to certify that the trigger threshold has been reached.

The disbursement process may vary across the type of emergency it seeks to mitigate or prevent. The activation protocol of an AA programme, which is part of the AA Framework, lays out the operational steps once a threshold has been met or breached. As discussed next, the type of emergency also has implications for the activation and therefore financial protocol that needs to be followed.

CERF funding for fast-onset emergencies is disbursed for shock types such as floods or storms. When a trigger is activated, CERF sends a pre-endorsed approval letter to the relevant United Nations agency, which then receives the funding after returning a countersigned copy to CERF. As everything is pre-arranged, this can be very quick. In 2022 in Nepal, for instance, recipient agencies received approval letters guaranteeing the release of funding within 14 minutes of the triggering of the framework.

The funding release process for sudden-onset emergencies usually includes pre-action (or readiness) triggers and action triggers, and the full amount of funding is released immediately when the agreed-upon readiness trigger

threshold is reached. The activities for these emergencies have been previously finalized and documented in project proposals held by CERF, allowing recipient UN agencies to implement them in a timely manner (UN OCHA, 2021).

The funding release process for slow-onset emergencies, such as droughts, is slightly different from the process for fast-onset emergencies. There is no differentiation into readiness and action stages. However, the longer forecast lead times and slower evolution of the crisis mean that different interventions have different windows of opportunity spread over a longer period of time (as opposed to fast-onset emergencies where humanitarian impact across sectors typically occurs at the same time). Therefore, OCHA-facilitated collective anticipatory action frameworks for slow-onset emergencies may feature two to three triggers, each tied to a different set of interventions. Another difference is that - given the slower evolution of the situation - project documents can be finalized after the trigger is reached, for example for final tweaks on target locations and budgets. It is still recommended to have the application package prepared as much as possible to minimize delays once a trigger is activated (UN OCHA, 2021).

## Financial protocol documents

As part of any CERF application, UN institutions need to submit the following documents, which are also a requirement to receive AA funding:

### Application chapeau<sup>26</sup>

The document outlines the total amount requested for the humanitarian response in the affected geographical areas and sectors. For the rapid response window, this amount should reflect funding needs for a six-month period for humanitarian interventions to address the specific crisis that triggered the application to CERF.

### Agency-specific project proposals<sup>27 28</sup>

The project proposals provide an overview of the implementing agency, the requested funding amounts, specific activities to be implemented following the readiness and activation triggers, results frameworks, implementation and coordination arrangements, and effective programming.

### Agency-specific budgets<sup>29</sup>

These budgets provide a more granular overview of cost types and amounts that applications request from the CERF AA funds. They also include an overview of the implementing partners (typically government bodies and NGOs) and the transfer and grants they will receive from the allotted CERF funds.

26 Template: <https://cerf.un.org/document/cerf-application-template-english-chapeau>

27 Template: (slow-onset shocks): [https://anticipatory-action-toolkit.unocha.org/wp-content/uploads/2021/07/6-CERF-project-proposal\\_AA\\_slow-onset\\_EN.docx](https://anticipatory-action-toolkit.unocha.org/wp-content/uploads/2021/07/6-CERF-project-proposal_AA_slow-onset_EN.docx)

28 Template (sudden-onset shocks): [https://anticipatory-action-toolkit.unocha.org/wp-content/uploads/2021/07/6-CERF-project-proposal\\_AA\\_sudden-onset\\_EN.docx](https://anticipatory-action-toolkit.unocha.org/wp-content/uploads/2021/07/6-CERF-project-proposal_AA_sudden-onset_EN.docx)

29 Template: [https://anticipatory-action-toolkit.unocha.org/wp-content/uploads/2021/07/CERF-Budget-Template\\_AA\\_single-trigger\\_EN.xlsx](https://anticipatory-action-toolkit.unocha.org/wp-content/uploads/2021/07/CERF-Budget-Template_AA_single-trigger_EN.xlsx)

## B.5 WFP - Anticipatory Action (AA) Trust Fund

The World Food Programme (WFP) is a United Nations agency that operates in over 120 countries and territories, where it provides humanitarian assistance to people affected by conflict and natural hazards. WFP's operational focus is on interventions in the fields of nutrition, agriculture, food systems, climate-resilience, human capital and conflict situations. It is funded entirely through voluntary contributions, including in the form of donations from various governments, institutions, corporations and individuals (WFP, 2022d). In 2021, WFP and its partners assisted 128.2 million people, providing food assistance, cash-based transfers and commodity transfers worth USD 8.6 billion to affected populations (WFP, 2022a).

