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Disaster Risk Finance

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20 September 2019

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Contents

- Start Network
- Introduction to disaster risk finance
- Sovereign risk pools & ARC
- Disaster risk finance outside of risk pools

The Network

ACTION AGAINST HUNGER
actionaid
Adeso
christian aid
CAFOD Just one world
care
CRS CATHOLIC RELIEF SERVICES
WAR child
ARDD-LEGAL AID
NRC NORWEGIAN REFUGEE COUNCIL
Save the Children
International Medical Corps
community WORLD service ASIA peace resilience dignity
RELIEF INTERNATIONAL
welt hunger hilfe
Caritas SRI LANKA
HelpAge International
PLAN INTERNATIONAL
GOAL
tearfund
قطر الخيرية QATAR CHARITY
Oxfam
INTERNATIONAL RESCUE COMMITTEE
MERCY CORPS
humanity &inclusion
SOLIDARITÉS INTERNATIONAL
DORCAS RELIEF & DEVELOPMENT
world jewish relief
ACTED
Muslim Aid Serving Humanity
ISLAMIC RELIEF
RO VIDA
MAG saves lives builds futures
CONCERN worldwide
ALIMA
trócaire
CADENA COMUNIDAD JUDIA DE MÉXICO
DOCTORS OF THE WORLD
Cordaid
World Vision For children. For change. For good.
THE BELGIAN DEVELOPMENT COOPERATION .be
Ministry of Foreign Affairs of the Netherlands
REPUBLIC OF ESTONIA MINISTRY OF FOREIGN AFFAIRS
European Union Civil Protection and Humanitarian Aid
Irish Aid Rialtas na hÉireann Government of Ireland
THE ROCKEFELLER FOUNDATION
UKaid from the British people
JOA JERSEY OVERSEAS AID
Bundesrepublik Deutschland Auswärtiges Amt
IKEA Foundation
HIF humanitarian innovation fund

LEADING FOR CHANGE IN
HUMANITARIAN AID
START
NETWORK

Start Network Three Pillars

PROBLEMS

CENTRALISED
Too much power is held by a handful of international institutions

REACTIVE
Humanitarian action is often reactive and slow to reach people in need

UNABLE TO CHANGE
Too many rules make it hard for aid agencies to be flexible

SOLUTIONS

LOCALISATION
We enable local decision-making and more direct access to funding

NEW FINANCING
Our funds enable fast & early action to tackle many crises that often go overlooked

COLLECTIVE INNOVATION
We enable innovation and the sharing of learning and expertise

OUTCOMES

Shifting power closer to the crises means more appropriate responses

Communities have the means to become better prepared and more resilient

New ideas allow the system to adapt to the needs of those affected by crises

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A FAMINE IS AVERTED
BY ACTING EARLY

Start Fund

- A multi - donor pooled fund launched on April 1st 2014
- Designed to fill gaps in funding for ‘under-served’ emergencies
- Provides early and rapid funding within the first 72 hours of an emergency
- Small-medium scale rapid-onset crisis/under the radar/ forgotten crises
- Collectively owned and operated by the Start Network Members on behalf of wider civil society

