

Exploring the feasibility of SEADRIF in the Red Cross Red Crescent National Societies



A girl with other residents wades on the flood street of Barangay Camunatan, Isabela, north of Manila on October 19, 2015 (Photo: Noel Celis / IFRC)

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Table of Contents

Executive summary and recommendations	4
Key findings:	4
What are the funding needs of the National Societies in Myanmar and Philippines for disaster response?	4
What investments would increase absorptive capacity of the National Societies?	5
What are the funding needs of the National Societies in Myanmar and Philippines for forecast-based action?	5
Could a flood forecast provide a SEADRIF trigger for early action?	6
Way forward:	6
SEADRIF Feasibility Philippines Red Cross	9
Current NS Financial Constraints for Early Action and Effective Disaster Response	9
Defining disaster intensity	9
Rapid Response	11
Relief	11
Early Action / Forecast-based Action	12
Recovery	13
Where are financing gaps?	14
Medium-sized disaster event	15
Large-scale disaster event	16
Opportunities and Barriers for SEADRIF in RCRC: Philippines	17
Planning	17
Targeting	17
Information Management	18
Financial Flows	18
Branch capacity	18
SEADRIF Value add: Potential types of interventions that could be supported by SEADRIF	19
How important is pre-arranged finance for the NS?	19
What priority actions did the NS suggest if they had access to SEADRIF?	19
What design preferences does the NS have for SEADRIF finance? (triggers, financing arrangements)?	22
Trigger	22
Premium payment	23
Financing arrangements	23
Priority Capacity Building Interventions for Disaster Risk Finance	24
Alignment with Preparedness for Effective Response (PER) process	29

Recommendations: The way forward for PRC and SEADRIF	31
Potential role of Government	31
Potential role of IFRC	32
Next steps towards implementation	32
SEADRIF Feasibility Myanmar Red Cross:	
Current NS Financial Constraints for Early Action and Effective Disaster Response	35
Defining disaster intensity	35
Rapid Response	35
Relief	35
Early Action / Forecast-based Action	37
Recovery	38
Where are financing gaps?	38
Large-scale disaster event	39
Opportunities and Barriers for SEADRIF in RCRC: MRCS	40
SEADRIF Value add: Potential types of interventions that could be supported by SEADRIF	42
How important is pre-arranged finance for the NS?	42
What priority actions did the NS suggest if they had access to SEADRIF?	42
What financial absorption capacity do NS have?	43
What design preferences does the NS have for SEADRIF finance?	
(triggers, financing arrangements)?	43
Priority Capacity Building Interventions for Disaster Risk Finance	43
Recommendations: The way forward for MRCS and SEADRIF	45
Conclusion and overarching questions: Is SEADRIF the right instrument?	47



Executive summary and recommendations

Key findings:

The availability of disaster risk finance presents a novel opportunity for the Philippines Red Cross (PRC) and Myanmar Red Cross (MRCS) to address gaps in their ability to respond to disasters. Though the Red Cross Red Crescent National Societies are often dependent on IFRC Appeals to respond to major disasters, this funding is unpredictable and does not always arrive when NS expect or need it most. National societies (NS) need financing instruments that offer speed, though their internal sign off and approval processes can be an impediment to speed as much as the availability of finance itself. Investments in improving the speed of response should consider not only the speed of finance reaching a bank account, but also the speed with which it can be approved and spent internally. In order to use predictable and rapid funding, NS should establish more concrete contingency plans with pre-approved actions and budget lines, enabling a more efficient response and ensuring early action, rapid response, and recovery are well-linked.

What are the funding needs of the National Societies in Myanmar and Philippines for disaster response?

The quantity of funding was not as important as *when* funding arrived and for what types of events. Large disaster events that receive significant media coverage are well-funded in both Myanmar and the Philippines. For Philippines Red Cross, funding needs were most pronounced for medium-sized hazards, while for Myanmar Red Cross the priority was for unrestricted funding that allowed for investments in staff capacity to respond. For both national societies, more funding available at decentralised levels (accompanied with some capacity development support) is key to improving the speed and quality of the response, particularly in early stages.

