



About Forecast-based Financing (FbF)

Forecast-based Financing (FbF) is a methodology that enables National Red Cross Red Crescent Societies access to humanitarian funding for early action based on in-depth forecast information combined with risk and impact analysis. FbF enables National Societies to anticipate disasters, and prevent or mitigate their impact, with the aim of saving lives and protecting livelihoods.

A key element of FbF is that the **allocation of financial resources is agreed in advance**, together with the **specific forecast threshold** that triggers the release of resources for the implementation of early action activities. The IFRC does not currently have resources to support National Societies to do FbF or to develop an Early Action Protocol; however, the IFRC does provide funding to National Societies with approved Early Action Protocols via **Forecast-based Action by the DREF**. The IFRC's Forecast-based Action (FbA) by the DREF funding mechanism is integrated into the Disaster Relief Emergency Fund (DREF).

Three components of Forecast-based Financing

Triggers - Region-specific “impact levels” are identified based on the detailed risk analysis of relevant natural hazards, impact assessments of past disaster events, and vulnerability data. A trigger model is subsequently developed according to an impact-based forecasting approach. It determines priority areas where the impact of an extreme weather event is anticipated to be most severe.

Early actions - A pre-arranged early action plan will be implemented at the time of a triggering forecast, with the aim of reducing the impact of the predicted event on human lives. Such early actions aid people at risk and help them take action to protect their families and livelihoods. This can include, for instance, providing veterinary kits, tying down house roofs, providing food and clean water, as well as transferring cash.

Financing mechanism - An ex-ante financing mechanism automatically allocates funding once a forecast trigger has been reached, enabling the effective implementation of the early action plan.

These three components are summarized in the **Early Action Protocol**. The Early Action Protocol serves as a ‘plan’ for National Societies and partners which outlines roles and responsibilities for early action.

Developing an Early Action Protocol – step by step

A **Feasibility Study** is the first step in the process to establish an FbF system in a country, or when considering addressing additional hazards in a country where there is already an operational FbF system. The Feasibility Study assesses under what conditions FbF is viable in a specific country and begins to explore different design options for the FbF system, including choice of hazard and risks to address, involves institutions, the existing structures that can be used to establishment of an FbF system, as well as the challenges and gaps that need to be tackled to ensure the system can become operational. The report should also provide early guidance on how that system could be designed to have the highest potential for reducing disaster impacts.

A Feasibility Study – if carried out thoroughly – can take up time and resources. Thus, before embarking on the process, the National Society should discuss internally, as to whether they are committed to FbF in general and whether this is a suitable time to commit to FbF. These discussions can be continued based on the results of the feasibility study.

Next steps include risk analysis, inventory of forecasts, trigger development and selection of early actions. FbF promotes coordination and relationship building among key actors in the intersection of practice, research, and policy, FbF also aims to build National Society capacity to adopt and deliver anticipatory humanitarian action.



Based on current experience, **development of an Early Action Protocol** can take **between 1 – 3 years**. At this stage, the IFRC does not have funding to support National Societies to develop an Early Action Protocol. National Societies can get support for Early Action Protocol development from Partner National Societies. In addition, the Red Cross Red Crescent Climate Centre can assist with trigger development.

For a more detailed overview of the FbF process, please review the [FbF Practitioners Manual](#)

Integrating Forecast-based Action (FbA) into the Disaster Relief Emergency Fund (DREF)

In December 2017, the IFRC established **Forecast-based Action by the DREF as a dedicated and sustainable financial mechanism**, providing a vehicle for donors to support the concept of FbF by extending the scope of the DREF. Connecting the new mechanism to the DREF strengthens links, data sharing and decision-making between the different phases of intervention in the disaster management cycle. The DREF is a well-established and well-known response tool and has a proven track record of managing multi-donor funds. Since the Forecast-based Action mechanism is set up as a fenced component, it gives donors the flexibility to allocate contributions according to their mandate.

The mechanism **serves National Societies and focuses on the funding developed and approved Early Action Protocols**. The mechanism concentrates on Early Action Protocols for hazards that can be scientifically forecast based on hydrometeorological risk data and observations. The acceptance of Early Action

Disaster Relief Emergency Fund (DREF)

The DREF was established by the IFRC in 1985 to provide immediate financial support to National Red Cross and Red Crescent Societies, enabling them to carry out their unique role as first responders after a disaster. All requests for DREF allocations are reviewed on a case-by-case basis. Funds can be authorised and released within 24 hours.

The DREF is available to all 192-member National Societies of the IFRC, and has two main purposes:

- Start-up funding for the IFRC and National Societies to respond to large-scale disasters – the “loan facility”.
- Funding for National Society responses to small- and medium-scale disasters and health emergencies with no international appeal or no support from other actors – the “grant facility”

Protocols by the Fund solely depends **on their quality, which is based on transparent eligibility criteria.**

The fund uses a **purely trigger-based, decision-making process.** Once an Early Action Protocol has been approved, the funding of early action is guaranteed, as well as the maintenance of the Early Action Protocol itself during its 5-year lifecycle.

