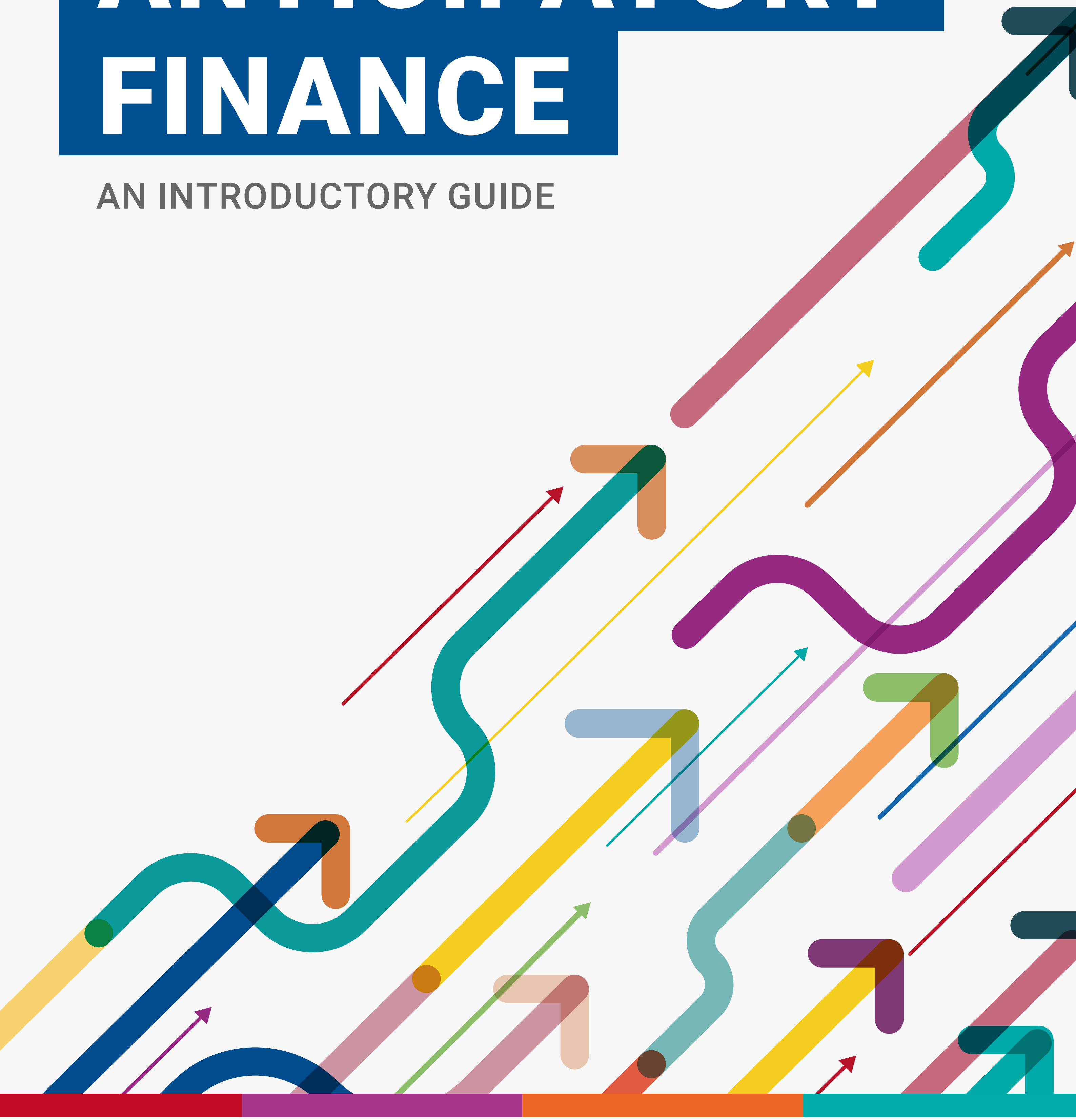
ANTICIPATORY FINANCE

AN INTRODUCTORY GUIDE



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Contents

List of acronyms and abbreviations

AA	Anticipatory action
ARC	African Risk Capacity
ASEAN	Association of Southeast Asian Nations
Cat DDO	Catastrophe Deferred Drawdown Option
CBPFs	Country Based Pooled Funds
CERF	Central Emergency Response Fund
DG-ECHO	Directorate-General for European Civil Protection and Humanitarian Aid Operations of the European Commission
DRM	Disaster risk management
DRR	Disaster risk reduction
EAP	Early action protocol
FAO	Food and Agriculture Organization
IFRC-DREF	International Federation of Red Cross and Red Crescent Societies - Disaster Relief Emergency Fund
IGAD	Intergovernmental Authority on Development
PFM	Public financial management
sEAP	Simplified early action protocol
SFERA	Special Fund for Emergency and Rehabilitation Activities
SF	Start Fund
SR	Start Ready
UNDRR	United Nations Office for Disaster Risk Reduction
UN-OCHA	United Nations Office for the Coordination of Humanitarian Action
WFP	World Food Programme

Introduction

This introductory guide to anticipatory finance has been produced by the United Nations Office for Disaster Risk Reduction (UNDRR) to support national governments and other actors who are interested in anticipatory action (AA) and are keen to increase the finance available for actions taken in advance of forecast hazards to reduce their impacts.

The guide aims to help the reader understand what AA is and what benefits it offers; explain the different potential sources of AA finance available in a country; present real-world examples; and identify risks and challenges. It builds on the work of many other organizations and provides links to relevant resources. It will be updated as anticipatory finance mechanisms and the use of AA evolve.

The contents of this guide are based on a literature review and consultations with an expert reference group composed of representatives from a broad range of countries and international organizations working on AA. The reviewed literature comprises more than 65 documents, including peer-reviewed journal articles, research papers, donor reports and evaluations, as well as working papers and internal reports.

What is AA and what benefits does it offer?

Anticipatory Action (AA) is a term, increasingly used in the international community, for "acting ahead of predicted hazardous events to prevent or reduce humanitarian impacts before they fully unfold".[1] A key feature of AA is that it involves activities that are implemented before the onset or impacts of a forecast hazard, as opposed to waiting for the shock to occur before reacting. There is a broad consensus that anticipatory actions are:

- Planned in advance with the objective of preventing or reducing the impacts of a forecast hazardous event before they fully unfold
- Triggered based on forecasts or predictive analyses of when and where a hazard will occur
- Implemented before the hazard's impact, or its most severe impacts, are felt[2]

Evidence demonstrating the benefits of AA is growing, and while impacts differ by country and activity, studies suggest that acting in advance of a shock offers many benefits. Compared with traditional emergency (post-disaster) response, which is typically financed by budget reallocations and humanitarian appeals, AA requires detailed planning and identification of responsibilities in advance of shocks to allow a timely response, using triggered finance that is both speedily disbursed and predictable. Actors also emphasize that AA tends to be more respectful of the dignity of beneficiaries than slow and unreliable humanitarian appeals, and that it protects development gains and supports wider DRR efforts. In particular, recent impact studies and evaluations have found that AA can:

1 Paul Knox Clarke and Risk-informed Early Action Partnership (REAP) Secretariat (2023). "Glossary of Early Action Terms: 2022 Edition"