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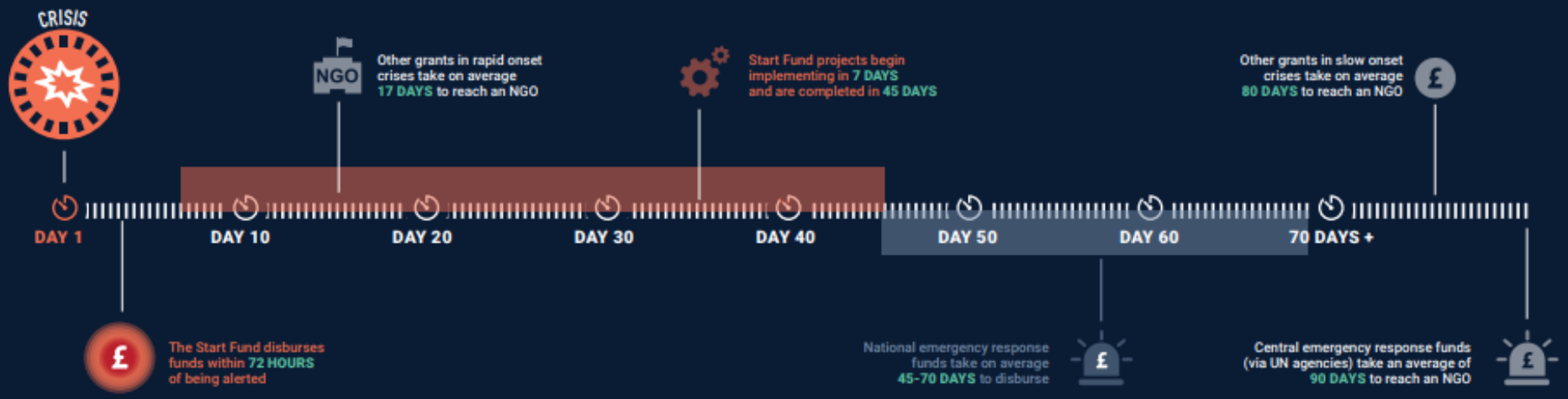
THE START FUND NICHE

START NETWORK



FOCUSING ON 3 TYPES OF HUMANITARIAN NEED

- Underfunded small to medium scale crises
- Forecasts of impending crises
- Spikes in chronic humanitarian crises

Start Network and Risk Financing

We realised that we can't solve all of the humanitarian funding challenges with just one funding instrument (Start Fund)

Drought was a particular issue…

- Slow onset
- No clear trigger/early action moments
- Large scale (generally Start Fund amounts wouldn’t make an impact)
- 45 day intervention not enough

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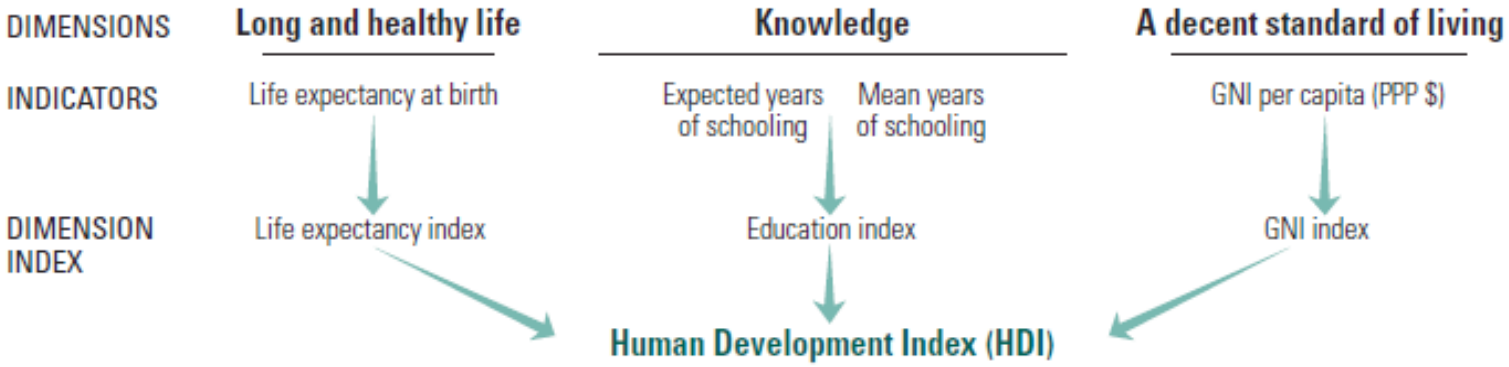
Context

