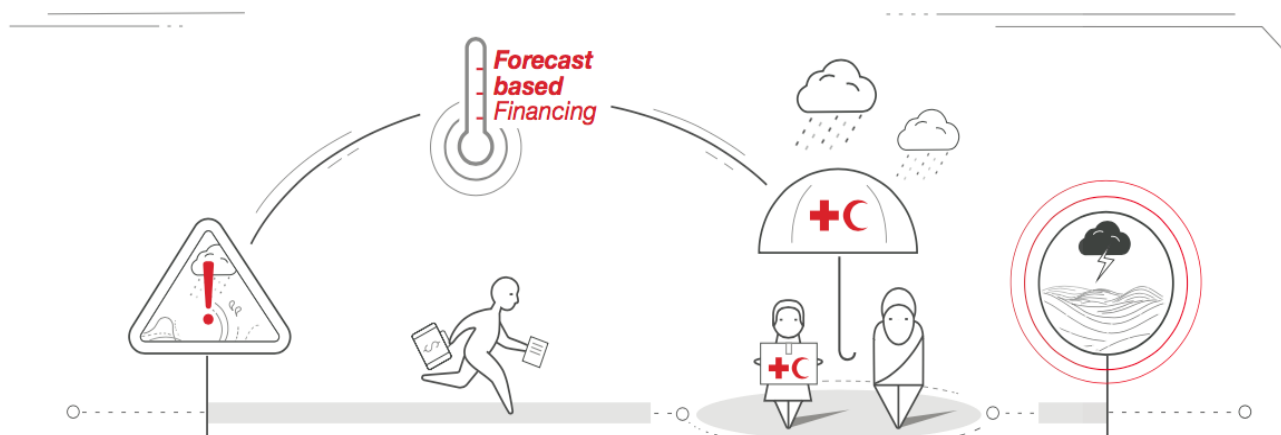


Forecast-based Financing: A New Era of Disaster Relief



German
Red
Cross



WHAT IS FORECAST-BASED FINANCING?

Forecast-based Financing (FbF) is a mechanism to mobilize resources in anticipation of a natural disaster, allowing humanitarian actors to act *before* disaster strikes in order to reduce its impact and more effectively alleviate human suffering. FbF practitioners use weather forecasts and risk analysis to track extreme weather events. If the weather event reaches certain agreed-upon thresholds or “triggers,” defined in an Early-Action Protocol (EAP), funds are automatically released and pre-set activities corresponding with the level of expected damage are carried out.

KEY ELEMENTS OF FBF



Triggers

Matching forecasts and risks (exposure, impact, vulnerability).



**Selection
of Actions**

Reducing the impact of disaster.



**Financing
Mechanism**

Automatic allocation of funds for anticipatory actions.

THE SEVEN-STEP DESIGN OF AN FBF MECHANISM

The Red Cross and Red Crescent Movement is a global leader in the FbF methodology, launching its first FbF pilot projects in 2013.¹ Today, 16 Red Cross and Red Crescent societies utilize the financing mechanism to take action before an extreme weather event occurs.²

In January 2018, the Vietnam Red Cross (VNRC) and German Red Cross (GRC) launched the “FbF Ready” project to reduce the impact of heat waves on Hanoi’s most vulnerable populations. The project will build the capacity of the VNRC to utilize FbF in future disaster responses, equipping the organization to become a regional leader in anticipatory humanitarian action.

The design of an FbF mechanism follows a seven-step process that allows the implementing organization to assess the risks present in a specific area, define forecast triggers linked to corresponding early actions, and react to disaster before it strikes. A complete manual for the FbF methodology can be found at www.forecast-based-financing.org.



RISK ASSESSMENTS

Stakeholder assessments, surveys and other context analysis tools are used to identify the hazards, vulnerabilities, exposure and capacities of the population likely to be most impacted by an extreme weather event.



DEFINITION OF IMPACT LEVELS

The levels of forecasted damage that will trigger early humanitarian action are established. Accompanied by localized forecasts, these “trigger” points will activate interventions at specific times and in specific areas.



DEVELOPMENT OF AN EARLY-ACTION PROTOCOL

A formal Early-Action Protocol (EAP) defines the roles and responsibilities of each participating organization, and describes the mutually agreed upon impact levels at which early actions are triggered.

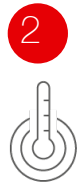


FORECAST MONITORING

Forecasts are monitored and if the identified impact levels are met or exceeded, funding is **automatically released** and early actions are implemented.

IDENTIFICATION OF FORECASTS

The capacities of local, national, and international weather forecasts are assessed collaboratively to identify what information is available surrounding the weather phenomenon the mechanism will monitor. Forecasts must provide sufficient lead time to the onset of an extreme weather event so that resources may be mobilized before disaster strikes.



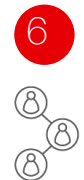
SELECTION OF EARLY ACTIONS

In collaboration with local meteorological agencies, the implementing Red Cross Society designs a pre-determined package of support that will be provided at the time of a triggering forecast, aiming to reduce the humanitarian impact of the event.



VALIDATION OF THE EARLY-ACTION PROTOCOL

The proposed EAP is reviewed and approved by all involved parties including meteorological agencies, local and national government, and humanitarian partners.



(1-2) “Forecast-based Financing: A new era for the humanitarian system,” International Federation of Red Cross and Red Crescent Societies, 2018.