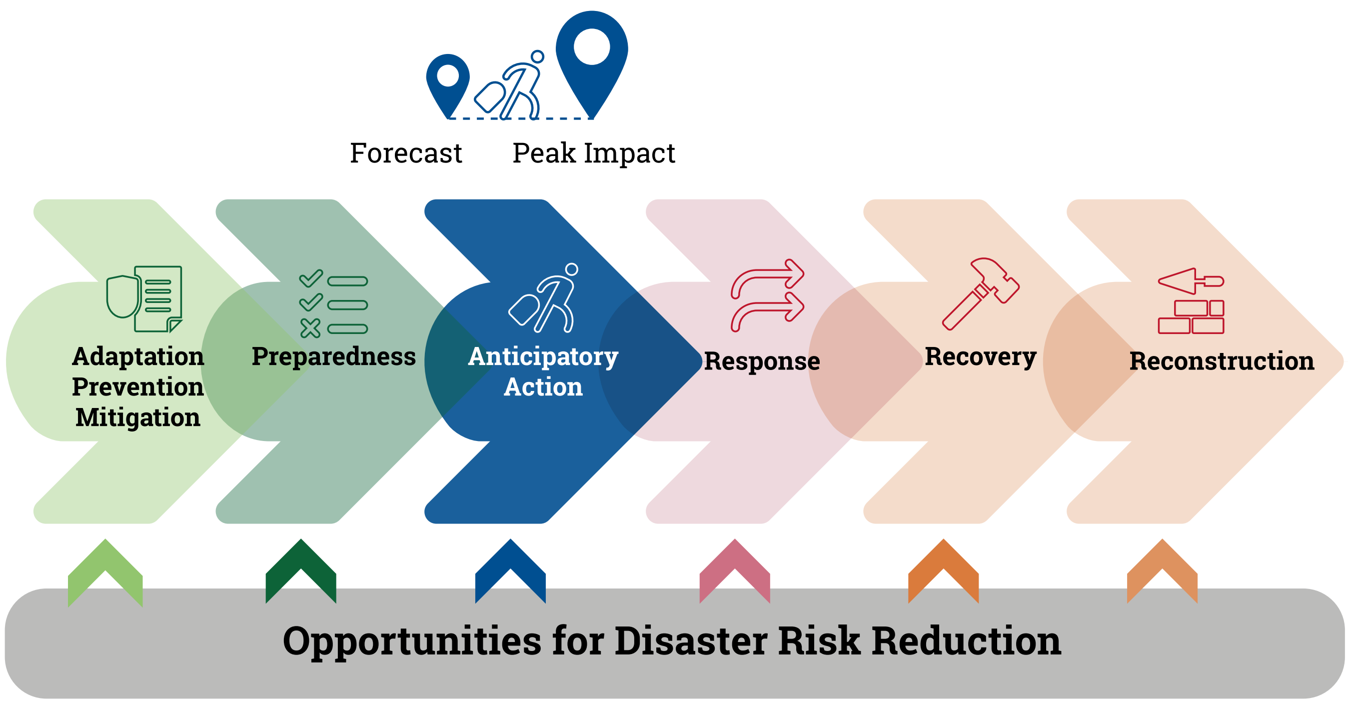
2 For a more in-depth discussion of definitions, see Anticipation Hub (2023). "Anticipation Action in 2022: A Global Overview", or the United Nations Office for the Coordination of Humanitarian Affairs (UN-OCHA)'s webpage on AA, which emphasizes that AA works best if activities, triggers and decision-making rules are all pre-agreed to guarantee the fast release of pre-arranged financing.

- Help households to maintain their levels of food intake and protect food security during a shock
- Reduce negative coping strategies such as taking on more household debt or selling assets
- Encourage precautionary actions to protect livelihoods, such as evacuating livestock
- Support households to make productive investments (such as in agricultural assets or productive livestock) which could enhance future income-generating capacity and long-term resilience
- Be more cost-effective than traditional response activities

To access studies explaining these and other findings, see the Anticipation Hub's Evidence Database.

AA is part of the broader disaster risk management (DRM) cycle, building on adaptation, prevention, mitigation and preparedness efforts, and starting once a disaster is forecast. Figure 1 illustrates this cycle, although in reality the different phases tend to overlap, as many disasters are recurring events and/or take place at the same time as others, particularly in contexts of protracted or compounding crises. In many contexts, AA therefore happens alongside other cycle activities. Nevertheless, the diagram clarifies the niche role that AA can play, using forecast information before normal response activities begin.

Figure 1: Anticipatory action within the disaster risk management cycle



Many governments already undertake a range of activities in advance of forecast shocks in order to reduce their impacts, but they may not have used the term "anticipatory action", nor institutionalized the approach by identifying reliable funding in advance. For example, governments in many countries evacuate people ahead of floods or set up emergency shelters when a cyclone is forecast. Some organizations have used the terms "forecast-based action" or "early warning/early action" to refer to their distributions of cash, food or in-kind support prior to a forecast disaster in order to reduce the predicted impact. Internationally, there is now a growing use of the term "anticipatory action", which emphasizes the reduction of disaster impacts, for example by distributing kits to secure roofs ahead of a storm or providing water purification tablets to limit the spread of disease when a flood is forecast. Having a specific term helps to define and promote this approach, share learning, create best practice, and standardize tools and methods so as to scale up impactful programmes. Many governments and organizations are now keen to expand this approach, given the increasing accuracy of forecasts, pressure on humanitarian response budgets and the rising threat of climate change.[3]

Despite its potential benefits, AA faces some barriers and is currently under-utilized. Scaling up is urgently needed and will require the AA approach to be institutionalized within government systems and programmes. There are several constraints to scaling up, such as the fact that not all shocks can be reliably forecast, particularly in data-poor environments. However, many can, and AA has often been used in advance of typhoons, droughts, riverine flooding, volcanic eruptions, dzuds and heatwaves in low- and middle-income countries. Access to finance and limited budgets are also major constraints for governments wanting to explore AA, given that it requires significant costs to set up, maintain systems and activate. Another concern is that inaccurate forecasts trigger responses at the wrong time, leading resources to be wasted, although organizations have been experimenting with approaches to mitigate this risk, for example by incorporating stop mechanisms or using multiple forecasts and thresholds. Some organizations have a "no regrets" policy in relation to AA, taking the view that even if a shock does not materialize as forecast, the assistance triggered will still have a positive impact.

Three core components should be defined and developed within any AA initiative:[4]

1. The actions to be taken, including identification of beneficiaries and the specific roles of each stakeholder in implementation
2. The forecasts for the hazard and the threshold levels that are used to trigger the actions
3. Financing, with the amount, source and distribution mechanisms prearranged to allow the actions to be implemented quickly once trigger criteria are met

3 For more on developments in weather forecasting over recent decades, see World Meteorological Organization (WMO) (2021). "Future of Weather and Climate Forecasting".

4 Adapted from Anticipation Hub (2023). "Anticipation Action in 2022: A Global Overview".

This guide focuses on the last of these components, exploring how finance can be planned and arranged in advance so that sufficient money is available when needed, without causing undue delays. Securing financing is also critical to enabling institutionalization and scale up.

Further resources

- The Anticipation Hub is a platform that facilitates knowledge exchange, learning, guidance and advocacy in relation to AA. It is hosted by the German Red Cross in cooperation with the International Federation of Red Cross and Red Crescent Societies (IFRC) and the Red Cross Red Crescent Climate Centre, with funding from Germany's Federal Foreign Office.
- The Risk-informed Early Action Partnership (REAP) brings together a wide range of stakeholders across the climate, humanitarian and development communities, with the aim of making a billion people safer from disasters by 2025. REAP's annual flagship report on the State of Play of Early Action includes a wealth of information on AA initiatives and the partnership regularly updates its Glossary of Early Action terms to support understanding across sectors.
- UN-OCHA's dedicated AA portal hosts news and feature stories, country-level reports, as well as videos and infographics.
- There are a range of technical working groups operating regionally and globally in relation to AA. These facilitate knowledge exchange, learning and networking and can provide information on current activities and progress.
- In some regions there is considerable collaboration between organizations working on AA, facilitated by regional institutions such as the Association of Southeast Asian Nations (ASEAN) or the Intergovernmental Authority on Development (IGAD).[5] Regional roadmaps for AA have been developed, for example for the Asia Pacific and for IGAD countries in Eastern Africa.

5 IGAD is a regional bloc in east Africa whose members are Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda.

What is anticipatory finance?

This guide proposes a new term, “anticipatory finance” defined as:

finance that is released before the onset of a specific shock event, based on forecasts or predictive analysis, in order to fund pre-defined activities that aim to prevent or reduce acute humanitarian impacts before they fully unfold.

Having finance ready and available *before* a shock occurs is a central component of AA. AA cannot be implemented without a reliable source of pre-arranged finance that can be released quickly to fund activities. Because funds need to be disbursed ahead of a shock, forecast information must be incorporated into the financial arrangement, either as hard objective triggers (for example, with funds being released when a specific wind speed or rainfall level is forecast) or within an accelerated process of decision-making.