- **Speed.** Faster funding disbursement would reduce suffering after extreme events.
- **Predictability.** If timing and quantity of funds can be guaranteed at the time of the disaster, efficiency gains in planning and execution will dramatically improve outcomes for affected people.
- **Localization.** Flexible funding that empowers National Societies and branches to make appropriate decisions given the response context would better meet the needs of those affected.
- **Medium-scale top-up.** Large historical appeals have been fully funded. The exception is for medium-scale (e.g. 5-year return period) disasters in the Philippines, which lack funding.
- **Capacity.** Organizational systems need to be strengthened in order to enable National Societies to rapidly absorb (larger) funds and turn them into action.

What investments would increase absorptive capacity of the National Societies?

For the Myanmar Red Cross, an insurance mechanism that would deliver a multi-million dollar payout into the current system would likely fail to deliver a meaningful improvement in humanitarian results due to capacity gaps in the ability to rapidly move this amount of additional cash to address the needs of disaster-affected people. The Philippines Red Cross is better equipped to absorb funds from an insurance mechanism, but institutional readiness and capacity development needs remain, especially at the branch level. Investing a percent of current response funding in organizational development of the National Societies could dramatically increase the amount of funding they are able to absorb from financial instruments (e.g. insurance) pre- and post-disaster, while simultaneously improving the quality of outcomes for affected populations.

- **Cash systems.** Scaling and improving emergency cash management systems could expand the reach and the effectiveness of post-disaster aid, channeling more humanitarian funding to greater numbers of people. Cash systems are a relatively straightforward way of absorbing more funding, and both National Societies have initiatives underway to improve their capacity to deliver cash-based support.
- **Branch development.** Staffing and training improvements in branches, especially in financial reporting and project management, would improve spending abilities and attention to local needs.
- **HQ surge.** National surge capacity could ramp up support faster and to a larger disaster affected area.
- **Logistics.** Improved warehousing and emergency procurement strategies would enable larger and faster responses.
- **Volunteers.** Volunteer management systems would enable upkeep and rapid deployment of trained volunteers.

What are the funding needs of the National Societies in Myanmar and Philippines for forecast-based action?

Current funding from FbA by the DREF provides predictable, rapid finance for early action triggers. The maximum allowed within the Early Action Protocols is 250,000 CHF, and National Societies have designed their early actions to correspond to this limit. At the time of interviewing Red Cross staff in 2019, the amount available by FbA by DREF was considered sufficient for the early actions that were being identified and implemented, given the relatively short lead times for action. If more finance were made available, however, IFRC staff have indicated that National Societies may be able to absorb more funding and reach more beneficiaries. Currently, support is needed for further development of Early Action Protocols, as well as capacity to turn funding into actions in a timely and effective way.

- The Philippines Red Cross is developing several Early Action Protocols to access FbA by the DREF. They are in discussion with government departments to coordinate early action.
- The Myanmar Red Cross is interested in developing Early Action Protocols and plans to set up FbF projects, both RCRC internal and with UN partners, are advancing. They would be interested to develop triggers in collaboration with government agencies.
- Similar capacity investments to those listed above for response would also increase the magnitude and speed of early actions.

Could a flood forecast provide a SEADRIF trigger for early action?

For some types of floods, a forecast-based trigger can be developed. Triggers could also be developed for other forecastable hazards, such as heatwaves.

- **River floods.** Global models show skill in forecasting major river floods in large rivers several days in advance. This could be improved in collaboration with local modeling capacity.
- **Cyclones.** Cyclone track forecasts provide several days of lead time (sometimes more in the Philippines), showing meaningful probabilities of where landfall can be expected. There is large uncertainty in the intensity of wind or rain when it makes landfall. In the Philippines, the Red Cross has already developed a trigger for typhoons.
- **Not flash floods.** ECMWF models do not predict the location and timing of extreme rainfall events in either Myanmar or the Philippines with enough accuracy to anticipate rainfall-driven flash floods.
- **Not storm surge.** While cyclone forecasts can give a heads-up to prepare for storm surge, forecasting the exact height of the surge in a specific location is at the frontier of forecasting capabilities, and not yet a good candidate for a forecast-based trigger.

Way forward:

Predictable, unrestricted funding for early action and rapid response is attractive

to both the Philippines Red Cross and the Myanmar Red Cross, but their readiness and interest in taking out an insurance premium differed. When presented with information about SEADRIF, the Myanmar Red Cross was cautious about engaging, preferring to wait to see how the Myanmar Government proceeds and supporting the Government's SEADRIF planning and response. MRCS staff were concerned about the long-term implications of paying for premiums, and perceived that setting up a SEADRIF insurance policy may come at the opportunity cost of working on other types of humanitarian emergencies not covered under the SEADRIF policy, particularly conflict-related situations.

