

The role of forecast-based financing

Lisa Thalheimer, Eddie Jjemba and Ezekiel Simperingham

Anticipatory approaches such as forecast-based financing can help to minimise the humanitarian impacts of disaster displacement.

Can forecast-based financing reduce the humanitarian impacts of disaster displacement? This was the focus of a study recently conducted by the Red Cross/ Red Crescent Climate Centre (RCCC), together with the International Federation of Red Cross and Red Crescent Societies (IFRC) and the School of Geography and the Environment at Oxford University. The study found that anticipatory action (supported by forecast-based financing) can indeed be integrated into existing disaster preparedness to minimise the humanitarian impacts of displacement.¹ This article addresses the opportunities, challenges and limitations associated with using forecast-based financing (FbF) to support early humanitarian action in the context of disaster displacement.

Disaster displacement and forecast-based financing

Disaster displacement varies across countries, communities and regions depending on the type of natural hazard involved (sudden or slow-onset, weather-related or geophysical), the level of exposure and, critically, the levels of resilience at the individual, household and community level. Disaster displacement can take many forms – ranging from short-term evacuation to organised centres or makeshift settlements, to more permanent

movement to cities and urban areas, and in some cases across borders. The humanitarian impacts also vary widely. Humanitarian needs may include emergency shelter, food, clean water, health care, psychosocial support and protection, as well as longer-term support to recover from disasters and rebuild lives and livelihoods. In some cases, there is also the need to support durable solutions, particularly where return to areas impacted by disasters is not possible.

Anticipatory action means acting prior to the onset of predictable hazards in order to reduce their impact and associated human suffering and loss. FbF is a specific finance mechanism to support anticipatory humanitarian action. Based on scientific forecasts and risk analysis, FbF automatically releases funds for humanitarian actions agreed in advance. For early actions to be implemented quickly and efficiently before a disaster hits, FbF automatically allocates funds when a specific forecast threshold (trigger) is reached. The key to this is the 'early action protocol' (EAP), which defines the most important tasks and responsibilities – including the specific forecast triggers, humanitarian early action and funding allocation. EAPs have been developed and approved for various natural hazards at country level, including cyclones,

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floods, extreme winter conditions, and volcanic ashfall; other protocols are under development for drought and heatwaves.²

Stocktaking

An important starting point in reducing the humanitarian impacts of disaster displacement is to take stock of a) the context-specific factors that prompt displacement in the first place and b) who would be particularly at risk of displacement. Stocktaking can be organised across the phases of disaster displacement: the risk of disaster displacement, arbitrary displacement, preparedness and response to disaster displacement, and durable solutions for displaced communities. It is important to recognise that people's vulnerability may be influenced by factors including urbanisation, population growth, development, governance and, in many cases, discrimination and marginalisation. Those who face the highest risk of displacement are: people who are already marginalised or face discrimination and exclusion; those living in informal settlements and with insecure tenure; and migrants, refugees and those affected by conflict and disasters.

A central principle in this approach is supporting people to stay in their homes, so long as their safety, physical integrity and dignity are not jeopardised and so long as staying is in accordance with their wishes. Initiatives to protect people from displacement may take the form of longer-term investment in disaster risk reduction, resilience-building initiatives, and climate change adaptation. This may also take the form of 'building back better' initiatives in the aftermath and recovery phase of disaster response.

Where the risk of disaster displacement cannot be further mitigated, disaster preparedness initiatives in the context of disaster displacement may also include identification of adequate, accessible and safe evacuation sites in order to facilitate early warnings. These initiatives can be complemented by practical advice to reduce displacement-related risks, such as the need to carry legal documents,

secure productive assets left behind, and bring essential medication.