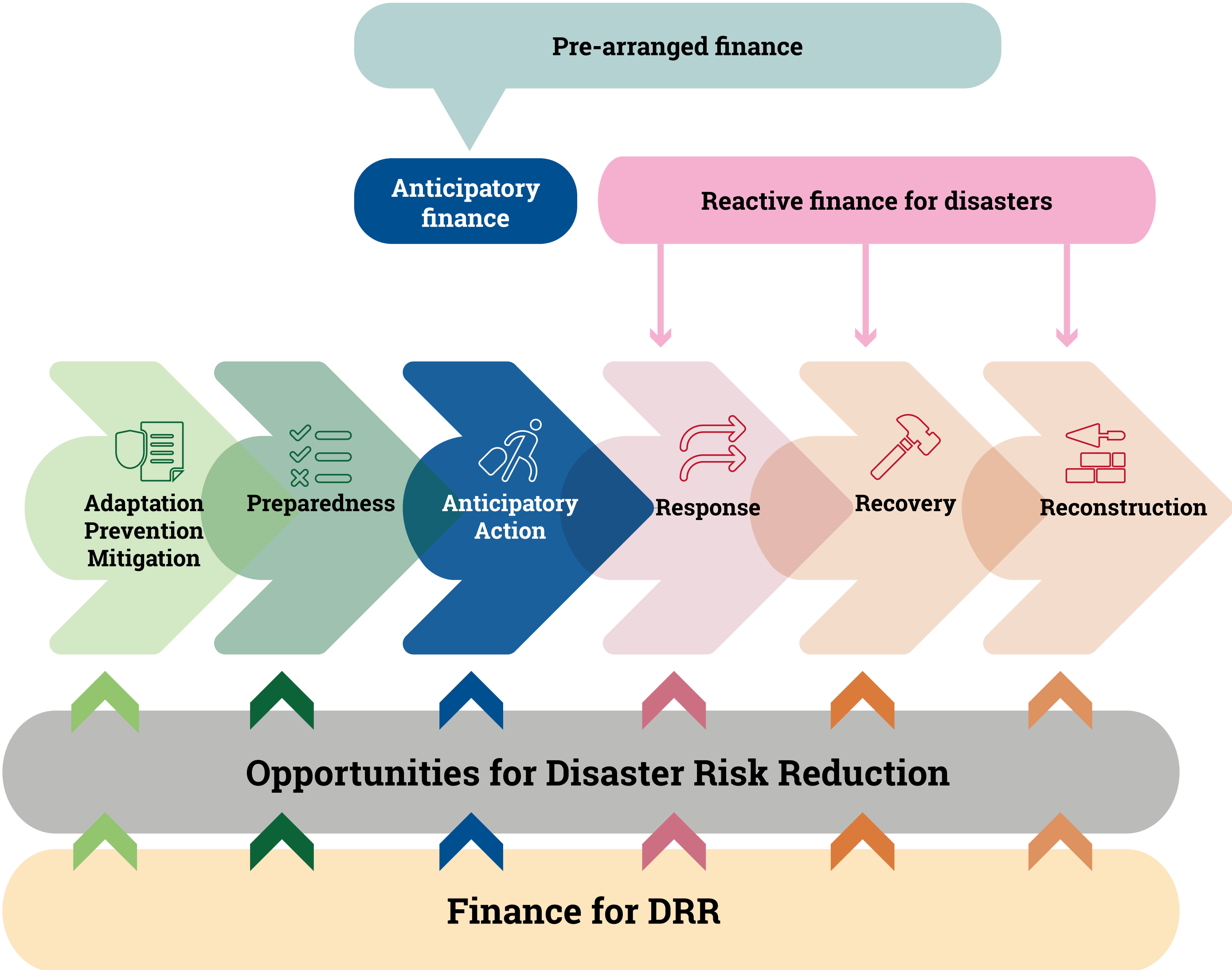
Opinions differ on the best type of trigger for anticipatory finance. Some actors prefer hard, objective triggers, believing that they make the finance more automatic and remove the risk of political interference. Others emphasize that softer triggers, such as an expert committee’s decision, can incorporate a wider range of risk information, may be more suitable if forecast uncertainty is high, and are more appealing to governments, as they offer more control over when activation occurs.

In addition to triggerable anticipatory finance, continuous funding is also needed to build the underlying AA systems and processes. For this reason, AA is sometimes said to require both triggerable “fuel” finance and “build” money, which pays for supporting activities such as planning, updating beneficiary registries, and the development of forecasts and triggers. This introductory guide focuses on fuel costs and funding, which typically involve types of financial instruments and donors different to those that provide build finance.

Both build and fuel AA finance sit within a broader spectrum of financing across the DRM cycle. Different donors and government entities fund various parts of the cycle, partly driven by their individual organizational focuses and mandates. This can lead to incoherence and confusion, with some stages of the cycle being left chronically under-funded, and to multiple missed opportunities to link initiatives and programmes. It is useful to understand the different types of finance that relate to the various DRM stages set out in Figure 1 in order to see where anticipatory finance fits. This guide divides different types of finance into four broad categories and shows how AA-related finance straddles them:

- Finance for DRR, which includes build finance for AA as this relates to ongoing development of processes and systems that enable AA and reduce risks
- Anticipatory finance, which refers to the triggerable fuel money for AA and is a sub-set of pre-arranged finance for disasters
- Pre-arranged finance for disasters, which includes finance that is triggered as or after a disaster
- Reactive finance for disasters

Figure 2: Types of finance across the disaster management cycle



Various sources and channels exist for the four types of finance, all of which provide funds at multiple stages. As set out below, sources include governments, donor agencies, development banks, the private sector, philanthropic organizations and individuals. This finance is channelled, using a range of instruments, through different sectors and organizations, spanning government, climate, development and humanitarian sectors and actors. For example, finance for DRR can come from any of these sources and through different channels; there is no specific DRR funding source per se. Similarly, anticipatory finance currently comes from a combination of government and donor sources, with the latter primarily channelled through international humanitarian agencies. In future, it could also come from the development and climate sectors, as these are also providers of build finance for AA, as well as of wider finance for DRR.

Finance for DRR

For example:

Budget / grants for adaptation and resilience

Infrastructure loans

Green / resilience bonds

AA 'Build' costs

Finance for DRR. *This consists of financial flows that aim to reduce risks but are not tied to a specific forecast hazardous event, although they may fund seasonal preparedness activities, such as clearing irrigation channels or inspecting riverbanks. It also includes the build funding needed to create the foundational systems and capacities for AA, such as improving risk data, developing early warning systems and building beneficiary databases. A wide variety of financial instruments can be used to fund DRR, depending on the risk and the extent of funding needed. For example, loans and bonds can provide large amounts of money for activities that generate a return or are public goods, such as building heat-resilient cities or constructing flood defences. Grant finance is typically smaller in scale than loans or bonds and tends to fund activities – such as livelihood adaptation programmes – that target specific beneficiary groups. Finance for DRR is needed continually in a country, as DRR activities and perspectives can be integrated during all phases of the DRM cycle.*

Anticipatory finance

Triggerable fuel finance for:

Readiness / pre-positioning

Activation of planning anticipatory actions

Anticipatory finance. *This is finance that is triggered based on a specific forecast event, for example an upcoming drought or imminent tropical cyclone. In contrast to the continuous build funding for AA, anticipatory finance is thus only released to implement planned anticipatory actions, for example to provide cash transfers or distribute in-kind goods. Sometimes funds or donors are willing to cover build costs, but not to provide fuel money for AA. Most AA implementers break anticipatory finance down into a) a small percentage that is released on a first trigger for "readiness", specifically to pre-position goods and staff/ volunteers, and b) a larger amount triggered for "activation", when full activities commence.*

Pre-arranged finance for disasters

For example:

Contingency funds and loans that pay out on the disaster

Most types of insurance and other risk transfer

Pre-arranged finance for disasters. *This refers to all types of triggerable finance that are arranged ahead of a shock, and therefore it includes anticipatory finance. Some prefer the term "disaster risk finance", although this is defined differently by different organizations. While by definition it is always arranged in advance, the vast majority of such finance is designed so that funds are released only when, or shortly after, a disaster occurs. Examples include contingency funds, contingent loans (such as the World Bank's Catastrophe Deferred Drawdown Options (Cat DDOs)) and most types of insurance and risk transfer instruments.*

Reactive finance for disasters

For example:

Budget reallocations

Humanitarian appeals

Borrowing

Tax increases

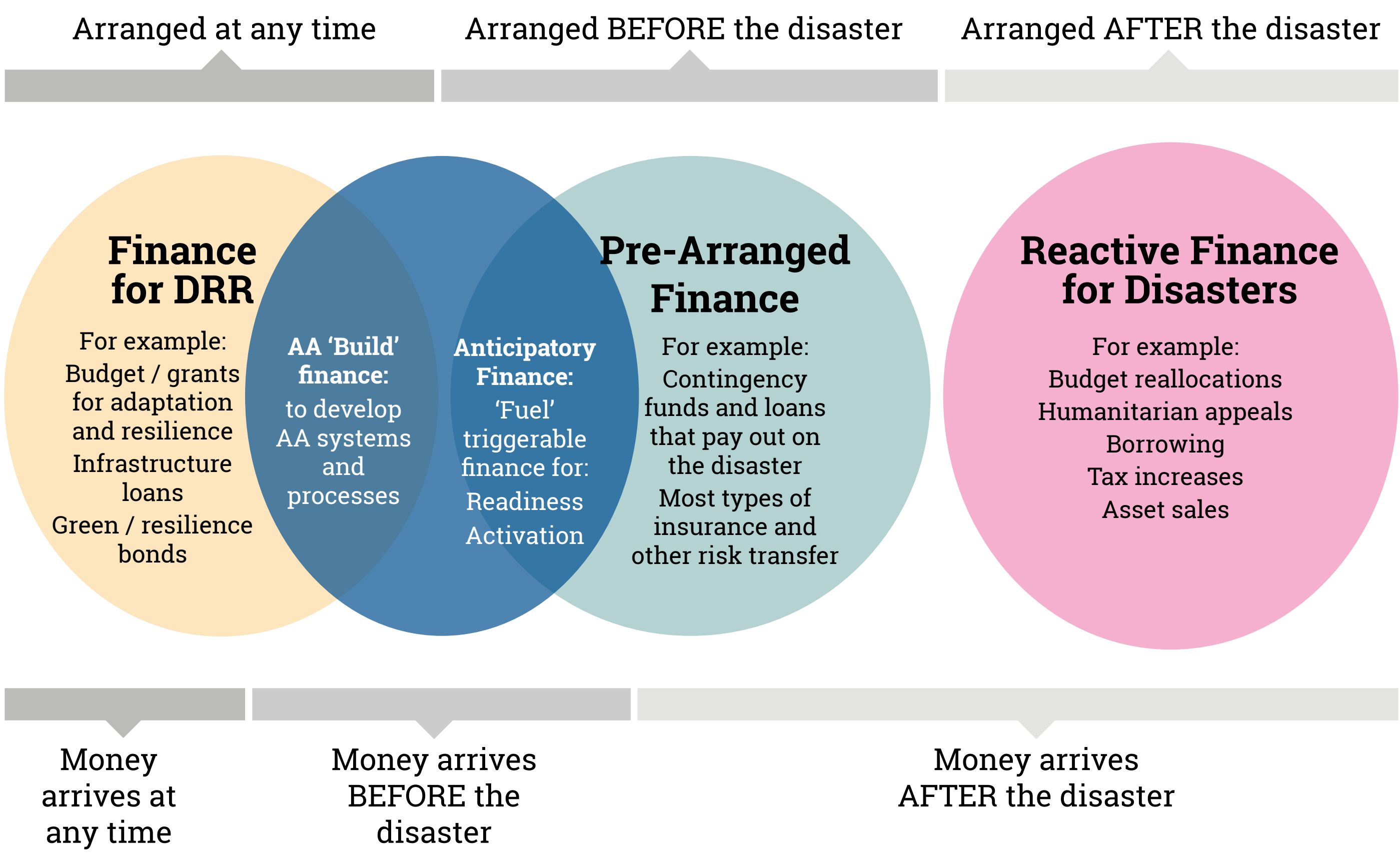
Asset sales

Reactive finance for disasters. *Almost all finance for crises still falls into this category of funding that is arranged after a disaster occurs, which makes it slower to materialize and less reliable than pre-arranged finance. According to one recent study, only 2.2% of total crisis financing flows between 2017 and 2021 were pre-arranged.[6] This category includes sources such as humanitarian appeals, budget reallocations, tax increases, sales of government assets and post-disaster borrowing.*

Figure 3 shows how these different types of finance relate to each other and how the timing of their arrangement and disbursement varies. As indicated by the blue oval, finance needed for AA overlaps both finance for DRR and pre-arranged finance. This illustrates how build and fuel components are likely to have different sources of finance, use different instruments, and flow through different channels. For example, some climate funds provide grants for AA build, but not for triggerable (fuel) anticipatory finance.

6 Michèle Plichta and Lydia Poole (2023). "The State of Pre-arranged Financing for Disasters", Centre for Disaster Protection.

Figure 3: Different financing flows related to disasters



Very little finance is currently available for AA. In 2021, AA accounted for only 0.2% of humanitarian funding.[7] Most anticipatory finance to date has come from international donors via the humanitarian sector, meaning that access is easier for certain types of organizations than others. Most of the AA frameworks in place focus on Africa, and, in terms of the amounts agreed and the number of people covered, most anticipatory finance addresses the expected impacts of drought.[8] There are fewer examples of governments, climate funds or development partners providing triggerable finance in advance of shocks elsewhere in the world. However, this may change, thanks to new initiatives such as the Global Shield against Climate Risks, launched by the G7 and Vulnerable Twenty Group to provide and facilitate more and better pre-arranged protection against climate- and disaster-related risks for vulnerable people and countries. The Global Shield

7 Ibid.
8 Anticipation Hub (2023). "Anticipation Action in 2022: A Global Overview".

is expected to offer governments the opportunity to apply for financial support for climate-related activities that include anticipatory action.

Further resources

- The Anticipation Hub produces an annual global overview of AA around the world. Its 2022 report shows where anticipatory finance has been triggered during the year and provides a global overview of progress.
- REAP's Finance for Early Action: Tracking Commitments, Trends, Challenges and Opportunities provides a more in-depth overview of different financial flows for early action.
- The Centre for Disaster Protection was established to promote more impactful and equitable disaster risk finance at scale. Its recent publication on the State of Pre-arranged Finance for Disaster 2023 provides a wealth of data on finance for AA and wider crisis response.
- A 2023 report by UNDRR on Financing Disaster Risk Reduction in Humanitarian and Crisis Settings provides a wider discussion of different financing instruments available for DRR.
- The Asia Pacific Regional Technical Working Group on AA has produced a set of Technical Standards on AA which includes a section on anticipatory finance in the Asia Pacific region.
- The IFRC has produced a Forecast-based Financing Manual. Chapter 5 relates to financing options for National Societies.

Potential instruments for anticipatory finance

Not all financial instruments are suitable for providing anticipatory finance. There are many types of financial instrument used for disasters, including funds, budgetary tools, loans, insurance and capital market instruments such as bonds. These all differ in how easy they are to set up, their associated costs, the necessary prerequisites, their availability and suitability for different country contexts. A careful process of identifying the most appropriate instruments to finance AA in a particular country must be undertaken.

A financial instrument should meet the following criteria for it to be suitable for providing anticipatory finance:

- **The finance must be planned in advance.** Reactive instruments that are used to pay for shocks, such as budget reallocations and humanitarian appeals, are therefore not appropriate.
- **The instrument must be able to release financing in advance of a disaster.** Instruments that are structured to release money only when or after a shock occurs, such as contingent loans or indemnity insurance, will not be appropriate.
- **The finance should be released based on forecasts or risk information related to an imminent extreme event.** Some AA programmes have scientific triggers where funds are released automatically when a certain forecast threshold is reached, whereas others have softer triggers, such as an expert committee review, data and forecasts. This means instruments that cannot be linked to risk information or forecasts – for example, insurance policies that require proof of losses, or a reserve fund that has a different set of access criteria enshrined in law – are not appropriate.
- **The triggered finance must be quickly directable to where it is needed,** particularly for rapid onset shocks where there may only be a window of 72 hours within which to act. In these scenarios, instruments that are slow – for example tax increases, or some bonds – are not appropriate. Additionally, prior work must be undertaken to ensure a smooth and rapid flow of funds through organizational financial systems and out to beneficiaries.
- **The instrument should be affordable and offer value for money.** Some financial instruments,

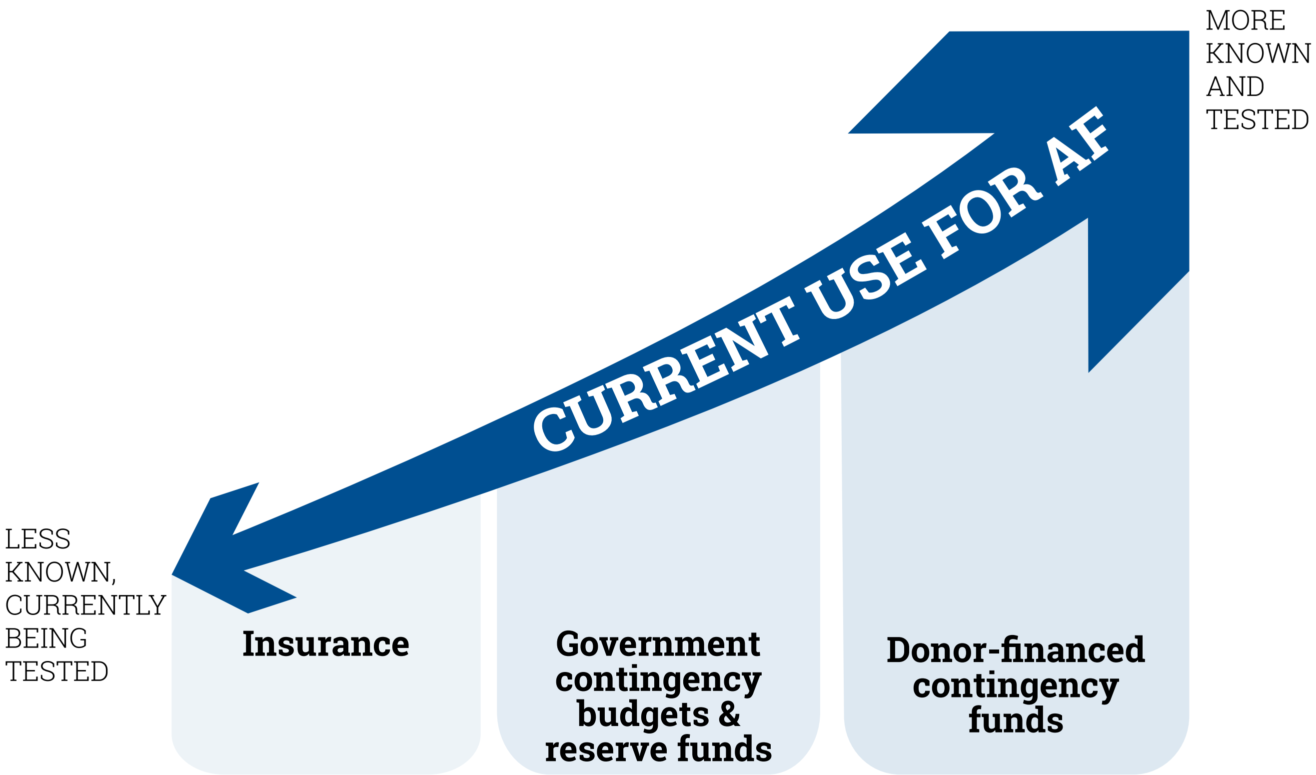
such as catastrophe bonds and insurance policies, can be costly to design and set up, and incur a fee. Whether these costs are justifiable depends on the magnitude and frequency of the risk. Currently, AA is typically used for frequent, often annual shocks and so rigorous cost-benefit analysis will be needed to ensure any instruments are cost-effective compared to alternatives.