WFP launched its AA agenda in collaboration with the German Red Cross in 2015. Together with governments and other key humanitarian partners, WFP is currently implementing activities and building capacity on AA in 28 countries across Africa, Asia, Latin America and the Caribbean, covering over two million people with Anticipatory Action Plans (WFP, 2022c). In 2022, USD 16.7 million of pre-arranged funds was distributed in support of AA programmes in six countries (Dominican Republic, Ethiopia, Madagascar, Nepal, Niger and Somalia), providing anticipatory assistance to 1.7 million people (WFP, 2022b).

WFP's AA interventions include information provision (e.g. weather advisories, early warning systems, mitigation measures, coping strategies), training (e.g. drought-adapted cultivation techniques, marketing, livestock health), in-kind or cash distribution (e.g. cash transfers, social safety net top-ups, distribution of drought-tolerant inputs with partners, distribution of fuel-efficient stoves (BLEENS)) and construction or asset creation (e.g. water point rehabilitation, water capture and storage) (WFP, 2021b).

### Dual anticipatory action approach

#### I. Supporting government AA schemes

WFP's AA approach aims to integrate flexible finance mechanisms and anticipatory actions into existing humanitarian and government disaster risk management protocols. It further intends to connect these protocols with early warning systems, social protection, food systems programming and other complementary programmes that provide safety nets for the most vulnerable populations (WFP, 2021a). To achieve these goals, WFP collaborates directly with host governments through the co-development and co-implementation of anticipatory actions (WFP, 2021a).

WFP supports governments in establishing AA schemes for improved climate-risk management. This involves integrating AA into the national disaster contingency plans of partner governments as well as adapting social protection programmes, where possible. WFP also provides guidance to partner governments by facilitating continuous multi-sectoral coordination efforts and enhancing social protection building blocks within the context of AA. Specifically, this entails operating AA schemes and supporting governments in the implementation of these schemes (WFP, 2022c).

#### II. Implementing direct, WFP-led AA schemes

WFP delivers AAs directly to support government efforts and improve outcomes for people and systems. This may involve replicating parts of government programmes to address temporary gaps in response to forecasted climate hazards, or using elements of existing government programmes or systems (e.g. social protection) to deliver assistance rapidly ahead of predicted extreme weather events. WFP may also use its systems and projects to generate evidence-based recommendations, assess operational risks, and facilitate a transition to government ownership (WFP, 2022c).

### Financial protocol documents

#### Anticipatory Action Plan (AAP)<sup>30</sup>

The AAP is a needs-based, pre-agreed plan that consolidates the key information required to deliver timely action ahead of predicted extreme weather events. This includes details on forecast thresholds, triggers, readiness and anticipatory actions, targeted populations, M&E plans, associated internal and partner responsibilities and costs (minimum and maximum based on different risk threshold scenarios). AAPs are valid for two to five years, depending on CO needs.

The protocols for AAP activities can be divided into readiness and intervention activation trigger statements. Implementation of the AAP follows pre-defined preparedness and intervention procedures for various forecast timelines and shock severity levels as captured by different hazard or impact thresholds. Stakeholders responsible for carrying out activities agreed upon according to the procedures are also defined in the document. The AAP outlines budgets and funding sources for implementing activities, such as WFP's AA Trust Fund, WFP's Immediate Response Account (IRA), CERF and government funds, and details their respective coverage (i.e. readiness and intervention activities), eligibility, management, request and disbursement procedures, and timing.

30 Expert interview

### **AA Funding Request<sup>31</sup>**

The AA Funding Request is a plan submitted by WFP country offices to HQ to request AA activation funds once there is evidence that the pre-defined forecast trigger included in the AAP has been met. The IFR converts the AAP into a resource-based plan that clarifies the scenario

that has been triggered (e.g. one-in-two-year flood event or moderate drought) and includes updated planned beneficiary numbers and budget based on available resources for that year. Available AA activation funds are communicated to eligible COs (i.e. those that have approved AAPs) at the beginning of every year.

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31 Expert interview



# C. Guiding principles for AA financial protocols

The seven guiding principles detailed below build on the common features of the financial protocols of main AA funds that enable effective disbursement of pre-positioned funding. They were identified through consultations with expert counterparts from each of the five organizations. Some of these insights have a primarily operational focus but still affect anticipatory action financial protocols.

