

PREDICT AND PROTECT: G7 SOLUTIONS FOR A NEW APPROACH TO CRISIS RISK FINANCING



**CRISIS
LOOKOUT
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PREDICT & PROTECT

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SUMMARY

This solutions paper answers the question: what should the G7 do to better avert and respond to crises in order to reduce both human suffering and the overall cost of crisis response?

The decision to include discussions on disaster risk as part of the UK's G7 presidency is extremely welcome. The time has come for a radical shift in how the world responds to crises (disasters that overwhelm one or more countries). We now face a situation where 1 in 33 people worldwide is predicted to need humanitarian assistance in 2021, up 40% on 2020.¹ Climate change, population shifts, and conflict mean that our disaster risk is rising, not abating, and so the G7's attention to this matter is of critical importance.

The world's current approach to dealing with crises is not fit for purpose. The international system is not good at supporting governments and communities to prevent or prepare for crises and this results in avoidable death and hardship all around the world. While welcome, international funding for crises is too slow, which prolongs and ultimately increases suffering and the cost of response. This is poised to get worse as crisis risks are increasing, including risks that affect multiple countries and economies.

The good news is that it does not need to be this way. By harnessing progress in technology, improving collaboration, and making better use of available financial instruments, we can save lives, reduce costs, and improve long-term development outcomes in line with the Sustainable Development Goals (SDGs) and the Paris Climate Agreement.

As a group of concerned leading organisations and individuals, we have identified three critical solutions that the upcoming G7 should initiate that, together, would start a new global approach for predicting crises, preparing for them,

and ensuring more people are better protected.

1. Predict crises better by creating a new 'Crisis Lookout' function to increase engagement with risk information and support the prioritisation of crises globally, regionally, and nationally.

Recommendation: G7 commits to working with affected countries to create a Crisis Lookout to liaise, synthesise, quantify, and communicate global crisis risks and potential costs in advance, operating with impartiality, transparency, and inclusivity.

2. Prepare response better by agreeing to make pre-arranged finance the primary way to pay for crises so that funding gets where it is needed faster, with greater impact.²

Recommendation: G7 agrees to make pre-arranged finance the primary method for funding crises by 2030 across all international aid, with credible plans in place by COP26, including the annual monitoring of progress.³

3. Protect vulnerable people better by supporting an initial group of 'pathfinder' countries to ensure that we 'leave no one behind' through better prediction of, and coordinated protection from, crises.

Recommendation: G7 supports an inclusive initiative that allows governments, humanitarian agencies, the private sector, NGOs, and civil society to deliver better protection from crises in the most vulnerable pathfinder countries.

By working to harness the power of local and global expertise, it is possible for G7 leaders to ensure a future where we can stop crises from devastating lives. This has clear global benefits in securing a safer future for all.

IMPACT STATEMENT

Taken together, the proposals outlined have the potential to reduce global vulnerability to crises, including crises that impact G7 countries. Aid for crises could go further, meaning that more people would have their needs met quickly, effectively, and with dignity, thereby reducing suffering. Countries and communities would have the support they need to better understand and manage their risks, preparing better and preventing or reducing the likelihood of crises. This would lead to a safer world for everyone, where risks are managed before they spread, and crises are dealt with quickly and cost-effectively.



Women at a community meeting discuss the reconstruction of their village, Yogyakarta, in Indonesia. Photo: Nugroho Nurdikiawan Sunjojo/World Bank.

WHAT IS THE PROBLEM?

The world suffers from a serious problem: too often we do not prevent or prepare for crises that are on the horizon, which results in death and hardship that could have been avoided all around the world.⁴

If we do not see crises coming, it is because we are not looking. We have not ensured that we are sufficiently prepared for the future in terms of having finance, plans, and systems in place to protect people.

This is set to get worse as the frequency of disasters and the devastation they bring is increasing. Factors such as climate change, population shifts, increased fragility, and prolonged displacement act and combine to make the task of disaster response one that will become harder.

- An unprecedented 1 in 33 people worldwide will need humanitarian assistance in 2021, in part due to covid-19—up 40% from 2020.⁵
- The number of climate-related disasters has increased threefold in the last 40 years.⁶
- The number of civil wars has doubled since 2001, with more refugees and internally displaced people around the world than at any time since the Second World War.⁷

Funding for crises is typically very slow, which prolongs and ultimately increases suffering.

Money from both humanitarian and development actors is systematically late. During this time, needs and suffering escalate—for example due to the spread of disease, rising malnutrition, high levels of gender-based violence and loss of education, to name a few.

- For drought, it typically takes seven to nine months after a harvest fails before food or cash reaches those in need.⁸

- Between 2010 and 2019, the World Bank's Crisis Response Window (CRW) took an average of 398 days to release funds following a crisis event.⁹

This means the total cost of disaster response ends up being higher than it needs to be. By acting earlier, we can meet the needs of more people affected by crises.

- Evidence from Nepal, Bangladesh, Kenya, and Ethiopia suggests that acting early can make crisis response up to three times more cost-efficient.¹⁰
- Late response to the 2015/16 drought in Ethiopia cost donors an estimated additional US\$127 million in food aid alone. This amount could have provided nine months of food aid to an additional 1.4 million people.¹¹

Suffering is also unnecessarily increased because in the scramble to fundraise after a disaster, funding does not always go where it is needed most. As people do not get the support that they desperately need, a vicious cycle is created with crises triggering displacement, increased poverty, and escalations in conflict; this only makes people more vulnerable to having their lives devastated by future crises. We must break this cycle.

- International funding for covid-19 has not prioritised the countries with the biggest expected increases in poverty. Countries that are expected to see the largest increases in extreme poverty have received US\$41 per capita, compared to US\$108 per capita in countries with minimal increases in extreme poverty.¹² Latest estimates suggest it could take over a decade for the world's poorest people to recover.¹³



In 2002 women in Tillaberi, a particularly arid region of Niger, joined forces to combat malaria and build up their income by growing market crops. Every year, 10% of each woman's production is remitted to the cooperative to finance plans for the future. This has allowed the cooperative to invest in the construction of a low-pressure irrigation system. Photo: Stephan Gladieu.

WHAT BLOCKS CHANGE?

We tend to overly focus on the most recent crisis. More often than not, people focus on the disaster that has just happened rather than the ones that could cause big problems in the future. The lesson to learn from covid-19 is not just about pandemics; our capacity to predict and plan for all disasters is lacking.