- **The instrument should match the scale of required funding.** Different financial instruments offer a wide range of potential payout sizes, and these should be matched as much as possible to the intended activities so that AA implementation is appropriately funded. Nonetheless, in the context of funding scarcity, a small amount of money is still preferable to none, and a combination of instruments may be needed.

Bearing these criteria in mind, three main types of financial instrument offer potential for anticipatory finance. These are explored further in the sections below, with real-world examples, along with their risks and challenges. They are:

- Donor-financed contingency funds (typically emergency pooled funds, although funds could be set up by a single donor)
- Government contingency budgets and reserve funds
- Parametric insurance

Figure 4: Anticipatory finance instruments in use and/or being tested (the lower down in the figure, the less an instrument has been tested for AA)



To date, most AA funding has derived from donor contingency funds, although some efforts are now being made to test and utilize government budgets and disaster funds, as well as insurance (see Figure 4)**.** However, not all these instruments are available in all countries around the world, or for all types of risk. Availability, and the types of instruments that are suitable, could change in the near future, as learning develops and momentum for AA grows.

Contingent credit is widely used for disaster response but is not currently suitable for AA. In this context, "contingent credit" means pre-arranged loans for disaster response, such as the World Bank's Cat DDOs. However, these types of loan have only been designed to release funds when or after a disaster occurs, not in advance, and therefore cannot currently be used for AA. However, this could change if development banks decide to offer contingent credit linked to a forecast and if governments request this type of instrument.

No internationally accepted best practice process exists for selecting an anticipatory finance instrument, and approaches vary. Sometimes, AA practitioners start with a particular source of funding in mind and reverse engineer what anticipatory activities could be provided with the money available. However, that approach may lead to sub-optimal selection or scale of activities. Conversely, practitioners may design the anticipatory activities they want to deliver, and then look for a financing source. But they may find there is no suitable financial instrument available that can deliver an appropriate amount of money in the timescale needed. Ideally, the design of the AA activities, triggers and the financing instrument should be done collaboratively to ensure alignment.

Identifying the most appropriate source of anticipatory finance is best achieved by taking a number of preliminary steps (see Figure 5). These will help governments determine the volume of required finance, as well as the timeframe in which fuel funds would need to be released. These preliminary steps will also help in the subsequent processes of selecting appropriate instruments for anticipatory finance (possibly in combination) and identifying triggers.

Figure 5: Recommended preliminary steps in selecting source of anticipatory finance

Source: Discussions with expert reference group and literature review

The following sections provide an overview of the different types of instruments currently available for anticipatory finance. These should not be seen as endorsements: the suitability of a specific financial instrument depends on the country context, and making the appropriate choice requires support from various technical experts to explore feasible options, assess value for money, tailor the instrument and integrate suitable triggers.

1 Donor-financed contingency funds

How do they work?

Some contingency funds – essentially reserves of money set aside to cover emergencies – contain allocations that can be accessed ahead of a disaster through a special “AA window” or equivalent. These are often pooled funds, but some are set up by a single donor. Grant finance to replenish such funds is provided by international donors. Defined triggers, rules and processes dictate how and when funds make disbursements, to whom, and for what activities.

Contingency funds are variously set up by donor governments, humanitarian agencies or international organizations, and they disburse to a variety of implementing organizations. Their scope may be global, national or even programme-specific.

What progress has been made?

Several contingency funds using donor finance exist in the humanitarian sector, including some that can provide pre-arranged finance for AA. These are:

- The **Central Emergency Response Fund** (CERF) operated by the United Nations Office for the Coordination of Humanitarian Affairs (UN-OCHA), which provides pre-arranged finance for AA frameworks as well as more ad-hoc anticipatory finance based on forecasts, referred to as early action finance
- Some United Nations **country-based pooled funds** (CBPFs)
- The Food and Agriculture Organization's (FAO) **Special Fund for Emergency and Rehabilitation Activities** (SFERA), which has an AA window
- The IFRC's **Disaster Response Emergency Fund** (IFRC-DREF) **Anticipatory Pillar**
- The Start Network's **Start Ready** and **Start Fund**[9]
- The World Food Programme (WFP)'s **Anticipatory Action (AA) Trust Fund**

Each of these funds differ in terms of eligibility, disbursement amounts and procedures, areas of operation and types of activities supported. With the exception of CBPFs, the AA windows and funds have global coverage, but (as noted above) to date most anticipatory finance has been concentrated on Africa and on drought. The largest donor fund for AA is provided by UN-OCHA through the CERF. Table 1 sets out some of the differences and similarities between the AA windows of the different funds.

9 Start Network is a network of aid agencies across the world whose Start Fund enables Start Network members to take anticipatory action before the impacts of crises take place, preventing or reducing their humanitarian impact.

Table 1: Overview of AA windows within global humanitarian funds

Direct recipients	Process	Scale of use	Focus and type of activities covered
Central Emergency Response Fund (CERF)			
United Nations agencies	Collective AA frameworks are developed in country, led by the resident/ humanitarian coordinator. These comprise shared models and triggers with agency-specific plans for use of funds, and include a learning component. Ad hoc anticipatory finance can also be provided based on forecasts in contexts without AA frameworks. This is increasingly being used for slow-onset, more regional/global hazards such as droughts.	As of January 2024, 10 AA frameworks were in place and nine were under development, with more than US$102 million in pre-arranged finance. Since July 2020, nine frameworks have triggered about US$90 million in anticipatory finance.	Actions must be for life-saving activities[10], typically for between 1-in-3 and 1-in-5 year events. Funds are disbursed to UN agencies, which may then channel the money to implementing organizations, typically Red Cross/Red Crescent Societies and NGOs. Some country frameworks specify that funds be channelled through government-led social protection programmes and systems. Build costs are not covered. In the case of rapid-onset shocks, fuel funds are released via a two-stage trigger: a small amount for readiness based on initial forecasts, followed by (if the shock continues to be forecast) a larger tranche for activation. For slow-onset shocks a phased approach is taken, with two or three triggers and different activities at various stages, given the longer timescales.

10 The Central Emergency Respond Fund (CERF) defines life-saving actions as "those that, within a short time span, remedy, mitigate or avert direct loss of life and harm to people, and protect their dignity" (CERF (2020). "*Central Emergency Response Fund Life-Saving Criteria*", p. 1).

Direct recipients	Process	Scale of use	Focus and type of activities covered
Country Based Pooled Funds (CBPFs)			
United Nations agencies	Some CBPFs have collective AA frameworks or make separate ad-hoc allocations based on forecasts. The allocation process is supported by UN-OCHA under the leadership of the Resident / Humanitarian Coordinator.	CBPFs currently operate in 19 countries.	Actions must be within the overall framework of the use of CBPF funds.[11]
Special Fund for Emergency and Rehabilitation Activities (SFERA) Anticipatory Action window			
FAO country offices	Country offices develop AA protocols, including pre-agreed triggers, actions and operations.	In 2023, USD $15.3 million from SFERA AA window were allocated across 23 countries.	Established in 2016, the Anticipatory Action (AA) window has the goal of ensuring FAO country offices can access rapid, flexible and reliable funding for AA to protect agricultural livelihoods, food prodcution and food security from sudden and slow onset hazards. Actions are designed depending on the hazard and the livelihoods groups targeted and interventions may include livestock vaccination, provision of animal fodder and shock-resilient seeds, cash transfers, and promotion of good water management and agricultural practices. While SFERA AA funds cover only for fuel funding (i.e. activations), it should be noted that through other funding streams FAO futher works closely with governments in 'building' AA systems through strenghening Early Warning Systems and capacities to implement AA as well as to integrate AA into ongoing DRM and Social Protection policies and mechanisms.

11 For further details, see UN-OCHA (2022). "Country-based Pooled Funds Global Guidelines", which outline what funds can be used for.