- Human Development Index



- Sendai Framework
- Grand Bargain

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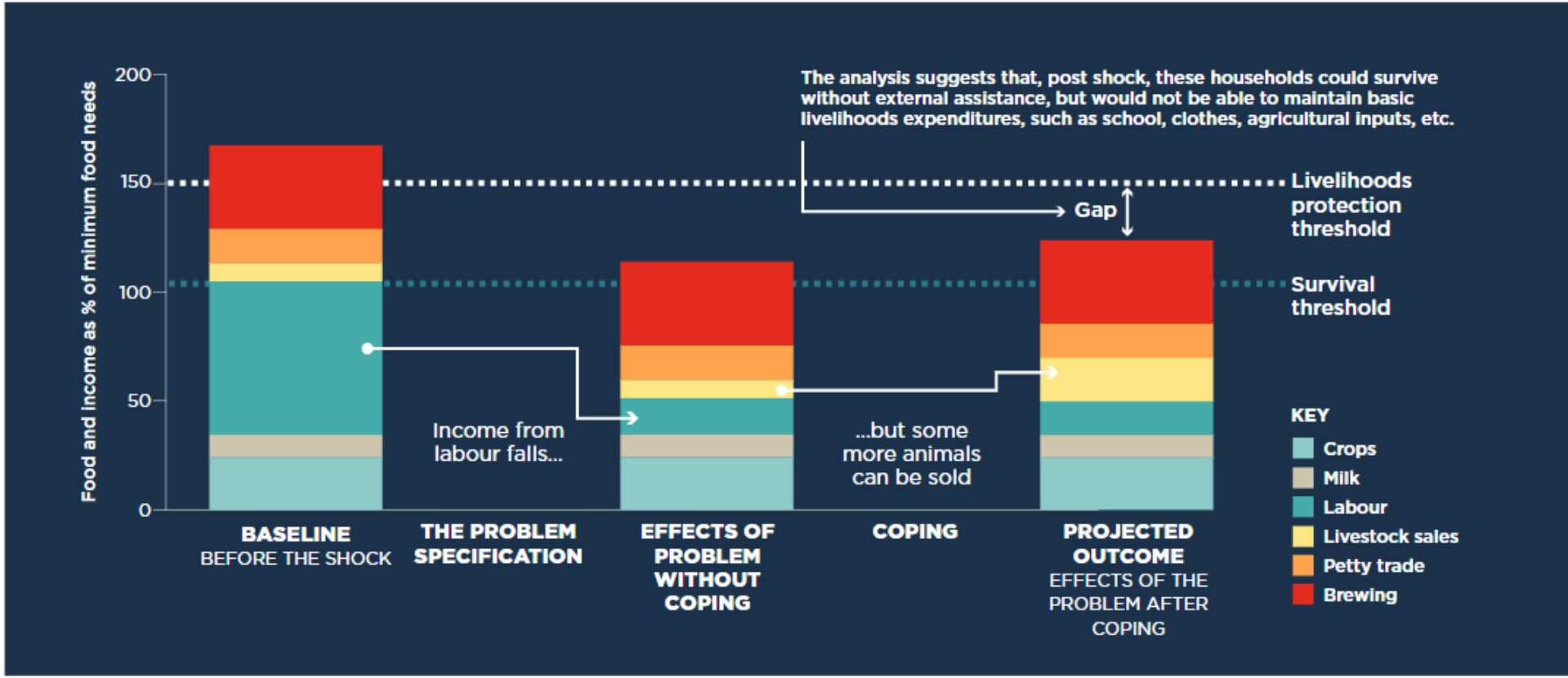
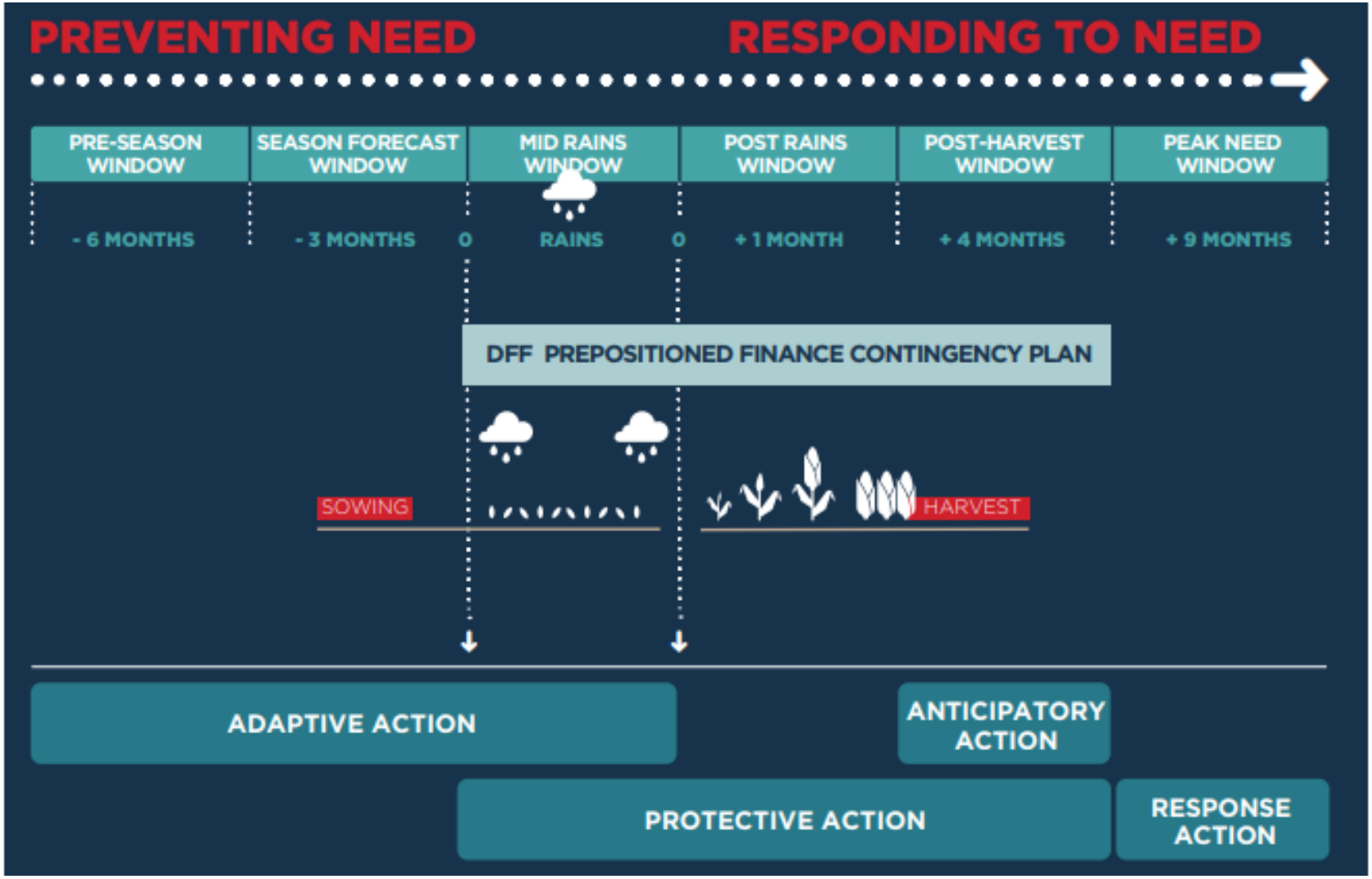
FIGURE 3 THE HEA ANALYTICAL FRAMEWORK - A SIMPLIFIED ILLUSTRATION