Funding for crises is usually unplanned and unpredictable. Rather than working from a shared understanding of risks, and planning the allocation of crisis funding ahead of a crisis, funds are typically

raised after a crisis has already emerged. Analysis of UN appeals suggests that at least 55% of crises are somewhat predictable, yet less than 1% of funding for these crises is released based on pre-agreed triggers and plans.¹⁴ While the technology to predict crises, and local knowledge of how to prepare for them has improved, the global approach for paying for crises has largely remained the same: the begging bowl. This is slow and means first responders and local communities are always playing catch up, while the crisis escalates and as needs and costs spiral.

Because funding is so unpredictable, governments, communities, and individuals are prevented from fully preparing for crises.

This leaves governments of affected countries raiding other budget lines or increasing debt while they wait in the hope of international funds arriving. At a household level, this means that people are more likely to resort to coping strategies that have a long-term negative impact, such as going hungry or taking children out of school. These impacts almost always disproportionately affect women and girls, who eat last and are often subject to increased violence. This outdated system is undignified for crisis-affected people, limiting their ability to proactively manage their risks and protect themselves.

G7 leaders do not take this ‘hope for the best’ approach in other aspects of life because there are much better alternatives. For example, most people living in G7 countries will sleep in homes with smoke alarms, follow public health guidance to wear masks and wash hands regularly, and buy insurance. Understanding risks allows people to reduce them where they can. Preparing automatic, reliable payouts is simply a better approach. These practices have been adopted elsewhere in the public and private sector—and applying the same approach to global crises is long overdue.

We have no shared ‘global risk register’ that clarifies the biggest risks to lives and livelihoods. There are many expert organisations that do a great job of covering specific risks, and some countries publish information on their national risks.¹⁵ But our collective understanding of crisis risks globally is piecemeal, which means we cannot compare them to understand their importance and identify critical gaps. Covid is an example of this—the World Health Organization (WHO) was aware that a pandemic similar to covid-19 was likely, but the severity of the risk was not widely understood, meaning that little action



Transporting goods along the river, Bangladesh. Photo: Scott Wallace/World Bank.

was taken in most countries to prepare or put finance in place. It was viewed purely as a health concern, with no support or alarms raised to alert governments and citizens that a pandemic would be much more than ‘just’ a health crisis.

There is currently no scientific information that compares data across multiple hazards in a consistent way, quantifying the likely impact on people and estimating the cost of support.¹⁶ Without this shared information, it is not surprising that allocation of resources for preparedness and crisis response remains unplanned and ill-coordinated.

Given rising risks due to climate change and population shifts, it is no longer feasible or defensible for the world to continue without coordinated surveillance of crisis risk across governments and international institutions. There is no overall analysis of how risks interact, no rigorous, widely respected modelling of connected risks, no corresponding scenario-building capabilities, and no communication to ordinary people of the risks they face and the extent to which they are protected. These are essential global public goods for the era of global connectedness in which we now live.

WHAT IS THE SOLUTION?

The good news is that better is possible. By harnessing progress in technology, by using faster, reliable financial instruments for crises, and by improving collaboration from local actors to global organisations.

We can create shared understanding of both the likelihood and the severity of potential future crises. The world now has the scientific know-how and technology to track and model many types of risk.¹⁷ This does not mean that we can pinpoint exactly where or when a crisis will start, but it does mean that we can be much clearer on what crises might emerge over the course of a year.¹⁸

Using this information for decision-making, we can create better international cooperation so that people are protected. The aim is not to just generate lengthy national, regional, and global risk registers but to provide information for evidence-based action.

In particular, this information can be used to arrange crisis funding in advance. This ensures that plans are actionable because the required money will arrive when it is needed, not months or years afterwards. Different forms of pre-arranged finance for disasters have been increasingly used over the last 15 years. Pre-arranged finance is funding that has been agreed in advance to release should a certain set of circumstances arise—for example, if wind speeds reach a certain level, if large groups of people start to move within or between countries, or if rains are delayed. This is different from donor or government funding that has been set aside generally for crisis response (pre-allocated to crisis or disaster response), but with no specific planning of where it will go, under what circumstances. Examples of pre-arranged financing include insurance and risk pooling, contingent credit, contingent grants and forecast-based financing.

Having plans and finance in place for crises can save lives by getting support where it needs to go faster, and in a more reliable and dignified

way, making limited resources go further. Pre-arranged finance has many benefits.

- **It is faster.** Money can be triggered based on a forecast or within hours. This means that it can fund anticipatory interventions such as cash assistance so that families can protect their homes if flooding is imminent. This prevents the spiralling needs and costs that arise from slow response.
- **It is cheaper, enabling governments and the international system to protect more people with the same amount of money.** Getting money to those affected quickly during a crisis is more cost-effective. For example, in 2020, the UN's Central Emergency Response Fund (CERF) released funds for anticipatory action for floods in Bangladesh, two weeks before peak flooding. It was able to support more people at half the cost, compared to 2017 and 2019, when funds were provided three to four weeks after peak flooding.¹⁹
- **It helps planning and reaching those at risk of being left behind.** When implementing agencies and ministries know that the money will come when needed, they can plan for how to use it in advance—such as investing in delivery systems or signing contracts with organisations that will help to deliver the plan, mobilising resources to frontline actors where and when they are most needed. For example, to purchase drought insurance from the African Risk Capacity (ARC), a government has to have a feasible response plan in place that details how a payout will be used quickly to benefit affected people. When plans are made in advance, there is enough time for wide engagement and public scrutiny.
- **It can incentivise risk reduction and prevention** by clarifying the magnitude of risks and initiating better conversations amongst governments about how to proactively manage risk.

WHAT NEEDS TO BE DONE NOW?

As a group of expert organisations and individuals, we have identified three critical, practical solutions that the G7 can support:

1. PREDICT CRISES BETTER

by creating a Crisis Lookout function to increase engagement with risk information and support the prioritisation of crises globally, regionally, and nationally.



Locust outbreak in East Africa. Photo: Food and Agriculture Organization of the United Nations.



Cash grants before the floods hit allow families to prepare early and recover early. Northern Bangladesh. Photo: Sayed Asif Mahmud/WFP.

We need new international collaboration—a Crisis Lookout—to provide regular, robust, and repeatable scientific assessments of the likelihood and potential cost of crisis risks over the next 12-month period, including scenarios that affect multiple regions and economies. The Crisis Lookout would work across all countries at risk of crisis to compare potential costs for multiple risks against the funding available to respond—in other words, the estimated ‘crisis protection gap’.