Direct recipients	Process	Scale of use	Focus and type of activities covered
International Federation of Red Cross and Red Crescent Societies - Disaster Relief Emergency Fund (IFRC-DREF) Anticipatory Action pillar			
National Red Cross and Red Crescent Societies (National Societies)	National Societies have three options when applying for funding: Develop an early action protocol (EAP)[12] Develop a simplified EAP (sEAP)[13] Submit a "DREF for imminent crisis" application once a disaster has been forecast (if no EAP or sEAP is in place, or if it requires a top up)	In 2023, US$9.2 million was triggered for AA. EAPs are capped at CHF500,000 and are valid for up to five years, or until the first activation. There can only be one EAP per hazard, per country. sEAPs are capped at CHF200,000 and are valid for up to two years.	EAPs are designed to cover extreme events, not recurrent disasters that happen every year. Currently, most EAPs and sEAPs target weather-related events such as floods, drought and heatwaves/ cold waves, as well as volcanic eruptions. The Anticipatory Pillar has been open to non-weather-related hazards and the first population movement EAP was approved in 2023. EAP budgets cover fuel funding, with the first tranche released as soon as a protocol is approved to buy the stocks needed for early actions and to implement readiness activities. The second tranche is disbursed when the pre-agreed trigger of the protocol is activated, to quickly implement the early actions.
World Food Programme (WFP) Anticipatory Action Trust Fund			
WFP country offices	Country offices develop AA plans that cover two to five years.	In 2022, the fund triggered the distribution of USD$16.7 million across six countries. 28 countries have active AA frameworks.	WFP's AA funds cover both build and fuel costs. For fuel costs, AA plans need to be validated and approved, and evidence needs to be provided of a trigger being reached before disbursements. Disbursement to WFP country offices usually happens within 24 hours. WFP prefers to work by co-developing AA plans with governments, integrating them into existing activities, planning and budgeting processes, for example in connection to social protection.

12 EAPs are formal plans produced by National Societies that outline the early actions to be taken when a specific hazard is forecast to impact communities.
13 sEAPS are simplified plans with a lower budget and a shorter life span than a full EAP.

Direct recipients	Process	Scale of use	Focus and type of activities covered
Start Ready and Start Fund			
Member NGOs with an emphasis on local organizations	Start Ready (SR): Member NGOs submit applications for coverage, detailing triggers and actions. A committee then allocates the overall funds in SR across the applications. Start Fund (SF): There is no automatically triggered finance, but an anticipatory alert can be raised based on a forecast, and a committee then decides how much should be paid out and to which members.	SR: Coverage amounts range from €30,000 €10 million. SF: In 2021, £13 million was distributed to 58 crises across 30 countries. This represents approximately 15% of the total Start Fund.	SR: Member organizations receive "coverage certificates", valid for 12 months, which guarantee triggerable funding. By pooling risks across hazard types and geographies, the Start Network estimates it can cover three times as many people as compared to not pooling risks. SF: Costs covered include risk analysis, prepositioning, coordination, loss prevention and communications.

Sources: members of this guide's expert reference group and UNDRR (2023) AA Best Practices and Guiding Principles for Financial Protocols of AA Funds

These global AA funds are not accessible to governments directly. The only global AA funds that have been linked to governments are the CERF and the WFP AA Trust Fund. In some countries there is an agreement that if CERF funds are triggered then certain United Nations agencies will pass some funds to the government to be distributed via their social protection systems. This is the case for Nepal (UNICEF plan to channel some funds to the government for social protection) and for Fiji (WFP plan to channel some funds to the Department of Social Protection to support transfers to households enrolled in social protection programmes), although neither frameworks have yet activated.[14] Work is ongoing for similar arrangements in Bangladesh and the Philippines. In 2023, WFP's Mozambique country office for the first time channelled part of its fuel funds from the AA Trust Fund to the Government of Mozambique for the implementation of part of its

14 For further details, see UN-OCHA (2023). "Fiji Tropical Cyclones: 2023 Anticipatory Action Framework".

National AA Plan. The IFRC-DREF provides money directly to National Societies, which are an auxiliary to government.

Aside from these established global funds for AA, humanitarian agencies and NGOs also provide additional ad hoc funding. This may derive from programme budgets, underspends at year end or core funding. Save the Children, for example, aims to spend between 13% and 15% of its Humanitarian Fund on AA. NGOs may source their AA funds from major donors such as the German Federal Foreign Office, the European Commission's Directorate-General for European Civil Protection and Humanitarian Aid Operations (DG-ECHO) and Save the Children Denmark, or from private or philanthropic donations. However, this money is often spent on the build costs of AA, which are more predictable, rather than to provide triggerable fuel finance. Some donors specify that they will provide build funding but not fuel funding for AA, which can create problems given the links between the two. In many countries there is a complex network of NGOs working on AA with relatively small programmes, typically branded as pilots. NGOs working on AA include Save the Children, Oxfam, Welthungerhilfe, World Vision, Practical Action and Plan International, to name a few. From NGO websites and reports it is sometimes difficult to identify how much triggerable anticipatory finance is being provided.

Crisis modifiers are another type of donor-financed contingent funding instrument now being trialled for AA. Crisis modifiers effectively act as contingency funds embedded into existing development programmes, or sometimes they are structured as pre-approved budget reallocation mechanisms that allow programme activities to quickly pivot if a disaster is imminent. They have historically been used for post-shock activities, but the crisis modifiers employed by DG-ECHO can in some cases be used in an anticipatory manner. Recently, a crisis modifier was embedded in a longer-term DRR programme run by Save the Children in Sudan, for example, and was triggered for a forecast flood. Anticipatory crisis modifiers are therefore very new, and small in scale, but offer potential for the future.

What are the challenges in using such instruments for AA?

Scale. A main challenge with humanitarian donors' contingency funds is their size. They can typically only release relatively small amounts of money, particularly compared to needs. They also often focus on just one type of hazard or one geographical area. International humanitarian donors tend to focus on severe, infrequent disasters, whereas affected governments are also concerned about more regular and seasonal hazards.

Sustainability. Humanitarian-led contingency funds are ultimately not a sustainable source of funding for countries. Government-led approaches, with support from development and climate actors, to start providing anticipatory finance could help deliver scale, multi-year funding and longer-term sustainability, provided that efforts to reduce risks continue to be made. This would require a shift in approach amongst some development and climate actors, but there is already support for AA within some organizations which recognize that AA helps safeguard development gains, contributes to DRR and supports future sustainable development.

Accessibility. A major challenge for governments is that the global humanitarian funds typically used for AA are not directly accessible to them as they mainly channel finance to NGOs. Although collaboration is possible, and governments can sometimes receive resources from global humanitarian funds indirectly, this creates barriers and is not optimal for government-led risk management. Ideally, governments would take a leading role in the design, funding and implementation of AA, for example by prioritizing risks and using government systems (such as the social protection systems described earlier) for delivery. Regardless, these funds can potentially support governments new to AA by trialling innovations, demonstrating what is feasible and identifying challenges.

Key takeaways

- Global humanitarian funds have been the main channel for anticipatory finance to date. There are also a wide range of national AA programmes implemented by NGOs that use a variety of different sources of funding from donors.

- Opportunities for governments to directly access the global humanitarian pooled funds that have AA windows are currently limited. These typically provide funding to United Nations agencies or NGOs, although there are examples of collaboration with governments and arrangements to use national social protection systems and programmes to distribute anticipatory finance.

Further resources

- A UNDRR publication, "Best Practices and Guiding Principles for Financial Protocols of AA Funds", provides an overview of the five main global funds for AA with detailed information on processes and criteria for access.
- UN-OCHA provides updated information on the evolving AA frameworks under the CERF on its website.
- The Centre for Disaster Protection has supported CERF with multiple evaluations and assessments related to the fund's AA frameworks.
- IFRC provides information on the DREF Anticipatory Pillar on its website.
- More information on the AA work of SFERA can be found in its Annual Report.
- WFP's website provides a wealth of case studies related to its work on anticipatory action.
- The Start Network has a wide range of initiatives related to early and anticipatory finance.

2 Government contingency budgets and reserve funds

How do they work?

Many governments have small contingency budgets they can draw upon in a crisis, the use of which may be governed by domestic public financial management (PFM) law. Sometimes governments limit the amount of money that can be spent on a disaster or earmark a share of the overall contingency budget for emergencies. Some countries have contingency lines for specific programmes within their budget.

Some countries may have gone further and established a specific disaster fund within their budget, the size of which is determined annually and enshrined in law. Such funds vary in how they are set up and at what level of government they sit. They tend to have strict rules regarding when they can be accessed and what activities they can cover. Sometimes, in addition to drawing on the national budget, they can collect donations from other organizations, citizens and the private sector.

In theory, these instruments could integrate forecasts and risk information to render them accessible prior to a disaster and thus to finance AA. However, this may require legal and PFM reforms, for example if they have been designed to keep funds unallocated or if they are only accessible on declaration of an emergency.

What progress has been made?