**1. Pre-arranged:** A cornerstone principle for AA financial protocols, pre-arranged financing is allocated in advance and pre-approved to be disbursed to a specific recipient once a pre-defined trigger condition is met. This type of financing is intended to provide timely resources for effective AA schemes that can be implemented before the onset of a shock event (Knox Clarke and REAP Secretariat, 2022). As observed from the detailed financial protocols of the five funds, while there are certain differences in configuration and governance mechanisms followed by these funds, the underlying common denominator is that of dedicated resources being allocated in advance to allow for time-critical mobilization of activities.

Official development assistance (ODA) can play a key role in pre-arranging finance for AA programmes. The design and focus of such bilateral and multilateral funding instruments varies among organizations based on their mandates, structures and approaches to AA. DRF may also provide a set of strategies and financial instruments to find the most appropriate mix of financing sources to pre-arrange funds for the uncertain needs of an AA programme. Additionally, while other financing streams such as climate finance may be tapped into for pre-arranged finance, they have not yet reached a significant scale or are not currently tailored to the needs and context of anticipatory action.

**2. Risk-informed and objective:** Using disaster risk analytics that combine risk information and financial analysis of risk data is a key prerequisite for AA financial protocols. Providing a link between raw risk data and applied financial operations is a precondition for effective use of ex ante tools such as AA. Pre-established and pre-financed AA interventions rely on independent and robust data as the basis for activation of triggers that initiate the disbursement

of funds. This basis can also ensure objectivity by minimizing behavioural and cognitive biases in decision-making and reducing false-positive and false-negative errors for reliable outcomes.

AA financial protocols can greatly benefit from effective cross-sectoral collaborations on risk information and analytics. Benefits of collaborating on risk analysis are illustrated by the analysed funds' close alignment with FOREWARN, a global initiative that supports AA by providing technical expertise in forecasting and risk analysis. It comprises a diverse group of professionals from various sectors and disciplines, including humanitarian aid, academia, science and risk management (AATF, 2021). The network provides a platform for both knowledge exchange and technical support in identifying and operationalizing risk data that can serve as underlying trigger information that activates the disbursement of AA funds.

**3. Flexible to account for uncertainty:** AA triggers must be reliable for action and funding, but forecasts may not always be available or accurate, especially at longer lead times. Flexibility is therefore key in timing action (Chaves-Gonzalez et al., 2022), and a critical underlying principle for AA financial protocols. AA initiatives illustrate this by highlighting the importance of balancing forecast accuracy with operational needs. Unearmarked funding can enhance efficiency by enabling flexible use of funds. Given the seasonality and uncertain nature of shocks covered by AA, using a larger fund of resources for both AA and regular response, in combination with effective cash-flow planning, can allow for funds to be used in a timely manner where they are most needed and have the greatest impact, rather than remaining idle in a separate pot, leading to opportunity cost.

To manage financial risk in the face of forecast uncertainty, the use of pooled funds and phased approaches can mitigate the trade-off between early warning lead times and warning reliability. CERF achieves this through a two-stage trigger design with a readiness and action stage for sudden-onset emergencies, and a phased approach for slow onset emergencies, which disburses separate sets of activities at different moments using the best available forecast. Additionally, focusing on financing activities with humanitarian impact for vulnerable communities even if the shock is less severe than predicted, can offset the risk of missed impact.

Financial protocols may also include feedback loops to incorporate flexibility in decision-making on provisions for actions in case of changes in risk levels. IFRC EAPs with lead times longer than three days, for instance, include a stop mechanism to prevent AA interventions if forecasts and associated risks change. In such cases, unused AA funds are returned to IFRC by national societies (IFRC, 2022b). The opposite scenario can also occur when interventions are not put into action even when a shock event is approaching. For example, a drought-focused CERF AA programme in Niger has implemented an additional trigger based on observations, which can activate interventions in the event that the forecast-based trigger was not met but the situation still requires intervention due to low levels of precipitation (UN OCHA, 2022a).

- 4. Localized:** Derived from the commitments made under the Grand Bargain (2016), Grand Bargain 2.0 (2021), and the Sendai Framework for Disaster Risk Reduction (2015-30), localization is a key underlying principle for AA financial protocols. In the context of AA protocols, strengthened localization can include greater empowerment and participation of local actors and at-risk communities along several dimensions, such as risk analytics and trigger design, fund placement, technical capacity and triggered action execution.