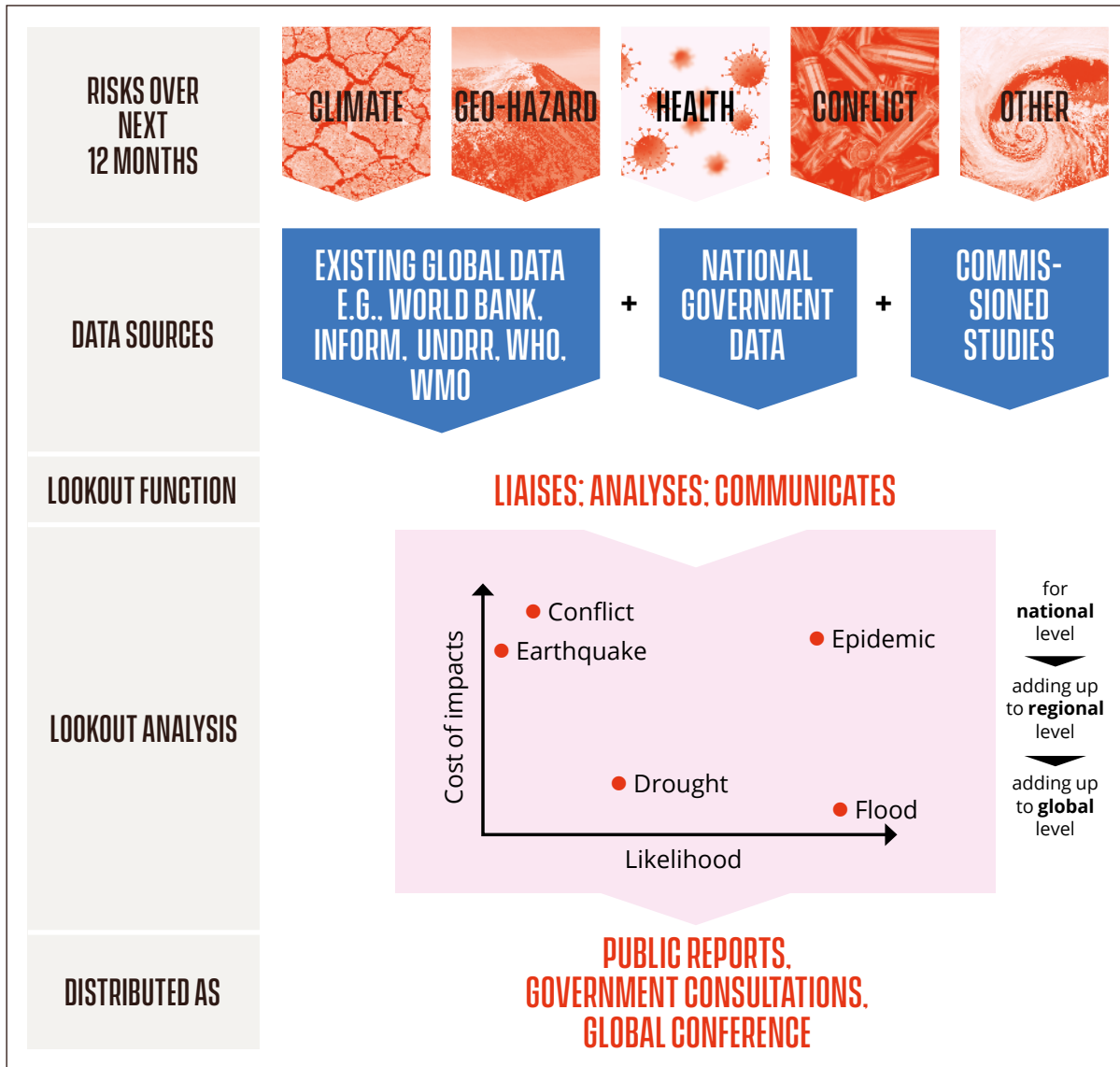
The Crisis Lookout would focus on understanding risks, not monitoring real-time events. It would not include early warning monitoring or short-term forecasting, which are important but covered by other initiatives. In particular, G7 countries should support the World Meteorological Organization (WMO)’s Systematic Observations Financing Facility (SOFF), which aims to improve weather forecasting data, particularly in low-income countries.

The role of the Crisis Lookout would be to:

- liaise with organisations that collect data and provide crisis finance, including national governments, international agencies, and the private sector
- synthesise available data and commission studies to fill key gaps
- quantify crisis risks and the gap in available finance to protect vulnerable people
- communicate publicly.

Information from the Crisis Lookout would be designed to support organisations providing crisis finance, particularly in relation to resource allocation. It should inform those decisions but would not be responsible for making them. A similar example is the Intergovernmental Panel on Climate Change (IPCC), which aims to provide the world with a ‘clear scientific view on the current state of knowledge in climate change and its potential environmental and socio-economic impacts’, and is institutionally separate from international climate funds.

Figure 1: Crisis Lookout Function



The Crisis Lookout would bring the following benefits.

- 1. Provision of a clear overall picture.** People would better understand the national, regional, and global risks they face, and governments, international organisations, and communities would have the necessary information to help them prepare and plan.
- 2. Support to prevention and preparedness.** This information would support national and international conversations about the steps

needed to reduce risks where possible, and to prepare operationally and financially for those risks that cannot be eliminated. This would include highlighting gaps in prevention and preparedness for neglected and cross-boundary crisis risks.

- 3. Improved accountability.** The Crisis Lookout would act as a public challenge function (both nationally and globally), highlighting the potential impact of neglected and cross-boundary crisis risks.

The work needed to deliver the Crisis Lookout would be at the vanguard of risk analysis.

Putting a financial cost on risks has not been widely done in the crisis space. Of course it is routinely done by the insurance sector, but this is typically only for certain risks, in higher-income economies and data-rich contexts, where the costs relate more to damage to buildings than impacts on people living in poverty. There are likely to be challenges in relation to the availability of data in some

countries, the comparability of data across sources and risk types, and the effective communication of risk information so that it is understandable to non-specialists. As with all innovations, there will be a need for iterative learning, and we expect that rapid progress could be made. The Crisis Lookout's technical work will not initially be easy but, building on an increasing wealth of international risk assessment activity, it will be an important and significant step in the right direction.

We currently map poverty but not risk: Development organisations like the World Bank have spent many years refining how poverty is measured and counted throughout the world. We now know with increasing accuracy where the poorest people live and this helps to inform planning and programming. It also helps us to monitor progress and change. In contrast, we do not know in any detail where the people who are most at risk of being caught up in a crisis live, what crises they are most at risk from, or what protection is in place for them. This has become powerfully apparent during the covid-19 pandemic—everyone on the planet was exposed to the risk, but very few were aware or prepared. Without user-friendly information across all hazards, planning and programming is happening in the dark. The Crisis Lookout would provide this 'risk mapping' function, shining a light on neglected risks.