Key considerations: Early Action Protocol funding from Forecast based Action (FbA) by the DREF



- Extreme events of a magnitude that would require humanitarian assistance
- Minimum criterion of a 5-year return period
- Minimum target of at least a 10,000 people per activation
- Maximum budget CHF 500,000, across the three components:
 - **Readiness activities:** any ongoing costs and services (human resources and logistics) that are deemed indispensable for subsequent trigger-based activation of an Early Action Protocol. These costs could be spread out over the lifespan of an Early Action Protocol.
 - **Pre-positioning stock:** relief items which can be stored over the lifespan of the Early Action Protocol ensuring adequate storage facilities, suitable transport links and appropriate insurance. Relief items with a shelf life shorter than the Early Action Protocol lifespan (certain nutrition, medical items) are not eligible for pre-positioning funding.
 - **Up to 65% of the budget (maximum) can be allocated to readiness and prepositioned stock**
 - **Balance** for forecast triggered activation: **early action activities** which will reduce the impact of an extreme weather event.

Key features of the fund:

- automatic trigger-based, decision-making process
- covers costs that are indispensable for preparing and implementing early action
- focuses on natural hazards

Who can apply?

Any of the 192 National Red Cross Red Crescent Societies with a developed EAP – directly or with support from Partner National Societies and the RCCC

How does IFRC decide on funding?

- It is based on quality criteria of scientific triggers, early action and implementation capacity.
- It is validated by a group of experts in advance of a potential trigger.

Once an Early Action Protocol has been finalized, the National Society can submit it to the IFRC for **funding through the FbA by the DREF.** The complete validation process can take up to 30 days. The approved Early Action Protocol then has a lifespan of five years, unless the trigger is reached and the Early Action Protocol is activated.

If during the lifespan the trigger is reached and the **Early Action Protocol is activated**, then the National Society can rely on the automatic release of the guaranteed funding, which will initiate specified early action activities. The actual modality for the cash disbursement will vary depending on different factors, such as the IFRC presence in country, the National Society's own financial resources, the IFRC Country or Country Cluster Delegations financial capacity and available support from implementing Partner National Society. The modality is agreed in advance during the signing of the Project Agreement to ensure clarity for all parties on roles and responsibilities and to ensure the timely disbursement of funds as soon as there is a triggering forecast.

What if the early actions were triggered and the weather event does not materialize?

If the **Early Action Protocol is activated, and the disaster event does not materialize**, the National Society will not have to return the funds to IFRC. Within the FbF system, it is recognized that there may be times when the trigger is reached and the early actions implemented, but the disaster does not occur. The FbA acts under a “no regret” principle, however Early Action Protocols with more than three days lead time should include a “stop mechanism to avoid taking extra actions if the forecast reduces or changes and no further actions are required.

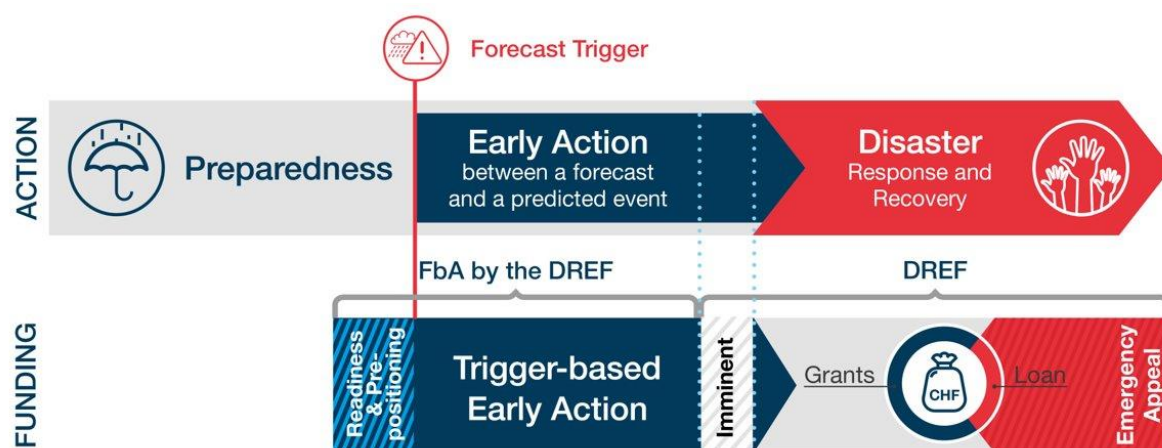
Linkages between IFRC funding mechanisms

The FbA by the DREF is a separate fund under the DREF and FbA by the DREF has separate procedures and templates. This means that normal DREF procedures and eligibility criteria do not apply to FbA allocations.

In cases where the magnitude of the event surpasses the forecasted impact and humanitarian needs, the early action may be scaled up for further early actions or an allocation followed by response activities funded by a grant from the DREF or an Emergency Appeal with a start-up loan from the DREF.

FbA by the DREF fits well with other IFRC mechanisms such as DREF and Emergency Appeal. A National Society with FbA by the DREF, can also request a DREF allocation to scale up early actions in advance of a hazard. This can also be complemented by a further allocation of DREF for response. If required, the response can be scaled up to an Emergency Appeal. In this situation the DREF becomes a loan, however FbA by the DREF remains a loan.

The diagram below demonstrates how the IFRC funding mechanisms fit together into an integrated emergency operation:



For more detailed information on FbF, please visit [Forecast Based Financing](#) and [IFRC Early Warning Early Action and Forecast based Finance](#) and [Forecast-based Action by the DREF](#)

For more information on **IFRC FbF and FbA by the DREF**, please contact:

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