PREVENTING NEED
RESPONDING TO NEED
PRE-SEASON WINDOW
SEASON FORECAST WINDOW
MID RAINS WINDOW
POST RAINS WINDOW
POST-HARVEST WINDOW
PEAK NEED WINDOW
- 6 MONTHS
- 3 MONTHS
0
RAINS
0
+ 1 MONTH
+ 4 MONTHS
+ 9 MONTHS
DFF PREPOSITIONED FINANCE CONTINGENCY PLAN
SOWING
HARVEST
ADAPTIVE ACTION
ANTICIPATORY ACTION
PROTECTIVE ACTION
RESPONSE ACTION

DRF

Disaster Risk Finance is an approach that includes three key components:

- Understanding and quantifying risk (and setting triggers)
- Pre-planning activity
- Pre-positioning financing

The aim is to move from **responding** to disasters after an event, to **managing** disasters before an event

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NO SINGLE FINANCIAL INSTRUMENT CAN ADDRESS ALL RISKS

THREE TIERED RISK LAYERING STRATEGY

DISASTER RISK LAYERS

HIGH SEVERITY/PROBABILITY

- LARGE EARTHQUAKES
- TSUNAMIS
- MAJOR (CAT 5) STORMS

MEDIUM SEVERITY/PROBABILITY

- FLOODS
- MINOR EARTHQUAKES
- TROPICAL STORMS

LOW SEVERITY/PROBABILITY

- LOCAL FLOODS
- LANDSLIDES

RISK FINANCING INSTRUMENTS

MARKET BASED RISK TRANSFER

Risk transfer for assets such as property insurance or agricultural insurance and risk transfer for budget management like parametric insurance, cat bonds/swaps

CONTINGENT FINANCING CONTINGENT CREDIT

Financial instruments that provide liquidity immediately after a shock

PROJECT OR LOCAL FUNDS

Reserve funds specifically designated for financing disaster related expenditures, general contingency budgets, or diverted spending from other programs

IMPLEMENTATION

01 QUANTIFYING THE RISKS AND FINDING SERVICE PROVIDERS

- Finding the experts and service providers in risk analytics and financial services
- Finding the experts and service providers in risk analytics and financial services

02 SETTING UPTHE OPERATIONAL DELIVERY SYSTEM

- Contingency planning
- Operational planning and governance – who will do what when and where – MOUs and agreements
- Preparedness needed

03 FINANCIAL INSTRUMENT ALIGNMENT AND FUNDRAISING

- What financial instruments and funds to attach to the system
- Fundraising
- Contracting and legal
- Money flow arrangements

04 MEAL AND LEARNING AND IMPROVEMENT FRAMEWORKS

- What is the impact objective of the systems – how will this be monitored and evaluated
- What are the objectives of the different components and how will those be monitored (science, planning financing)

05 PILOTING AND SCALING

- Testing and evaluating
- Looking to scale geographically and financially
- Learning and moving to build systems for other risk identified through the strategy.

THE STEPS NEEDED TO BUILD THE SYSTEM AFTER THE RISK FINANCING STRATEGY IS IDENTIFIED

FURTHER SUPPORT IS AVAILABLE FOR MEMBERS TO GO THROUGH THESE DESIGN AND BUILD STEPS

START NETWORK

Purpose of Disaster Risk Financing

It is not....

- Raising funds from donors after a disaster
- Financing risk reduction and development

It is....

- Ensuring money reaches people who need it the most, when they need it the most
- Using Financial Planning to protect investments in human development and resilience building
- Planning on how to meet the cost of disasters before they happen
- Increasing the speed, predictability and transparency of disaster response

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Sovereign Risk Pools

- Caribbean Catastrophe Risk Insurance Facility (CCRIF)
- Pacific Catastrophe Risk Insurance Company (PCRIC)
- Africa Risk Capacity (ARC)