Checklist for an effective Crisis Lookout:

- **The Crisis Lookout should consider all hazards**, consistent with the Sendai Framework for Disaster Risk Reduction, signed by 187 countries. All extreme hazards in the the United Nations Office for Disaster Risk Reduction (UNDRR) and International Science Council (ISC) hazard classification should be in scope.²⁰ However, this does not mean that every risk would be analysed in detail in every country—that would be unmanageable. A triage process would identify the hazards in each context most likely to lead to a high-impact crisis. The Crisis Lookout would then consider how these risks would affect people and the associated costs of ensuring that their basic needs are met. It would draw attention to important but under-prioritised, lower-probability hazards (a pandemic, for example, would have fallen into this category before covid-19), providing a basis for more coherent risk-informed planning.
- **The Crisis Lookout must be impartial and transparent.** Identifying and quantifying crisis risks can be a sensitive, political endeavour, and different actors have different incentives to promote or neglect certain risks. The Crisis Lookout would therefore need to be arms-length from government with an independent governance structure. From a technical perspective, it is also rarely possible to assess a crisis risk in a purely objective manner: even for well understood risks like earthquakes, two experts would typically provide a somewhat different risk assessment. It is therefore critical that the Crisis Lookout is consistent, transparent, open to scrutiny, and free from conflicts of interest. The Crisis Lookout will need to share its ways of working and technical

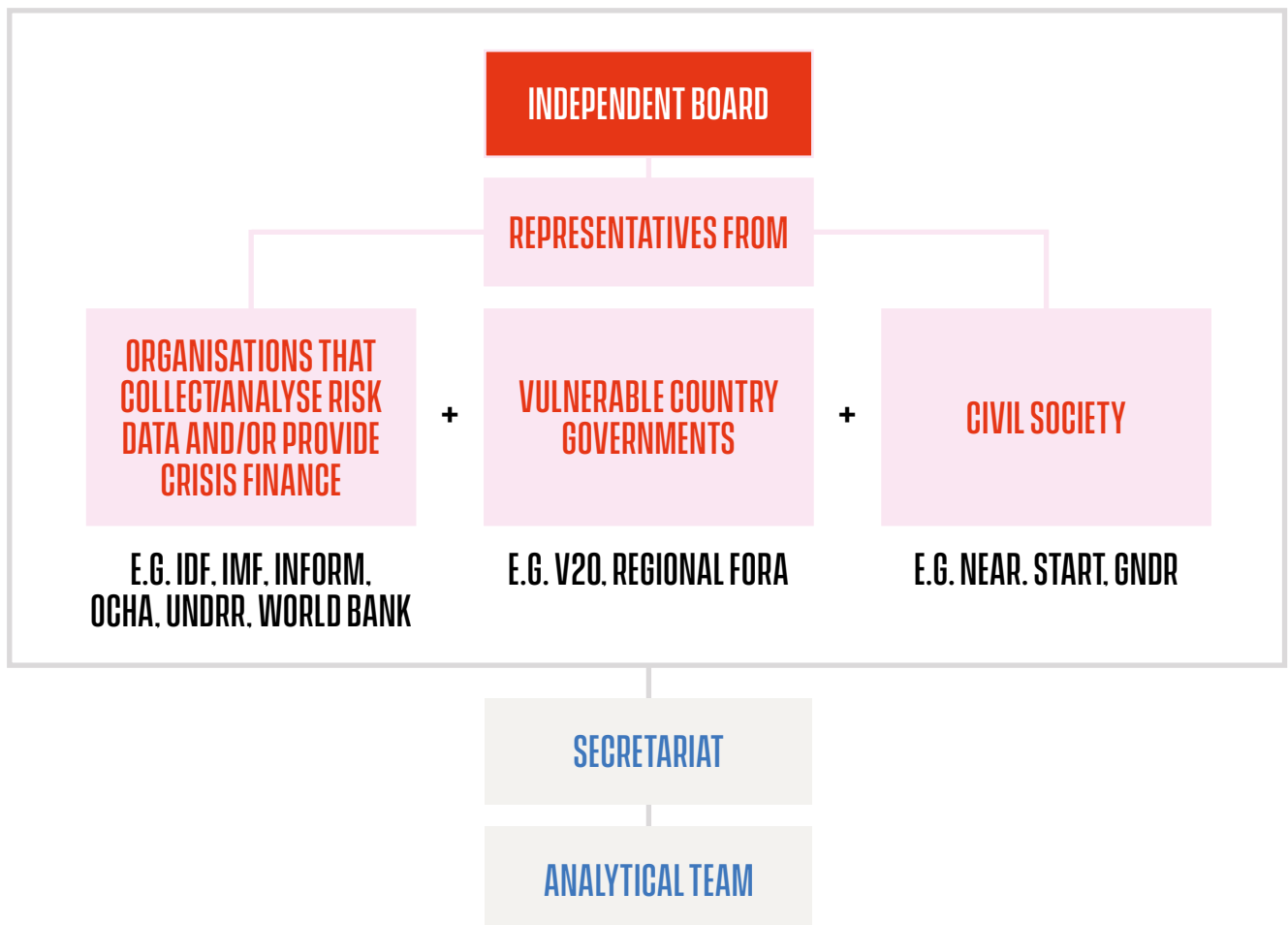
approaches to give it credibility and allow validation, and it should provide publicly accessible, aggregated findings that are understandable to a lay person.

- **The Crisis Lookout must engage with and promote accountability to vulnerable communities.** The information generated by the Crisis Lookout must be trusted by national governments, regional fora, and civil society, ultimately leading to a scenario where at-risk people are able to understand their risks and what level of protection they can expect. Decisions about crisis protection and support should always be provided through a localised lens, placing the needs, knowledge, and experience of at-risk communities at the centre. The Crisis Lookout should therefore include civil society within its governance structure and act in partnership throughout design and delivery.

The best option for delivering a Crisis Lookout would be a partnership of organisations with a small independent Secretariat and an in-house analytical capability. The Secretariat should be housed within an organisation with an inclusive governance structure. The governance structure should comprise a limited number of representatives from:

- organisations that collect risk data to utilise existing expertise, including the private sector
- organisations that provide crisis financing to ensure a good link with actual finance flows
- vulnerable country governments and regional fora
- civil society.

Figure 2: Crisis Lookout Structure





UNICEF emergency specialist teams offload buckets for water purification following heavy seasonal flooding in several parts of South Sudan. Photo: Helene Sandbu Ryeng/UNICEF.

The small core Secretariat would manage relationships with national and international organisations, synthesise existing data, and commission research to fill critical gaps. The Secretariat would be supported by an analytical team to provide technical capabilities and expertise in aggregating datasets and interpreting results.