The UN OCHA-supported 2020 AA programme in Bangladesh demonstrated how local ownership is key for the trigger design which underlies operational and financial protocols. Effective frameworks and triggers, based on local knowledge and systems, are needed for improved resource allocation and timing, and require ongoing refinement from, and close consultation with, local experts and practitioners (Gettliffe, 2020). For example, Start Network

particularly emphasizes the use of locally-sourced disaggregated data to reduce uncertainty of the risk assessment (Start Network, 2022a).

Additionally, IFRC has started transferring full control of EAP fund disbursements to national-level delegations to promote local ownership. These funds can then be accessed by NSs from the national delegations instead of the global IFRC. This local control, as seen in the case of the Philippines, allows for the financial protocol to be optimized for specific institutional and legal conditions, providing procedural and accounting benefits and giving country-level delegations more flexibility in deciding where and when to make payments.<sup>32</sup>

Technical capacity across all stakeholders involved in financial transactions is critical for smooth financial protocol execution. The IFRC emphasizes this for both internal and external processes. When designing and implementing AA programmes, northern partner NSs may support local NSs. It is important to ensure that this technical collaboration does not result in limited local ownership or dependencies on individual people.<sup>33</sup> IFRC also highlights the importance of training financial service providers (FSPs) who may be involved in AA interventions but lack the necessary experience and capacity (DREF and IFRC, 2022).

The principle of local ownership and leadership in executing AA interventions is particularly emphasized by Start Network and IFRC, but also upheld by other organizations, and has financial protocol implications. Effective implementation of actions requires agencies and their partners to have the necessary institutional capacity, including expertise in the relevant area, logistics, administration, financial resources and human resources, given the limited available lead time (UN OCHA, 2022a).

- 5. Co-ordinated:** Given the presence of multiple streams of pre-arranged finance at country level, it is critical that financial protocols of these instruments, including AA, be coordinated not only within but also with other categories of pre-arranged funds. This is key to ensuring that the efficacy potential of such instruments can be fully realized.

While co-ordination of financial protocols within the AA fund category should be encouraged at all key design, trigger and execution stages, it is also important to recognize that differences in organizational mandates and procedures may not always make this programmatically feasible. As such,

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32 Expert interview

33 Expert interview

it is key to identify which critical stages would benefit the most from a coordinated approach. For example, preparedness, a key component of AA, is often not funded by humanitarian financing instruments, including CERF, which can only fund action after the trigger threshold has been reached. To scale up AA, it can be crucial to take a coordinated approach to understanding preparedness and pre-positioning requirements, and find complementary financing options, as lack of funding for preparedness and pre-positioning may limit the execution of planned AA activities.

Disaster risk layering is an approach whereby different budgetary, contingent and market-based instruments are combined to mitigate the impact of shock events of different frequency and severity (WBG, 2018). Coordinating financial protocols of AA funds with those of other DRF instruments, where feasible, can ensure optimization of value for money as instruments get executed in ascending order of their economic costs.

**6. Inclusive:** Inclusive AA acknowledges that at-risk individuals contend with barriers, discrimination and stigmatization that can limit their access to effective surveillance and early warning systems, basic services and networks, and put them at greater risk when a disaster is imminent. Inclusive approaches can be incorporated in AA programming through several means. For example, identifying how at-risk individuals and groups experience discrimination or inequality in their communities and how they may be affected by the anticipated hazard; engaging at-risk communities in identifying, prioritizing, and designing context-specific actions; implementing

actions in a way that best meets the different needs and challenges of the at-risk groups; and ensuring monitoring and evaluation processes are inclusive (FAO, 2020).

This approach can also be extended to financial protocols of AA funds, especially when considering design and governance elements. Structuring of financial protocols should be based on a nuanced and context-specific understanding of at-risk groups' varied capacities, needs and preferences. Decision-making should also be informed by multi-stakeholders and include governance mechanisms, which includes representation from at-risk groups.

**7. Transparent and Accountable:** Financial protocols for AA should be transparent and accountable, with clear mechanisms for tracking and reporting on the use of funds. This can help ensure that resources are used effectively and efficiently, and that stakeholders can monitor the impact of interventions.

Accountability to affected populations should be an underlying principle on which AA financial protocols are developed. This should include attributes of (i) taking account whereby communities are given meaningful influence over decision-making in a way that is inclusive, non-discriminatory and accounts for the diversity of communities; (ii) giving account through sharing of information in an effective and transparent way across communities; and (iii) being held to account by ensuring that communities have the opportunity to assess and, where feasible, alter or sanction actions (IASC, n.d.).

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