Few governments around the world have set up contingency budgets or funds that provide anticipatory finance. Whilst many governments are interested in providing more AA, or in incorporating anticipatory elements within their systems, programmes and projects, it is often difficult to release government funding based on forecasts, and considerable prior work is needed. Governments may also be uncomfortable with the political risk involved with forecast-based approaches, as a hazardous event may not always materialize as expected. Anticipatory finance initiatives are often small in scale and not written up as case studies, making it difficult to access information about them. Salient examples of progress are summarized below: [15]

- The Productive Safety Net Programme in Ethiopia has a specific contingency line within the national budget. Initially, this funded the programme's expansion in response to shocks; it has now evolved to incorporate preventative and preparedness measures.
- The Government of Mongolia has been working with FAO and has jointly financed an AA initiative. The minister of finance authorized use of the state emergency reserve fund to help finance AA for dzuds.
- In the Philippines, the government has been working with partners in drafting the Imminent Disasters Bill, which, if enacted, would allow funds to be accessed as soon as an imminent disaster is declared rather than after it occurs. The law is expected to pass by the end of 2025 and will create a path for government anticipatory finance, although significant work will still be required to develop the necessary guidance and triggers. In 2021, several local government units procured shelter strengthening kits as part of an AA initiative using government preparedness funding.[16] Additionally, FAO will shortly be launching a pilot with the Department of Social Welfare and Development to provide anticipatory cash-for-work when a drought is forecast. The department will use its own internal funds to reach more households and to build a sample for the purposes of evidence-building and learning.
- The Government of Mozambique, supported by WFP, is integrating AA into its National Contingency Plan, National Financial Protection Strategy and National Social Protection Strategy as a first step towards developing standard operating procedures, including for social protection and associated budgetary allocations for AA.[17]
- In the Dominican Republic, the government passed a decree in 2021 to enable the use of social protection in response to disasters. It also recognizes the potential of moving to anticipatory social protection support in the event of floods and drought and has enlisted the support of WFP, which has produced an AA annex to the guidelines for its emergency grant programme.[18]

15 These examples are drawn from interviews with members of this guide's expert reference group and from the desk review.

16 Anticipation Hub (2021). "How Local Governments Allocated Funding for Anticipatory Action in the Philippines".

17 World Food Programme (WFP) (2023). "Linking Disaster Risk Financing with Social Protection: An Overview of concepts and Considerations".

18 Ibid.

What are the challenges in using such instruments for AA?

Several factors hinder government funds and budgetary instruments being used to provide anticipatory finance, including:

Fiscal pressure. Governments in many low- and middle-income countries are experiencing considerable fiscal pressure, often made worse by high indebtedness, the enduring impacts of the Covid-19 pandemic and the escalating climate crisis. When resources are scarce and immediate needs are pressing, setting aside funds for future crises (that may never happen) is politically challenging, and also presents an opportunity cost as the funding reserved cannot be used for something else. Some reserve funds exist largely on paper and are not regularly replenished.

Governance. Contingency budgets and disaster funds are governed by a set of rules or regulations that are typically set out in a country's PFM law. This means that making changes so that funds can be accessed ***before*** a disaster to pay for AA may require legal, policy and PFM reform, which can take a long time.

Unpredictability. Since anticipatory finance may or may not be triggered in any given year, it can be viewed as unpredictable from a budgeting perspective and thus requires an abnormal multi-year perspective that incorporates special processes to protect unused funds.

Accuracy of forecasts. In some countries, governments are likely to be concerned by the accuracy of data and forecasts that are used as triggers for anticipatory finance. Donors have similar concerns, but may find it easier to take a "no regrets" approach as they are less likely to experience political repercussions if finance is triggered but the forecast hazard does not occur (a "misfire"), or if finance is ***not*** triggered and a major emergency does ensue, or (as is more common) the intensity of a hazard differs from what was forecast. The financial risks associated with such disconnects between forecasts and real events can be mitigated, for example by combining different sources of risk information and by incorporating manual overrides known as "stop mechanisms" into triggers that halt disbursement of funds should forecasts change or new risk information come to light.

Robustness of PFM. If anticipatory finance is to be disbursed through government systems and programmes, domestic PFM needs to be robust, or it may require reforms. Weaknesses, for example leakages in spending or substantial delays in releasing or moving cash between government accounts, are likely to be exacerbated when a crisis occurs. An early assessment of strengths, weaknesses, controls and procedures will help to ensure the smooth passage of funds through the system.

Key takeaways

- Governments in many parts of the world are looking for ways to finance more AA using their own national budgetary instruments. Progress is being made in many countries.
- Incorporating anticipatory triggers into contingency budgets and disaster funds is very challenging and often requires policy and legislative changes. More experimentation and innovation is required to overcome the barriers.

Further resources

- This case study from the Anticipation Hub explores how local governments in the Philippines used their own resources to finance AA.
- The UNDRR publication 'Analysis of Barriers in Financing and Operationalizing Linkages Between AA and Social Protection Systems' provides guidance on the feasibility as well as the behavioural and political-economy factors that affect the demand for and financing of AA programmes integrated into government social protection systems.

3 Insurance

How does it work?

Insurance comes in different forms but at its core, a premium is paid to an insurance provider, who commits to provide a payout to cover specific costs if a disaster materialises. The risk is therefore transferred to someone else, in exchange for the premium payment, which is typically paid annually.

Disaster-related insurance policies can be taken out at any level of government, or by NGOs or even individuals. Premiums may be subsidized by donors to help make policies more affordable. Several regional risk pools offer climate- and disaster-risk insurance to low- and middle-income countries (and in some cases to international organizations). They include African Risk Capacity (ARC), the Caribbean Catastrophe Risk Insurance Facility (CCRIF SPC), the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) and the Pacific Catastrophe Risk Insurance Company (PCRIC).

Although insurance has increasingly been used to cover risks associated with natural hazard events over the last decade, it has not been used extensively for AA. Traditional indemnity insurance pays out on the basis of post-event claims and requires evidence of losses and damage, making it ill-suited to AA. Parametric insurance, on the other hand, pays out based on pre-agreed triggers and thresholds, for example weather-related indexes, which makes it a more suitable type of instrument for anticipatory finance.

What progress has been made?

Insurance as a mechanism for providing anticipatory finance has not yet been tested at scale, although some experimentation is underway. More learning is needed to understand the risks and benefits of using insurance for AA. Some examples of recent pilots include:[19]

- **Macro-level:** UN-OCHA is currently conducting a pilot with ARC which provides drought and tropical cyclone insurance across Africa. The pilot aims to test the concept of anticipatory insurance in **Malawi and Zambia** by modifying existing sovereign-level products to allow a payout after the sowing window. The payout would be calculated on the level of failed sowing and projections of what the subsequent scale of drought and impacts would be by the end of the season. ARC's standard drought product provides coverage from November to April, with activities lasting up to six months after the payout, typically starting in May. The anticipatory insurance product aims to shift these timelines earlier, offering coverage from November to mid-January and activities occurring from February to April. A key challenge will be to ensure that any anticipatory insurance payouts are channelled quickly to affected households before a forecast drought unfolds, so that support is genuinely anticipatory. It will also be useful to assess the cost implications and administrative consequences of having a two-stage insurance policy.
- **Meso-level:** UNDRR and the United Nations Capital Development Fund launched a joint initiative with the Sun Insurance Company in September 2023 to bring to market an anticipatory insurance product to help farmers in **Fiji** better prepare for cyclones. The product incorporates an innovative approach where payouts of up to 20% of the sum insured can be made 72-48 hours in advance of forecast cyclones based on predetermined early warning triggers related to wind speed.
- **Micro-level:** Micro-insurance initiatives are also experimenting with anticipatory payouts. For example, in **India** in 2023, the Self-Employed Women's Association and its partners ran a pilot linking insurance to heatwave forecasts to cover some 21,000 self-employed women farmers in the state of Gujarat. WFP has also been working with micro-insurance schemes in **Guatemala** to provide anticipatory support for drought via social protection programmes.

19 Macro-level refers to insurance policies that are held at the sovereign level (for example by a national government); meso-level to insurance policies that are held at a sub-national organisational level (for example by an intermediary / umbrella organisation or city government) and micro-level insurance relates to policies that are held by individuals (for example, farmers).

What are the challenges in using this instrument for AA?

Cost. Insurance can be expensive, especially in contexts where little data is available, as insurance companies will be less sure about the risk they are taking on, driving up pricing. Premiums have to be repeatedly paid (usually annually) and there are additional design and set-up costs. Insurance will be most cost-effective for more severe and infrequent shocks, which to date have not been the priority for AA. Currently, AA is mostly being used for very frequent (often annual) shocks which are best suited to contingency funding, but less suited to risk transfer. Some donors offer subsidies – for example through the Global Shield – which make premiums more affordable for governments. Even in such cases it is important to ascertain whether an insurance product offers value for money and whether more cost-effective alternatives are available.