Depending on the precise scope, the cost of a Crisis Lookout would be approximately US\$10 million annually, spread across G7 donors. Humanitarian funding alone is approximately US\$30 billion a year, making this a relatively small investment of less than 0.05%.²¹ The cost of the Crisis Lookout will depend significantly on its precise scope, but this figure is based on an assumption that it would primarily synthesise

existing material, and focus on national risks over a 12-month period (rather than real-time monitoring or short-term forecasting). It does not represent the totality that could be spent but provides an indicative figure for setting up an organisation capable of meeting the requirements outlined above. (See Endnote 22 for indicative budget).²²

RECOMMENDATION:

G7 commits to working with affected countries to create a Crisis Lookout to liaise, synthesise, quantify, and communicate global crisis risks and potential costs in advance, operating with impartiality, transparency, and inclusivity.

2. PREPARE RESPONSE BETTER

by making pre-arranged finance the primary way to pay for crises.



Medics in full safety gear at the entrance to a new isolation unit at the Connaught Hospital in Freetown, Sierra Leone. Photo: Simon Davis/Foreign, Commonwealth & Development Office (FCDO).

The world needs to shift the norm in crisis financing. Pre-arranged finance should become the primary method for funding crisis response by 2030 in order to speed up response times and facilitate planning. This ambitious aim would align with the timescales of two international agreements—the 2030 Agenda for Sustainable Development and the Sendai Framework on Disaster Risk Reduction (2015–2030). Without a systemic shift in how crisis response is funded, it is difficult to identify a credible route for achieving the goals set out in both these agreements.

Donors and international agencies can choose to support people earlier, by agreeing funding in advance if certain circumstances arise, so that a country and its people have assurance and plans can be made. Donors and international organisations already allocate money to crisis response, such as through the UN CERF, the World Bank CRW and donor crisis contingency or reserve funds. This is about going a step further and deciding in advance where some of it would go, and under what circumstances. The information generated by the Crisis Lookout would be critical to informing these decisions.

Such an agreement among G7 donors would be cost-neutral. Due to the covid-19 pandemic some aid budgets are shrinking. However, pre-agreed financing would not require additional funds—it is about G7 donors, and the multilateral organisations that they fund, looking at what they already spend on crises and arranging in advance where some of the funding will go, under what circumstances. It means adapting processes and the instruments used for crisis financing so that some finance is automatically triggered if particular crisis situations arise. The triggers can give donors clear control over what they will provide and under what circumstances, and also increase the transparency and certainty of response for crisis-affected countries.



Flooding is a yearly occurrence in Bangladesh, making anticipatory action more important than ever to help people prepare.
Photo: Sayed Asif Mahmud/WFP.

There are increasing examples of pre-agreed financing instruments that donors could use or learn from. Donors and international organisations should review their crisis resource approaches and instruments and make amendments where possible to maximise the use of high-quality pre-agreed financing.²³ Donors and international organisations should consider increasing their use of development insurance instruments, for example through ARC, or supporting emerging contingent credit instruments like the International Development Association (IDA)'s Early Response Financing. Humanitarian organisations can also use risk pooling approaches to maximise the protection they can provide, for example the UN CERF, the International Federation of Red Cross and Red Crescent Societies (IFRC)'s Disaster Response Emergency Fund (DREF), and the Start Network's Financing Facility are all being amended or developed to incorporate risk pooling across different contexts to use funding more efficiently. Donors should also consider providing crisis-contingent grants to international organisations and through mechanisms that are accessible to national and local actors, where the size of the grant depends on pre-agreed triggers. Pre-agreed financing can facilitate increased use of

anticipatory action (for example used by UN CERF) or ‘forecast-based financing’ (used extensively by WFP, IFRC and Start)—where funds are triggered prior to peak crisis and can pay for actions to reduce risks as well as respond to anticipated needs.

This would not need to be ALL crisis funding.

There will always be black swan events that cannot be predicted, or unexpected impacts and costs arising from expected events. World leaders would still have discretionary funds, but this should not be the norm as most disasters can be predicted. By adopting a pre-agreed approach, especially through multilateral channels, donors would not lose strategic control; they or the organisations they fund would just need to be clearer in advance what they would do if a crisis was to develop, rather than being reactive, occasionally having to raid other budgets when an emergency arises.

There will always remain short-term pressures for donors to continue to make decisions about funding disasters on an *ad hoc*, discretionary basis, ignoring negative impacts in terms of lives, livelihoods, and the environment. This means that there needs to be a high-level public commitment to change, and an accountability mechanism. Because of the lack of incentives for individual donor countries to pre-commit finance, particularly in the context of a global recession and rising crisis needs now, the G7 should create incentives for the right actions to be taken: this could be achieved via public commitments and transparent reporting, explained further below.

G7 countries should publicly commit to shifting to pre-arranged financing as the primary approach for funding crises by 2030. This would apply as a priority to the multilateral organisations that they fund, but also to bilateral programmes.

Donors and international organisations should review their crisis financing mechanisms and develop plans as follows.

- 1. Make adaptations to multilateral funds so that they are pre-arranged based on clear triggers.** This could include, for example, adaptation of the World Bank’s CRW so that more funding passes through the Early Response Financing Framework with pre-agreed triggers. Another example would be to scale up the anticipatory action pilots that have been implemented by UN CERF since 2020 so that this financing model is used at scale.
- 2. Switch more crisis funding to use pre-agreed mechanisms and instruments.** For example, better use of risk pooling, development insurance, and contingent credit, including mechanisms that are accessible for national and local organisations.

The G7 Accountability Working Group should be tasked to report to the G7 in 2022 on progress against this commitment, with an interim report published in the sidelines of COP26. Ongoing reporting by donors on progress in increasing pre-arranged finance will provide some accountability. This should incorporate reporting on targets that are already in use by Insuresilience and the Risk-informed Early Action Partnership (REAP).²⁴ G7 countries should sign up to these initiatives.

RECOMMENDATION:

G7 agrees to make pre-arranged finance the primary method for funding crises by 2030 across all international aid, with credible plans in place by COP26, including the annual monitoring of progress.



Village headman transports boxes of UNICEF's WASH kits. Fiji. Photo: Allan Stephen/Infinity Images.

3. PROTECT VULNERABLE PEOPLE BETTER

by supporting an initial group of 'pathfinder' countries to ensure we 'leave no one behind' through better prediction of, and coordinated protection from, crises.



Social distancing being practiced along roadside market, Kenya. Photo: Sambrian Mbaabu/World Bank.

As an international community, we need to ensure that we 'leave no one behind'. Establishing a Crisis Lookout and increasing the amount of pre-arranged finance will benefit all countries, including G7 countries. But there is also a need to make sure that the most vulnerable countries and people do not get left behind. Many organisations have piloted different risk financing and management approaches with success—it is now time to move to scale with a coordinated effort to improve protection for the most vulnerable people.