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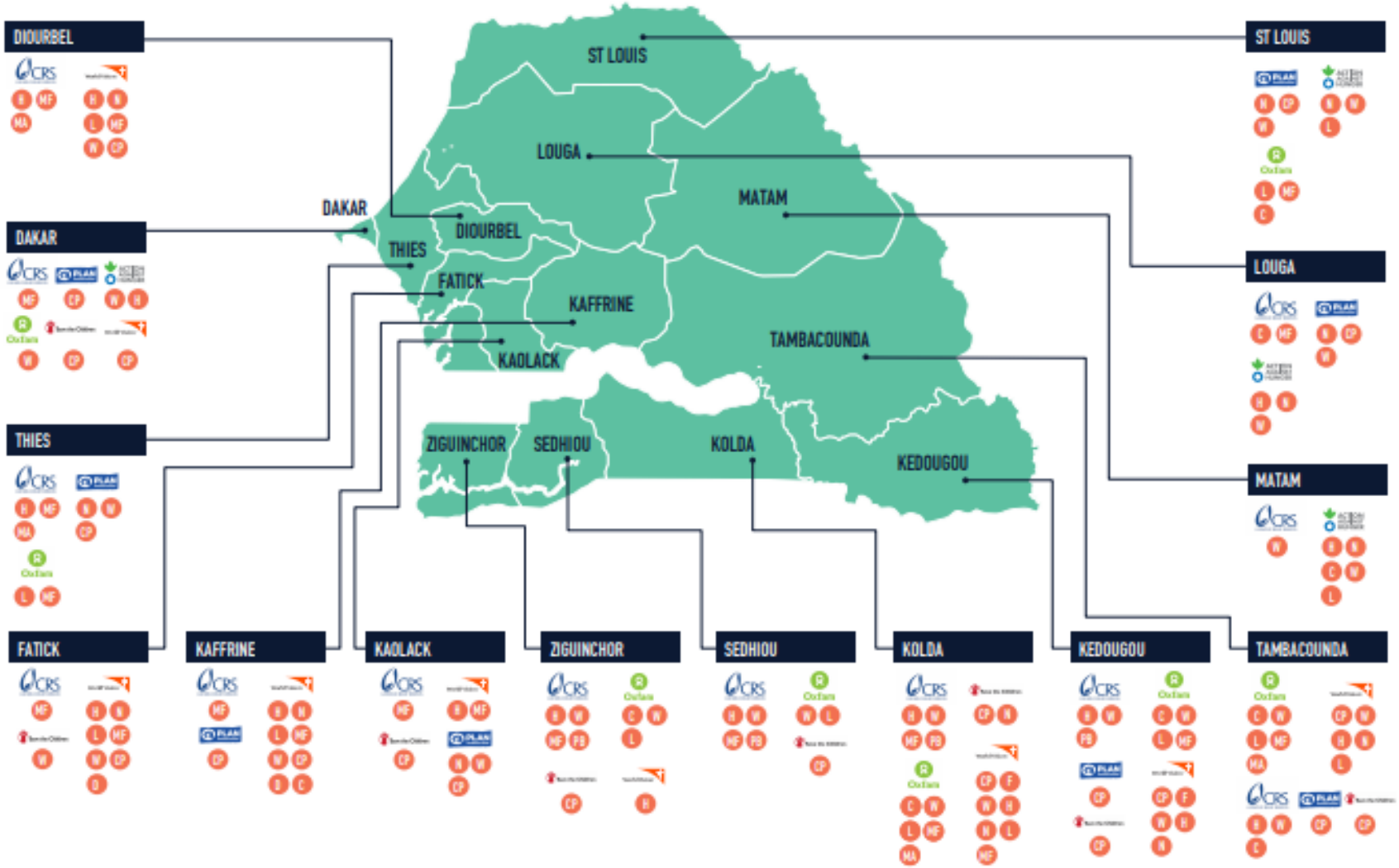
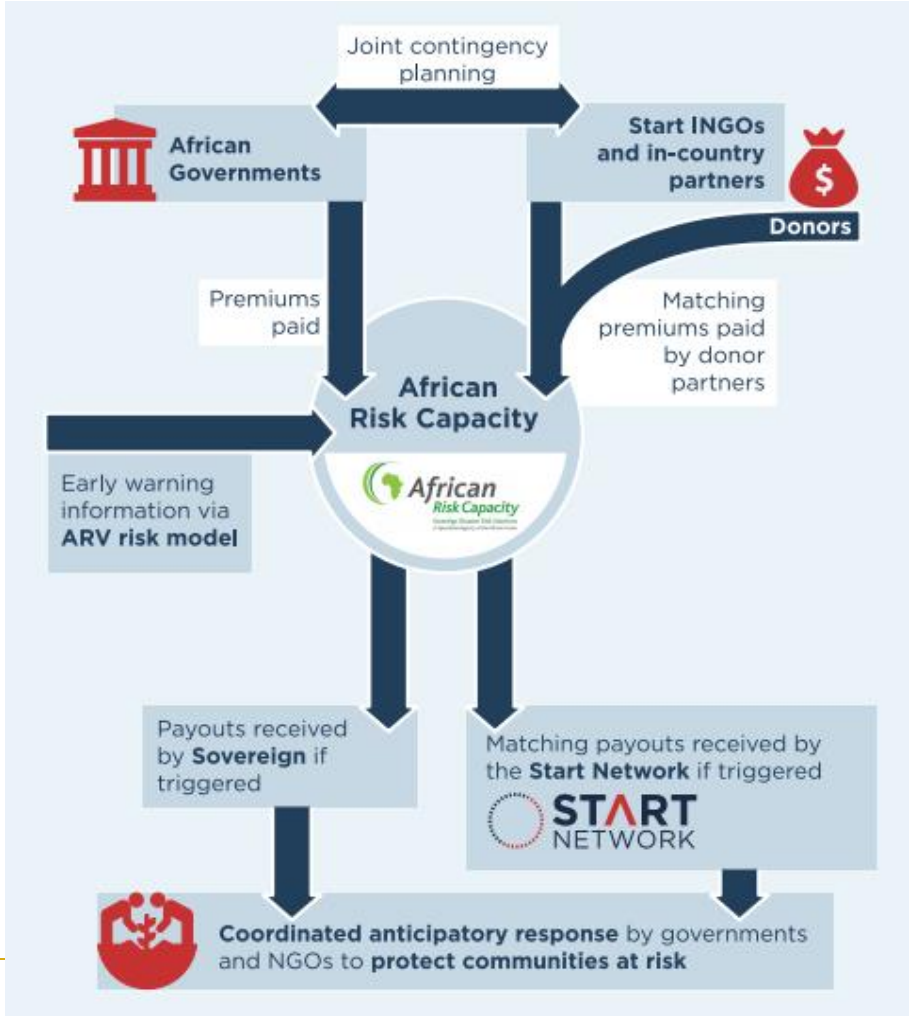
Senegal