Availability. Because this is a new area, anticipatory insurance products are not widely available, and it is not yet clear whether a sustainable market for them exists. Private sector risk transfer providers may not be satisfied with forecast uncertainty.

Technical capacity. There are technical challenges for both insurers and implementing partners as these products can be very complex and are often highly regulated. Insurers have limited experience of incorporating forecasting into policy design and pricing and of designing anticipatory triggers. Public sector entities and humanitarian agencies often lack experience and understanding of designing and implementing insurance policies, meaning it is crucial to get independent advice and to ensure the policy terms have been carefully communicated so that all parties understand what is, and is not, covered by the policy.

Basis risk. With parametric insurance, payouts are made based on a pre-determined index and set of thresholds rather than on a post-event assessment of losses. This can lead to "basis risk", meaning the risk created by a mismatch between the coverage provided by an insurance policy and the actual exposure or loss experienced by the insured party. Basis risk should be managed carefully, for example through rigorous technical reviews, careful communication with policyholders to ensure they understand the policy coverage and limitations, and, potentially, the creation of a separate fund to cover any basis risk events.

Trust. In many countries, public sector organizations lack trust in the private sector, and particularly in insurance providers, which inhibits collaboration. Likewise, the private sector in some countries may lack trust in the public sector. This prevents systematic engagement between private, public, humanitarian and development sectors in some contexts, though there are signs of improvement.

Distribution of payouts. If a government receives an insurance payout, it will need to be introduced into the budget and allocated to a specific ministry, programme or project to enable AA. Countries may have to pass a supplementary budget, amending the original budget that was approved at the start of the financial year. There have been cases of insurance payouts getting stuck with the national treasury for many months. Given the time-sensitivity of AA, how funds will be disbursed following a payout needs to be considered early, to ensure the responsible government department can act in a timely manner.

Key takeaways

- Insurance has not been widely used to finance AA to date, although a number of pilots are underway, covering different hazards and operating at different levels, from the macro to the micro level.
- Cost is a key challenge. Care must be taken to ensure the suitability of insurance for the type of risk being addressed. Insurance is unlikely to provide a cost-effective approach for addressing frequent shocks. Technical analysis and independent advice is necessary to ensure the product is well-designed and suited to the context.

Further resources

- This compendium from the Insuresilience Global Partnership includes five think pieces on how regional climate insurance risk pools can better incorporate AA.
- Further information is available here on the joint initiative by UNDRR and UNCDF to launch the Pacific region's first anticipatory insurance initiative, which targets farmers in Fiji.

What does the future hold for anticipatory finance?

The global context for AA is rapidly evolving, with a number of likely developments that could improve opportunities for government engagement in the future. These include:

Increased opportunities for government access

As this guide has shown, there are currently few opportunities for governments to access established sources of anticipatory finance, although there is reason for optimism that this will change in the future. While donor funding for AA has been channelled through the humanitarian sector to date, there is potential for development partners (including international financial institutions) and climate funds to provide anticipatory finance. Some development and climate actors have been reticent to work on AA, believing that it oversteps their mandate and is better led by humanitarian agencies. However, the vast majority of disaster response funding comes from development finance not the humanitarian sector,[20] and AA fits within a broader continuum of work on development, climate resilience and adaptation, as highlighted above. It is not yet clear whether climate funds would be willing to provide fuel money for AA in future, although there are already examples of them providing build funding, such as the Green Climate Fund's support for strengthening systems in the Philippines and Indonesia. Development banks may be willing to work more on AA if governments request their collaboration in this area, although their main financial instrument is credit, which will be less appealing than grant finance (see below). Another key opportunity is the Global Shield Against Climate Risks that was announced at COP 27 and

20 For example, see Elle Crossley et al (2021). "Funding Disasters: Tracking Global Humanitarian and Development Funding for Response to Natural Hazards", Centre for Disaster Protection and Development Initiatives, which gives an overview of 10 different emergencies and finds that 74% of post-disaster funding came from development actors.

opened for proposals from governments at COP 28, including in relation to AA. Details still need to be determined, but it is likely that this will become a potential source of both build and fuel finance for AA in future.

Increased innovation and new instruments

Similarly, new financing instruments could emerge, for example in relation to credit or different types of risk transfer. As noted above, anticipatory contingent credit is conceptually possible but not currently on offer from development banks. Given the growing momentum for AA within the international community, this may change, although countries would have to consider the impact on their overall debt position. The humanitarian sector is also experimenting with a range of innovative financing instruments which may offer potential for providing anticipatory finance, although these should always be assessed for their appropriateness to the context and value for money in comparison with available alternatives. In some contexts, getting a simple contingency budget or reserve fund working well for AA may be a more appropriate starting point. The Global Shield is expected to include a subsidy window for risk pool premiums, which could accelerate experimentation with anticipatory insurance.

Increased attention on government-led distribution mechanisms

Donors and international agencies are increasingly interested in using government social protection programmes and systems to distribute anticipatory finance, which may offer a route for increasing government engagement in AA. Governments in many countries, building on their successful use of social protection systems to distribute emergency support during the Covid-19 pandemic, are working on making such programmes and systems shock-responsive with support from organizations such as the World Bank, WFP and UNICEF. Social protection programmes may be well placed to work in an anticipatory way on a regular basis, for example by distributing additional support prior to recurrent disasters or before the start of the agricultural lean season (the period between household food stocks running out and the next harvest). For more extreme shocks, programmes could also be linked to a source of triggerable anticipatory finance, enabling rapid distribution ahead of a shock. Anticipatory scale-up of social protection programmes is a topic of current debate, although instances of real-world implementation are rare. One example is WFP's work in Somalia in 2022 where they successfully funded a top-up transfer to some of the regular beneficiaries of the Baxnaano programme ahead of a forecast 4th failed season, using the programme's delivery system.[21]

21 WFP (2023). "Linking Disaster Risk Financing with Social Protection: An Overview of concepts and Considerations".

Recommendations

1. **To make the most of the sector's rapid evolution, governments should embark on a systematic and coordinated process of identifying opportunities for AA and anticipatory finance in their countries.** There is currently no international best practice or a defined process that countries can follow. Given the rapidly changing context, as well as the different needs of individual countries, it is not possible at this stage to suggest an anticipatory finance architecture or a combination of instruments that could apply globally – more analysis and consultation is needed. Figure 5 above draws on findings from the research to propose a process through which governments can determine their AA priorities and estimate costs. UNDRR will support governments by expanding, testing and refining this process and by producing subsequent guidelines. In the meantime, the preliminary steps set out in Figure 5 and the various instruments presented in this guide can support the identification of opportunities for increasing AA and anticipatory finance.

   For fragile and conflict-affected states a different process may be necessary. Such countries present particular challenges, and their contexts, government capacities and willingness to engage with AA are likely to vary enormously. In some such contexts a more humanitarian agency-led approach may be appropriate, and learnings could be drawn from the CERF AA frameworks in place in countries such as Somalia.

2. **In systematically considering AA, governments should link their anticipatory activities to other stages of the DRM cycle: the prevention, mitigation and preparedness phases that precede them, and the subsequent disaster response phase.** Currently, AA is often designed in a vacuum, rather than as part of a continuum of support in which it builds on mitigation and preparedness activities. Similarly, gains from responding early are likely to be lost unless they dovetail with a sustained and flexible response to the "long tail" of impacts.

3. **AA design processes should include cost-benefit analyses and comparisons with alternative approaches.** AA incurs additional costs – through, for example, selecting triggers and monitoring forecast – so if support arrives late or does not significantly mitigate impacts it risks becoming just a more expensive type of regular disaster response. Similarly, in some contexts, the additional costs of AA, and waiting for a hazardous event to be forecast, may not be deemed justifiable when compared to the effectiveness of blanket prevention, mitigation or preparedness activities. International organizations could support cost-benefit analyses and other "value for money" tools. Similar tools are also needed to assess different types of anticipatory finance, including how particular instruments fit within a country's wider DRR financing.

4. **Actors and government ministries should expand their collaboration.** Conversations in government about AA are typically led by national disaster management agencies (or similar entities), but other actors should be more systematically brought into discussions. For anticipatory finance, finance ministries are obviously vitally important partners but are often absent from consultations and discussions on AA. National meteorological offices and some sectoral ministries, such as those responsible for social protection, also have much to contribute. UNDRR and other DRM and humanitarian actors can support efforts to widen the arena of AA conversations.

5. **Monitoring and evaluation of AA and anticipatory finance instruments should be shared to guide learning.** AA is very much an emerging area, and actors should commit to monitoring the outcomes and impacts of AA as well as the performance of different Anticipatory Finance instruments, in order for global learning and ultimately the development of best practice in this area. This is not about producing materials that can drive fundraising – what is needed is really rigorous, publicly-shared data, case studies and independent evaluations that can build on the positive evidence generated to date to drive even better impacts for the world's most vulnerable people.

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