We propose a multiyear initiative running to 2030 for a small selection of the most vulnerable (pathfinder) countries, focusing on neglected risks that have the biggest impact on the lives of the poorest people. The objective would be to increase the agency of the most vulnerable people, particularly women and girls, and support their risk management priorities with strategies that work best from their perspectives.

Via the initiative, national governments, humanitarian organisations, NGOs and civil society would be able to access independent technical support—and crucially finance—in order to:

- improve risk information so that it can assist with risk reduction, prevention, and preparedness
- ensure the best risk financing solutions are in place for varied contexts
- develop delivery systems to get future crisis finance to affected communities quickly.



A family living in rural Colombia stand outside their home which has been affected by seasonal flooding. Photo: Scott Wallace/World Bank.

This initiative must be set up with the full engagement of local actors, including in the governance structure to ensure that this is more than tokenism. Understanding risk, planning, and preparedness for crises is always most effective when it is locally owned and driven. However, global initiatives and funding mechanisms are often not easily accessible for, or influenced by, local actors. For example, only 10% of climate finance between 2003 and 2016 was committed to the delivery of local-level climate action.²⁵ National, local, and community coping mechanisms and strategies in societies prone to disasters are varied, unique, and entrenched. Many are highly successful. Any initiatives seeking to communicate risk, change behaviours, and support people (particularly women and girls) as effectively as possible, need to be deeply conscious of the context and views of those experiencing risk. Support should be inclusive, promoting ownership and locally driven solutions. Holding a few workshops with local actors is not enough—local actors must participate in governance arrangements with review points to ensure effective functioning.



The people of Tulangan village work together to rebuild the houses of residents that were damaged by the tornado in 2018, East Java province, Indonesia. Photo: Shutterstock.

The impacts of the initiative should be publicly shared to promote transparency and accountability. A co-benefit of this initiative is that it could provide a much-needed feedback loop to the Crisis Lookout and to efforts to pre-arrange more crisis finance. Both these 'predict and prepare' approaches need to be informed by tested solutions, drawing on experimentation and learning across a range of different contexts, incorporating different perspectives and realities from the ground, but placing local, national, and regional expertise at the very core. Transparent monitoring and evaluation, and robust feedback loops, will be critical to ensuring global progress. There will be political and technical challenges to implementing better coordinated crisis financing

that will only emerge as concrete steps are taken to better predict crises and close the protection gap, for example, around accessing data, using different technologies, supporting prioritisations of risks, designing financial instruments, and aligning and incentivising disparate stakeholders. Testing new approaches in a small number of countries would allow for fast iterative learning, with the countries effectively acting as pathfinders, helping to inform the global-level shifts outlined above.

This should build on the numerous existing initiatives currently in operation. Pathfinder countries could act as a useful focus for a range of different organisations. Many different organisations already provide in-country support

and financing across risk analytics, disaster risk management and reduction, finance, humanitarian delivery, and capacity development. Having a recognised set of pathfinder countries would help to focus attention on countries that are most at risk and would assist with coordination in those countries. For example, the International Monetary Fund (IMF) has been piloting climate change policy assessments in several vulnerable countries; the World Bank, regional development banks, and ARC provide technical assistance to countries for disaster risk financing; REAP supports a set of priority countries in early action; Insuresilience Solutions Fund supports the use of insurance; the IDF is developing a proposal for the attention of the V20 Group and the G7+ to enhance risk analytics capacity; the UN CERF, IFRC, WFP, Oxfam and Start Network are all either identifying or have identified a set of countries to finance anticipatory action and early warning; WMO's SOFF intends to build weather data capacities in low-income contexts; and organisations like GiveDirectly are working to establish pre-arranged systems in a set of countries to get money to people quickly following a crisis.²⁶ These are just a handful of examples from across different types of organisation. Coordination in pathfinder countries will therefore be important to ensure synergies and effectiveness.

Pathfinder countries would benefit from a compelling offer combining technical and financing support. National governments and organisations working in pathfinder countries would be able to access support for the following, all to be co-designed with affected communities.

1. Annual objective and scientific analytical work to identify crisis risks over the medium-term and put a cost figure on potential future national crises.
2. Identification of preparedness and risk reduction actions to eliminate and manage risks where possible.
3. Help to prioritise residual risks and create plans and financial preparedness, for example through support to establish contingency reserve funds, arrange contingent credit, or buy insurance.
4. Support to strengthen national delivery systems, for example weather data collection, shock-responsive social protection, or mobile cash transfer systems.
5. Premium subsidies for development insurance for disasters.²⁷
6. Periodic stress testing to test plans, instruments and institutions against potential, likely crisis scenarios.
7. Ongoing evaluation and public lessons learning.

The G7 could work with the V20 and regional fora to identify a small number of countries that are keen to act as pathfinders and access improved support and funding for crisis financing. Criteria could include:

- countries where a significant number of people risk being left behind in SDG progress as a result of high exposure to disasters—low-income countries or countries with high numbers of poor people
- high vulnerability—each country should have a high degree of vulnerability to crises where the cost of inaction will be high
- government demand—where a government is in place, it will be necessary for it to 'opt-in' and request to be a pathfinder country; working with national governments on national systems wherever possible is preferred
- contexts with a well-supported civil society.

Together, the pathfinder countries should cover a range of contexts, including a spread of priority risk types, regional distribution, and capacity levels so that as many lessons can be learned in as short a time as possible. It will be important to include some least developed countries and fragile or conflict-affected contexts, as well as at least one small island developing states, so that solutions can be found that are globally accessible and relevant. Given global poverty trends, several pathfinder countries should be African. REAP is developing a list of 'priority countries' that could be used as a basis for identifying pathfinder countries to ensure alignment.

There are a number of ways existing and new support could be (re-)oriented to pathfinder countries.

- **A new fund could be established. This could be run by an existing initiative such as the Insuresilience Global Partnership or it could be delivered as part of the Crisis Lookout**, overseen by the Secretariat's deliberately inclusive governance structure, and reporting to the G7. Wherever it is housed, it should have inclusive governance, and be accessible by a broad range of actors, including civil society, national governments, and humanitarian

actors. This could help contribute to better coordination. Potential budget would depend on the G7's level of ambition; costs would vary, depending on the number of countries selected and the scope of support provided.