For the Philippines Red Cross, there was interest in participating in a SEADRIF pilot under the condition that it covered medium-sized hazards in which they struggle to attract funding, and that it was accompanied by some investments in their capacity to respond. For both National Societies, there is **no interest in a standalone pilot** that would immediately pay premiums for insurance for large events. This is primarily because (1) large appeals are historically well-funded, and (2) no reasonable options have been identified to continue to pay premiums in the future.

However, a pilot designed to **invest in a comprehensive disaster risk financing system** could catalyze transformative change. We argue that the best use of the pilot investment would be to provide evidence that helps set the foundations for a sustainable, scalable, anticipatory approach for disaster response - as opposed to a one-off investment likely to vanish when pilot funding ceases. The hypothesis of such a pilot would be as follows:

Pilot hypothesis: *If 1 million USD is invested per year for 5 years in organizational development for disaster risk financing and 1 million USD is invested in a premium, this would enable the absorption of 10 million in disaster insurance payouts, and improve the efficiency of an additional 10 million of other types of response funding.*

While these numbers are currently arbitrary, the pilot would provide a test to understand what the real numbers might be. The results will differ from country-to-country depending on several factors, including the level of current investment in building capacity in that country.

For a pilot to test this hypothesis, we would recommend the following design.

1. The pilot invests in organizational capacity development over 5 years.
 - a. In the first year, the National Society develops a comprehensive Disaster Risk Financing strategy. This outlines how local contingency funds are used to jumpstart response operations, complemented by DREF allocations, appeals, insurance, and other relevant risk pooling mechanisms.
 - b. In the remaining 4 years, the preparedness funding is invested in improving cash systems, enhancing branches in project management and delivery capacity, national surge capacity, emergency procurement strategies, and volunteer management systems.
2. In the first 2 years, the National Societies develop multi-hazards disaster response SOP with special focus on floods given the relevance for SEADRIF, SOPs will have appropriate actions planned for small, medium, and large events. These should be inspired by and complementary to the forecast-based Early Action Protocols, and should explain under which situations the National Society will make use of international response mechanisms (e.g. IFRC supporting international procurement).
3. The National Society develops rapid and trigger-based financing protocols to ensure speed and predictability of finance for all disaster types.

The DREF team commits to working with the NS to establish pre-agreed triggers for rapid payouts, with financial protocols agreed to ensure rapid transfers.

 - a. The National Society works with SEADRIF insurance to establish pre-agreed triggers and financial protocols for rapid transfers. In Myanmar, the payout could come through the government, assigning tasks to MRCS in their auxiliary role as agreed during the contingency planning phase.
 - b. The National Society works with FbA by DREF on the capability for forecast-based triggers. Some of this work is ongoing and can be refined based on the attachment points in the SEADRIF policy.
4. The pilot invests in premiums for a relatively small and frequent SEADRIF payout (e.g. payout of 1 million for the 1-in-3 year event or greater). This enables the team to test the pilot hypothesis of the impacts of rapid and predictable financing, even if for the long-term insurance would only be used for extreme events with a recurrence interval of more than 10 years.

5. The pilot invests in a team of people to evaluate the pilot hypothesis. If any size disaster happens, evaluate the value of the rapid and predictable funding from the DREF and from the SEADRIF mechanism. If no disaster happens, carry out a professional simulation. The goal is to assess disaster outcomes and efficiency gains relative to the pilot hypothesis, in terms of people reached and impacts avoided.
 - a. Develop learning and communications products that propose to a specific set of donors the appropriate investments in premiums and risk pooling based on the outcomes of the predictable-rapid-finance pilot and the comprehensive Disaster Risk Finance plan that was developed. This would likely not recommend to continue paying a premium for 1-in-3 year events, but a different combination of less-frequent SEADRIF insurance premiums combined with other instruments for rapid finance.
6. The pilot invests in advocacy and dialogue with relevant actors, including donors, governments and other organizations developing DRF strategies for humanitarian action, to further develop sustainable plans for the effective application of DRF.