For individuals and communities who are displaced, it is essential that steps should be taken to move towards a durable solution as quickly as circumstances allow. Action to support durable solutions can even be taken prior to displacement occurring, as part of preparedness activities. However, barriers to durable solutions and the potential for protracted displacement could be identified early in the process of risk analysis. In the context of typhoons in the Philippines, early humanitarian actions supported by FbF include strengthening and protecting shelters and housing. The EAP also identifies the need to strengthen livelihoods and minimise the loss of income in advance of typhoons. Identified early actions include the early harvesting of matured crops and the evacuation of livestock and assets. These early actions are designed to minimise the loss of livelihoods and to motivate the community to leave areas at risk of flooding or landslide. Authorities might also consider cash-for-work initiatives to help mobilise people to implement early action plans by providing payment for these activities.³ In Mongolia, where pastoralists face impacts from recurring *dzud* (severe winters), early humanitarian actions are designed to protect vulnerable livelihoods through reducing livestock mortality and include the distribution of livestock nutrition kits and unconditional cash transfers. Cash is provided for vulnerable persons to give them freedom in prioritising items needed in order to survive the hazard. Many recipients choose to use this cash for hay and fodder or medicine.⁴

The road ahead

Although FbF projects are already supporting several anticipatory humanitarian actions in the context of disaster displacement, more can be done. By incorporating anticipatory action into disaster preparedness and risk reduction, practitioners and humanitarian aid workers can build their capacity to bridge the divide between need and early action engagement. IFRC and RCCC anticipatory action approaches are being implemented

in disaster contexts across the globe, mostly focused on extreme events linked to weather-related hazards, and from these we have been able to draw a number of lessons relating to the different phases of disaster displacement:

Analysis of displacement risks: It is important to acknowledge that an absence of information and data on displacement does not mean there are no risks. Such an absence can reflect a lack of recognition of displacement considerations in disaster risk management, or the fact that cross-border displacement may be taking place outside formal channels. Communities may not feel comfortable discussing cross-border displacement, and in many cases there would be no official records. The perspectives of people who have previously been displaced should inform the development of anticipatory actions.

Protection against arbitrary displacement: Many initiatives to protect against arbitrary displacement will fall outside the scope of FbF, including longer-term resilience building, disaster risk reduction measures and climate change adaptation. However, FbF addresses risks that have not been managed as part of these longer-term processes – specifically between a forecast and potential disaster displacement. Examples include early actions to strengthen shelters and protect livelihoods, and to build awareness of mitigation and adaptation possibilities as alternatives to displacement.

Preparedness and response to displacement: Promoting risk knowledge and awareness of early warning mechanisms should be implemented across more FbF initiatives. Initiatives to enhance the knowledge of risk can also include practical advice for communities in case of displacement. Evacuation centres need to be safe, dignified places, accessible to all. Host communities' perspectives should be included.

Durable solutions: Many initiatives to support durable solutions for individuals and communities displaced by disasters

will be outside of the scope of FbF. However, a strong analysis of the factors that influence prolonged displacement, including specific barriers to durable solutions, should form an important part of the risk and impact analysis phase. These can include permanent loss of land as a result of specific hazards such as erosion of riverbanks, or post-disaster land grabs. Where it is not possible for FbF to address these factors, cooperation, partnerships and dialogue with actors who could contribute to durable solutions should be encouraged. Vulnerable communities, decision-makers and humanitarian organisations should be engaged from the beginning of discussions.

By making progress in line with these recommendations, practitioners can begin to overcome longstanding challenges in providing humanitarian aid in contexts of disaster displacement through better preparedness and targeted early action which addresses the needs of all those living in vulnerable communities.

Lisa Thalheimer lt6322@princeton.edu
@ClimateLisa

Postdoctoral Research Associate, Center for Policy Research on Energy and the Environment (C-PREE), Princeton University

Eddie Wasswa Jjemba
jjemba@climatecentre.org @edjemba
Urban Resilience Advisor, Red Cross/Red Crescent Climate Centre

Ezekiel Simperingham
ezekiel.simperingham@ifrc.org
@ZSimperingham

Global Lead Migration and Displacement, International Federation of Red Cross and Red Crescent Societies

1. IFRC and RCCC (2020) *Forecast-Based Financing and Disaster Displacement: Acting Early to Reduce the Humanitarian Impacts of Displacement* bit.ly/IFRC-fbf-displacement-2020
2. In general, FbF is applied in a narrow window of time between a forecast or warning and an extreme event and in more than 60 countries. See bit.ly/Anticipation-Hub
3. IFRC (2021) 'Philippines Typhoon Early Action Protocol Summary' bit.ly/IFRC-Philippines-typhoon-protocol-2021
4. IFRC (2020) 'Mongolia: Dzud – Early Action Protocol Summary' bit.ly/IFRC-Mongolia-dzud-protocol-2021