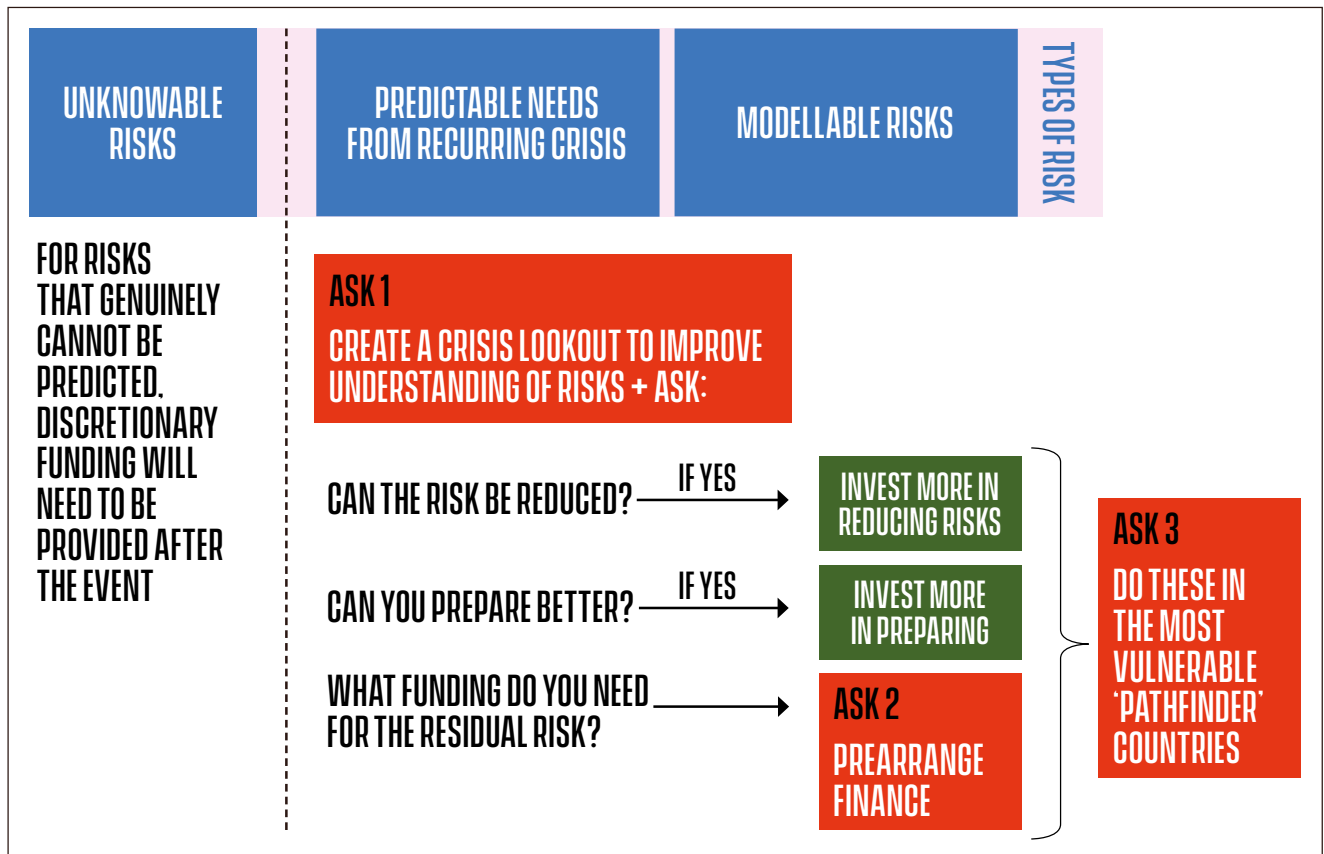
- **G7 donors could earmark funds that they are already providing for risk finance so that they focus on pathfinder countries, each overseen by an inclusive steering group.** For example, funds for the Africa Disaster Risk Financing (ADRFi) Programme, Global Risk Financing Facility (GRiF) or the Insuresilience Solutions Fund could focus on pathfinder countries. Access to these funds could be linked to adherence to quality standards (for example, Insuresilience's pro-poor principles or the Centre for Disaster Protection's 7 habits of highly effective DRF).²⁸

RECOMMENDATION:

G7 supports an inclusive initiative that allows governments, humanitarian agencies, the private sector, NGOs, and civil society to deliver better protection from crises in the most vulnerable pathfinder countries.

Figure 3: The Crisis Lookout: Predict, Prepare and Protect

The international system and most governments act as though all risks are unknowable, but this is not the case, there is much more we could do.





Volunteers prepare to distribute masks, face shields and soap from UNICEF to the Pesantren (Islamic boarding school) Alhamdulillah in Kemadu village, Rembang, Indonesia. Photo: Beawiharta Bea/UNICEF.

SUPPORTING ORGANISATIONS

Over 80 organisations and individuals from across the world have been consulted on the solutions set out in this paper. Participants include representatives from governments, UN agencies, NGOs, civil society, international finance institutions, think tanks, academia, and the private sector. Regional discussions were held in Africa, Asia, North and South America, and Europe.

The paper was drafted by Zoë Scott and Daniel Clarke, from the Centre for Disaster Protection. Greta Aubke acted as an independent reviewer and rapporteur for the regional consultations.

For more information on the Crisis Lookout coalition and its supporters please visit: <https://www.crisislookout.org/>

GLOSSARY

Crisis

A situation creating severe and widespread needs that exceed the existing local and national capacities to prevent, mitigate, or respond. This includes crises arising from a range and combination of hazards including conflict, weather and climate-related events and stresses, and disease.

Crisis financing

Funding and financing that promotes and specifically targets prevention, preparedness, and response to crises. It could take the form of: (i) cash flow to recipients (e.g. grants) that could be arranged in advance or agreed in real time; (ii) cash flow to and from recipients via a financial intermediary (e.g. loan or insurance).

Crisis risk

The potential suffering and loss of life that could occur in a specific time period due to a crisis, determined probabilistically as a function of hazard, exposure, vulnerability, and capacity.

Crisis protection gap

The difference between the cost of responding to a crisis to save lives and alleviate suffering, and the funds available to meet this cost, expressed probabilistically, and assuming current levels of prevention and preparedness.

Development insurance

Insurance that is offered with complementary technical assistance and tied to explicit development objectives.

International crisis financing system

The network of entities that provide or receive international aid (ODA) in order to enhance, support or substitute for state provision to address the risks or impacts of crisis.