Above all, the feasibility study research revealed that there is a need to examine the full portfolio of financing options for the national society and develop a disaster risk financing strategy that looks at all the disaster risk management continuum. Insurance is suitable for some risks, but needs to be complemented with other instruments to ensure a comprehensive strategy is in place. Currently, SEADRIF offers some unique benefits for a NS, combining scale, predictability and speed. Yet even if premiums are paid, involvement in SEADRIF comes at an opportunity cost in terms of time and effort, and it is a decision for the NS where to take this opportunity to test and learn while exploring a broader range of instruments for the longer term. With a well-resourced disaster risk financing strategy and a variety of financial instruments available, the PRC and MRCS can make disaster finance predictable, ultimately supporting vulnerable people more quickly and more effectively.



SEADRIF Feasibility Philippines Red Cross

The Philippines NS is in a relatively good position to deliver early action and response to vulnerable people using disaster risk financing. The PRC is developing early action protocols (EAP) for typhoons and floods (and are currently exploring drought). These EAPs could be the basis for developing a forecast-based trigger into a SEADRIF pilot, or simply layered with additional ex-post finance through SEADRIF. More investments in chapter's capacity to project management and report on financing would enable PRC's local staff to take a greater role in early action and disaster response, without waiting on surge support from NHQ or IFRC Emergency Response Units.

Though the PRC expressed interest in better resourced disaster response, the types of hazards where predictable and fast funding are most needed are events of a smaller magnitude than 1 in 10 or 1 in 30 year events, which receive significant media coverage and thus are well-financed compared to other hazards. More frequent, medium sized disasters that might require an appeal of 1 – 5 million CHF are particularly difficult to finance consistently; a predictable source of flexible finance to meet needs for these events is a greater need than an insurance mechanism that covers infrequent but major disasters. Developing a comprehensive disaster risk financing strategy to identify how funding for these events can be more predictable is a necessary step to complement any SEADRIF engagement.

Current NS Financial Constraints for Early Action and Effective Disaster Response

Defining disaster intensity

There is a definitional tension in what kinds of events the RC consider a major, high priority crisis and what events an insurance mechanism can respond to. To define what kinds of disaster events they respond to, insurance mechanisms reference the *return period* for the event, a statistical measure that estimates the probability of the event occurring in a year. SEADRIF payouts have been proposed for 1-in-30-year events, or 1-in-10-year events.

For the Red Cross, response financing needs are defined by a priority scale that refers to NHQ and Chapter operational capacity to respond. A 'medium' priority hazard might require DREF funding, and a 'high' priority hazard would require the DREF and an IFRC Emergency Appeal. Both medium and high priority might fall below the thresholds that insurance would fund (Level 2 and Level 3), while insurance is likely to cover a Level 3 or Level 4 response.¹

¹ As the PRC does not use return-periods to categorize disaster response and fund raising needs, this is an estimation.

Level	Priority	NHQ Conditions	Chapter conditions	Funding Source
Level 0 Green	Normal	Daily operations, no major incidents	Daily operations, no major incidents	Local chapter resources
Level 1 Yellow	Low	Local incidents, chapter-led response and/or monitoring, situation not immediately life-threatening but may escalate, NHQ resources may be required for response	Local incidents, chapter-led response and/or monitoring, situation not immediately life-threatening but may escalate	Local chapter resources, local donations, PRC Relief Fund
Level 2 Orange	Medium	Monitoring incidents, single or multiple chapters, chapter leading response but NHQ resources needed for effective response, stable condition, not immediately life-threatening but may worsen if not addressed	Monitoring incidents, single or multiple incidents/events. Chapter mobilization of resources and assets within the minimum chapter shared responsibility, NHQ resources may be required for response	PRC Relief Funds, DREF, Bilateral / Multilateral agreements with RCRC Movement partners
Level 3 Red	High	Major incident, three or more (multiple) chapters involved, major utilization of PRC resources, NHQ prioritization needed, ongoing life-threatening situation	Major incident, three or more (multiple) major utilization of PRC resources, chapter leading response but NHQ resources needed for effective response, with possibility of NHQ leading response if needed	DREF, IFRC Emergency Appeal, Bilateral / multilateral agreements with RCRC movement partners
Level 4 Blue alert		Major incident where NHQ is affected due to earthquake, fire, threats of violence and others that will alter regular daily work	Chapter is non-operational in all aspects	DREF, IFRC Emergency Appeal, Bilateral / multilateral agreements with RCRC movement partners

Rapid Response

The PRC's first source of finance for rapid response comes from the Relief Fund (RF), which acts as a reserve fund to act quickly. The fund is replenished with donor finance when appeals and the DREF are disbursed. The Relief Fund has an estimated value of 700,000,000 PHP, or about 13,377,224 CHF.