- HDI = 164
- Crops
- Rainfall


DIOURBEL
DAKAR
THIES
FATICK
KAFFRINE
KAOLACK
ZIGUINCHOR
SEDHIOU
KOLDA
KEDOUGOU
TAMBACOUNDA
MATAM
LOUGA
ST LOUIS

ARC Replica

- 2018
- 2019 Start Network policy
- Payout
- Implementation



Modelling in ARV

- NOAA data
- Rainfall
- WRSI model
- Cropping calendar
- Population data
- Cost of aid

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Basis Risk

The difference between expectation and outcome

- False alarm vs shortfall

- Comparative monitor
- Network
- Village Committees

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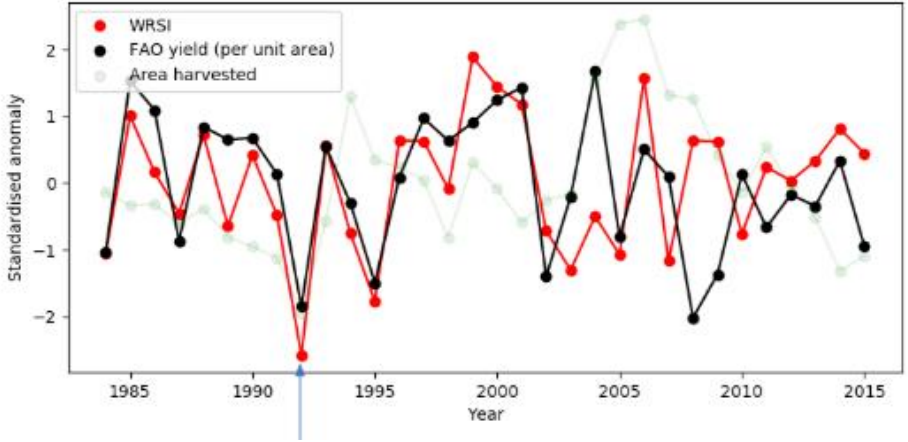
Madagascar

- HDI = 161
- Crops
- Rainfall

Designing a DRF system

- **Data?**
- **Skill?**
- WRSI model
- Cropping calendar
- Population data
- Cost of aid



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Questions

Comments

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