ENDNOTES

- 1 UN Office for the Coordination of Humanitarian Affairs (OCHA) (2020) 'Global Humanitarian Overview 2021', <https://www.unocha.org/global-humanitarian-overview-2021>
- 2 Pre-arranged finance is funding that has been agreed in advance to trigger if a certain set of circumstances arises—for example, if winds of a certain level are reached or if rains are delayed. This is different from donor or government funding that has been set aside generally for crisis response (pre-allocated to crisis or disaster response), but with no specific planning of where it will go, under what circumstances. Examples include insurance and risk pooling, contingent credit, contingent grants, and forecast-based financing.
- 3 26th UN Climate Change Conference of the Parties (COP26) in November 2021.
- 4 This proposal focuses on the worst disasters, referred to as crises, where an entire country's ability to save lives and meet the immediate needs of its citizens is overwhelmed.
- 5 OCHA (2020).
- 6 Asian Development Bank (ADB) (2015) 'Global increase in climate-related disasters', <https://reliefweb.int/sites/reliefweb.int/files/resources/global-increase-climate-related-disasters.pdf>
- 7 Muggah, R. (2018) 'Large parts of the world are growing more fragile. Here are 5 steps to reverse course', World Economic Forum, <https://www.weforum.org/agenda/2018/07/fragile-states-2018-OECD-robert-muggah/>
- 8 Clarke, D. Hill, R. (2013) 'Cost-benefit analysis of the African Risk Capacity facility', IFPRI Discussion Paper 1292, <http://ebrary.ifpri.org/cdm/ref/collection/p15738coll2/id/127813>
- 9 Centre for Disaster Protection research, covering the period 2010–2019 across multiple types of crisis.
- 10 World Food Programme (WFP) (2019) 'Forecast-based financing in Nepal: A return on investment study', <https://docs.wfp.org/api/documents/WFP-0000108408/download/>; Cabot Venton, C. et al., (2012) 'The economics of early response and disaster resilience: lessons from Kenya and Ethiopia', Economics of resilience final report; data on Bangladesh provided by OCHA, impact evaluation forthcoming.
- 11 Cabot Venton, C. (2016) 'The economic case for early humanitarian response to the Ethiopia 2015/2016 drought', <https://static1.squarespace.com/static/5567b109e4b0101076d7f0bd/t/581b75e0cd0f68b05009b283/1478194658325/Ethiopia+Contingency+Analysis.pdf>
- 12 Yang, Y., Patel, D., Hill, R. and Plichta, M. (2021) 'Funding covid-19 response: tracking global humanitarian and development funding to meet crisis needs', Working paper, Centre for Disaster Protection, London.
- 13 Berkhout, E. et al. (2021) 'The inequality virus: Bringing together a world torn apart by coronavirus through a fair, just and sustainable economy', Oxfam International, <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/621149/bp-the-inequality-virus-250121-en.pdf>
- 14 Weingartner, L. and Spencer, A. (2019) 'Analysing gaps in the humanitarian and disaster risk financing landscape', ODI and Start Network, <https://start-network.app.box.com/s/2wx4fzmak3wzpk98fg8rzzhtlzkqiyxe>
- 15 For example, WEF Global Risks Reports (e.g. <https://www.weforum.org/reports/the-global-risks-report-2020>), which focus on economic risks. The UK government has recently published a new National Risk Register, see <https://www.gov.uk/government/publications/national-risk-register-2020>.
- 16 To clarify, there are many initiatives and tools to provide early warning and monitor crises as they evolve, but not the information needed to inform medium-term planning for crises (a year ahead) and put a likely cost figure on a risk. Current models and monitoring approaches are typically either normalised risk scores (e.g. INFORM) or they relate to building damage and loss (insurance models), or they purely look at hazards (academia). Some take a very generalised risk=exposure *vulnerability* capacity approach, but again these do not create information that can then be used to inform risk financing.
- 17 'Scientific' here refers not just to natural sciences but also social sciences e.g. economics, political science, and finance which can contribute deep knowledge to design simple but effective risk strategies.
- 18 There are broadly four levels of temporal perspective on 'monitoring' risk: 1) near real-time, used for early warning or event response; 2) seasonal forecasting, used for El Nino for example; 3) probabilistic modelling of the next 12 months; 4) climate change scenarios that can consider timescales from 2030 to approximately 2100. The Lookout would focus on 3) but could incorporate climate change scenarios into that (e.g. for 2030–2050). Catastrophe risk modelling is now moving beyond its original application in the insurance sector, to be used by governments and international organisations in how they understand their risks and measure how protected they are.
- 19 Data provided by OCHA. An impact evaluation is forthcoming from the Centre of Disaster Protection and Oxford University.
- 20 UN Office for Disaster Risk Reduction (UNDRR) 'Hazard definition and classification review', <https://www.undrr.org/publication/hazard-definition-and-classification-review>

21 We were unable to find a figure that estimates humanitarian and development annual crisis financing.

22

Resource	Unit	Unit cost (US\$m)	Total cost per annum (US\$m)
Commissioned studies	10	0.3-0.5	3.0-5.0
Secretariat: operational staff	12	0.10-0.13	1.2-1.6
Secretariat: analytical staff	20	0.10-0.13	2.0-2.6
Overheads/contingency	30%	of above costs	1.8-2.8
Total			8.0-12.0

23 The Centre for Disaster Protection's '7 habits of highly effective DRF' set out seven factors that make financing high quality: focusing on poverty; being timely; improving constantly; creating power for people facing risk; providing a trusted guarantee; offering good value; and aligning with the bigger picture. See: <https://www.disasterprotection.org/latest-news/7-habits-of-highly-effective-drf>

24 Insuresilience, a G7 initiative, has a target of 500 million poor and vulnerable protected from climate disasters by 2025. REAP has a target that '1 billion more people are covered by financing and delivery mechanisms connected to effective early action plans, ensuring they can act ahead of predicted disasters and crises'. Additional input or output level indicators may also be helpful to chart a path towards these more impact-level indicators. For example, an indicator of '% of crisis financing that is pre-arranged' could be added to Insuresilience's annual monitoring process to ensure momentum and bolster accountability.

25 Soanes, M. et al (2017) 'Money where it matters: designing funds for the frontier', IIED, <https://pubs.iied.org/10199iied>

26 See: About the V20 (<https://www.v-20.org/about>).

27 This should include initiatives like ARC Replica, which is accessible to humanitarian organisations and NGOs. 'Development insurance is insurance that is offered with complementary technical assistance and tied to explicit development objectives.

28 See: Insuresilience's pro-poor principles (https://www.insuresilience.org/wp-content/uploads/2019/06/insuresilience_propoor_190529-2.pdf) and the Centre for Disaster Protection's '7 habits' (<https://www.disasterprotection.org/latest-news/7-habits-of-highly-effective-drf>).

Cover image: Cyclone Ampham, a powerful and catastrophic tropical cyclone that caused widespread damage in eastern India (West Bengal and Odisha) and Bangladesh. Photo: Shutterstock.



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