

Forecast based Financing



In partnership with:



Finnish Red Cross



Climate Centre



german humanitarian assistance
DEUTSCHE HUMANITÄRE HILFE

Overview

Challenge: Humanitarian finance is available mainly when a disaster strikes and suffering is almost guaranteed. But climate-related risks are rising worldwide, and just waiting for disasters to happen is not an option.



Opportunity: Many humanitarian actions could be implemented within the window between a forecast and a disaster. Climate-related hazards can be forecasted and humanitarians do receive information about when and where extreme weather events like storms, floods, or droughts are expected. If there was an automatic system triggering and funding preparedness actions based on a credible warning, then suffering could be prevented, humanitarian funds could be used more efficiently, and could contribute to community resilience.



Innovation: Forecast-based Financing (FbF) releases humanitarian funding based on forecast information for planned activities which reduce risks, enhance preparedness and response, and make disaster risk management overall more effective.

FbF shall improve **Early Warning/ Early Action** in disasters by ensuring fast and timely financing of Early Actions before disaster happens.

Definition of Terms:

Danger Level: The magnitude of an extreme event that will lead to impact.

Forecast: A statement of expected meteorological and environmental conditions for a specified time or period, and for specific area.

Lead Time: Length of time between the issuance of a forecast and the occurrence of the disaster is forecasted to happen.

Trigger: A forecast that is issued, which exceeds both the danger level and the probability thresholds leading to the initiation of pre-defined actions.

Early Action Protocol (EAP): An early action protocol for the step-by-step implementation of forecast-based actions.

Disaster Risk Reduction and Management (DRRM): the systematic process of using administrative directives, organizations, and operational skills and capacities to implement strategies, policies and improve coping capacities in order to lessen the adverse impacts of hazards and disaster.



IMPLEMENTATION MECHANISM

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Understand risk scenarios <ul style="list-style-type: none"> Risk scenarios, hazards, vulnerability and capacities are analyzed 	Identify available forecasts <ul style="list-style-type: none"> Local and international climate information (observations and forecasts) is used Reliability is analyzed for long-, mid- and short-term forecasts Different kinds of forecasts are considered (temperature, rainfall, water flow, winds, etc.) 	Identify danger levels <p>The danger level is defined according to:</p> <ul style="list-style-type: none"> Extreme event return periods Historical impact data of extreme events Minimum criteria financing institutions Reality in the field 	Formulate early actions <p>The following is taken into account:</p> <ul style="list-style-type: none"> Previous studies on the effectiveness of early action (evidence based action) Preparedness time according to forecast Actions that add value to be implemented between forecast and disaster (excluding GRD actions, annual actions and actions that are better carried out as a response). 	Develop the 'early action protocol' 'SOP' <p>The SOP includes the following, among others:</p> <ul style="list-style-type: none"> Actors involved Danger levels Early actions Detailed action plan Contact list Communication and early alert guidelines. Budget for activation Distribution plan Security plan 	Validate the protocol with key actors <p>The key-actors for validation are:</p> <ul style="list-style-type: none"> National GRD authorities Hydro-meteorological service Regional and local governments 	Monitor hydro-meteorological forecast <table border="1"> <tr> <td> The danger level IS exceeded </td> <td> The danger level IS NOT exceeded </td> </tr> <tr> <td> </td> <td> </td> </tr> <tr> <td> Early actions are implemented (according to the action protocol). </td> <td> Early actions are not implemented. </td> </tr> </table>	The danger level IS exceeded	The danger level IS NOT exceeded			Early actions are implemented (according to the action protocol).	Early actions are not implemented.
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References:

Red Cross Red Crescent Climate Centre (RCCC): Innovative Concept Overview
Forecast-based Financing Manual created by German Red Cross and RCCC

Forecast-based Financing in the Philippines

Why Philippines?

The Philippines is a Southeast Asian country in the Western Pacific. As part of the Pacific Ring of Fire, two tectonic plates meet, regularly causing destructive earthquakes, tsunamis and volcanic eruptions. In addition, the Philippines lies in the typhoon belt and is hit by an average of 19 - 20 tropical cyclones annually. Because of its geographic location, the Philippines is amongst the countries with highest disaster risk (ranked 3rd, 2016 World Risk Report). It can be hit by several typhoons, heavy rains, floods, landslides, and/or stormsurges within one rainy season.



The national DRRM system in the Philippines is well structured and mandated to strengthen disaster preparedness capacities at all levels of governance; thus offering a good basis for the development of a national FbF approach together with local authorities and the Red Cross. Via the existing DRRM budget (in addition to other national funds), the legislation also offers the possibility of integrating and financing FbF actions through national mechanisms.

Forecast-based Financing in the Philippines - Closing the Gap Between Disaster Risk Reduction and Emergency Relief

RESULT 1

An FbF community of practice has been established in the country. It is contributing to the development of EAPs and promotes the integration of FbF into national Disaster Risk Reduction.

RESULT 2

In a pilot process, replicable EAPs for local authorities and PRC have been developed and tested. PRC capacities for the implementation of those EAPs have strengthened.

RESULT 3

The FbF concept, process, and lessons learnt in the Philippines will be shared with regional actors via a regional dialogue platform.

RESULT 4

The documented process of the project is to be shared with FbF stakeholders and science is used to improve the FbF methodology.

Duration: August 2017 - July 2020 (36 months)

Implementing Partner: Philippine Red Cross

Partner National Societies: German Red Cross and Finnish Red Cross

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Overall Objective:

Contribute to the reduction of humanitarian consequences of extreme weather events on the affected population in high risk areas.

Operation Purpose:

FbF approach has been tested and evaluated in the Philippines and is accepted by key actors on national, regional, and international level.

Project Summary:

The project is one of several German Red Cross - supported pilot projects worldwide. The project will:

- **test the FbF approach and produce evidence** on its functioning. This will be achieved by developing integrated Early Action Protocols between PRC chapters and LGUs; and by improving the required forecast jointly with meteorological institutes.
- aim to **integrate the idea of FbF in the national DRRM system.**
- **identify potential funding mechanisms** within the RC (with IFRC) and in the national systems.
- will have **strong collaboration with World Food Programme (WFP)**. There will be sharing of information, technical support, and implement identified joint activities in the agreed initiatives of project implementation.