The PRC has relatively sophisticated methods of enacting a rapid response. The PRC has accessed the 'imminent DREF' window, in which a relatively small DREF allocation is made in advance of an emergency to facilitate rapid assessments, mobilisation of volunteers and staff, and rapid disbursement of NFIs. The PRC used the imminent DREF to mobilize a rapid response to Typhoon Mangkhut, using the finance to pre-deploy assets to areas likely to be affected, mobilize staff and volunteers, support evacuation center management, and purchase small items for deployment. The rationale for using the window is related mainly to specific logistical challenges of operating in an archipelago when areas become inaccessible by sea during storms. Actions under imminent DREF begin few days before landfall when seas can still be crossed.

When a typhoon is forecasted, the PRF can disburse at least 100,000 PHP (about 1,900 CHF) to the chapter level prior to landfall to enable the chapter to prepare and respond quickly. Prior to this policy, chapter interviewed from this study from Leyte, Samar, and Cebu mentioned they were constrained in the early stages of response for medium and large-scale hazards. Chapters can respond with relative autonomy to local fires and floods but require additional financial support for hazard events of higher intensity or that cover a wider geographic area. For example, the Cebu Chapter maintains supplies for 2,000 families to cover 5 days; supplies for a more comprehensive relief effort are depending on additional support from regional warehouses and NHQ.

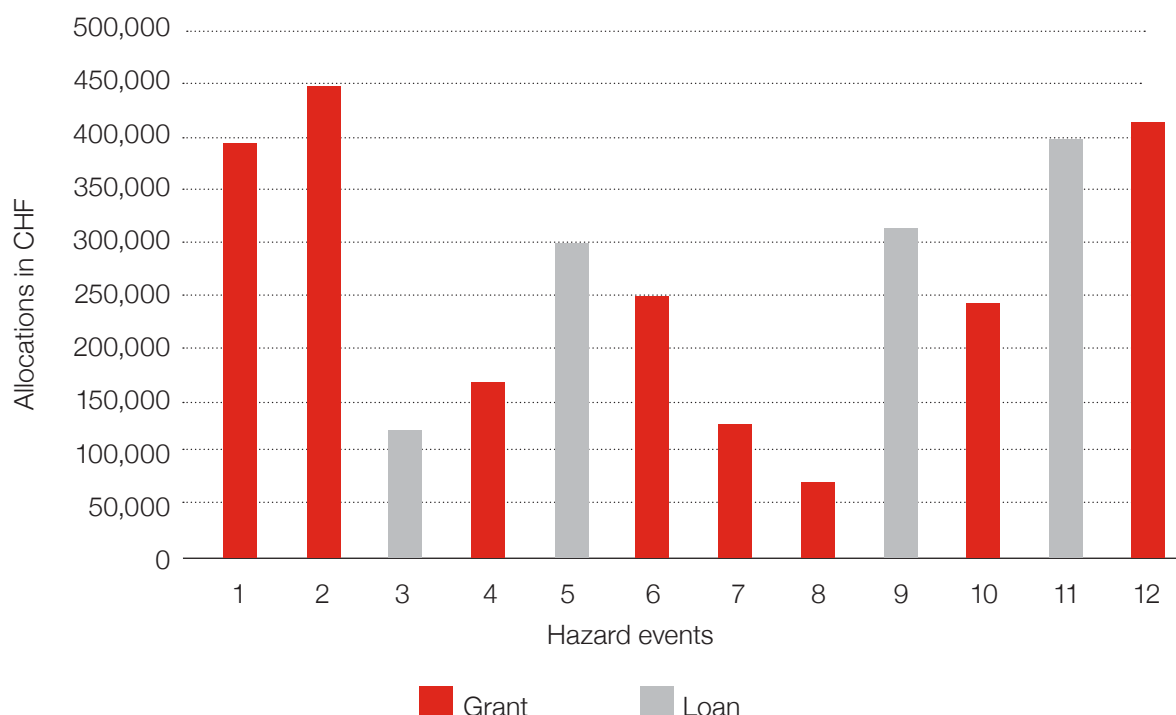
Relief

For medium to large scale hazards, Philippines RC relies on bilateral and multilateral support, the DREF and the IFRC for financing early action, relief, and recovery. Since 2015, the PRC has accessed 3,058,823 CHF from the DREF for flood and typhoon related response, with an average disbursement of 305,882 CHF.² Though PRC's finance department referred to the DREF as reliable for allocations of roughly 300,000 CHF, most interviewees from PRC and IFRC agreed that IFRC appeals are unpredictable in terms of volume and speed of funding for responses that require anywhere between 1 – 5 million CHF.

For medium to large scale disaster events, finance from the DREF is used to finance for relief, or the early stage of disaster response before detailed assessments of needs have been completed and the operation transitions to recovery programming. This can take one to four months, depending on the scale of the disaster event. The PRC faces a unique challenge of dealing with compounding hazards, in which additional flooding or new tropical storms hit the affected area during relief or recovery phases, amplifying the need for assistance and prolonging the 'relief' phase.

2 Excluding 2019

DREF allocations to Philippines Red Cross



The PRC's first source of finance comes from the Relief Fund, which acts as a reserve fund to be replenished with donor finance when finance from appeals and the DREF arrives. The fund generates income through interest payments. As of May 2019, the value of the fund was 746,137,083 PHP, or about 14 million CHF. NHQ maintains a balance of 136,865,465 in NHQ which is available for disbursement, subject to approval by PRC leadership.

Early Action / Forecast-based Action

The PRC is currently planning to access the Forecast-based Action by the DREF through the development of Early Action Protocols for typhoons, floods, and droughts. The ongoing Forecast-based Financing project supported by German and Finnish Red Cross aims to help test and refine what kinds of early actions are feasible in flood, drought and typhoon contexts, including the development of triggers, capacity strengthening and advocacy. Each Early Action Protocol will release up to CHF 250,000 for early actions, including readiness and prepositioning costs.

For typhoons, early actions include cash disbursement, house strengthening, and evacuations, depending on the geographic location. At 5 days lead time, there is a low confidence level about where the typhoon might hit. At three days, there is more clarity and early actions can be activated. The FbF pilot uses a data dashboard developed by the [510](#) initiative of the Netherlands RC, to indicate when and where to implement early actions.

For FbF, the PRC is currently focusing on 22 high risk areas all over the country, from Luzon, Visayas, to Mindanao. For typhoon forecast-based action, the communities targeted reside on the eastern seaboard. For drought, there is a nation-wide approach that does not focus on any particular region.



Source: PRC

There is an existing effective flood forecasting system in the Philippines for some of the 18 river basins. The Government recently set up a 'flood forecasting centre' that provides real-time forecasting. The forecasting centre sends warnings that flooding is possible within hours, but not where to expect flooding. These warnings do not give sufficient lead time nor the granular detail to understand where impacts will be felt. The PRC is working with the University of the Philippines to develop a flood risk tool that focuses on the Panay River Basin and a university in Mindanao to do the same analysis for the Agusan River Basin, which will provide the risk information necessary to trial forecast-based action to floods.

Recovery

PRC does not tag finance according to when it is spent in disaster response and unpicking when finance came in and how it was proved to be a complicated endeavor. Interviewees agreed, however, that financing recovery was problematic. It is far more expensive to cover the costs of recovery needs, but donors prefer supporting relief operations. According to PRC, financing relief is attractive to donors, as it is the most visible form of support and can be done while memory (and media coverage) of the event is still fresh.

Where are financing gaps?

In describing the challenges with financing different stages of disaster response, discussions about speed of finance took precedence over questions about how that might affect quality of response. Though it is probable that in some cases, late delivery of funds and uncertainty over whether appeals will be filled affects decisions about who receives support, what kind of support is provided, and when it is delivered, interviewees struggled to articulate specific instances about how uncertainty or slow financing affected delivery of aid. This is a gap in this study, but these crucial questions merit further research.

Why these questions were challenging to answer is worth considering. In both national societies, staff turnover reduced staff ability to answer questions about previous disaster response, and points to a need to document operational challenges to better institutionalize learning from past response. Furthermore, finance teams that could answer questions about when finance was delivered were disconnected from decisions about delivery, and thus were unaware of how financial challenges might have compromised the quality of implementation. Similarly, those who managed response were aware of challenges about absolute availability of finance, but not sure about how uncertainty or speed of disbursement might affect implementation. These questions require more attention in current FbF pilots or in a future pilot replica of SEADRIF.

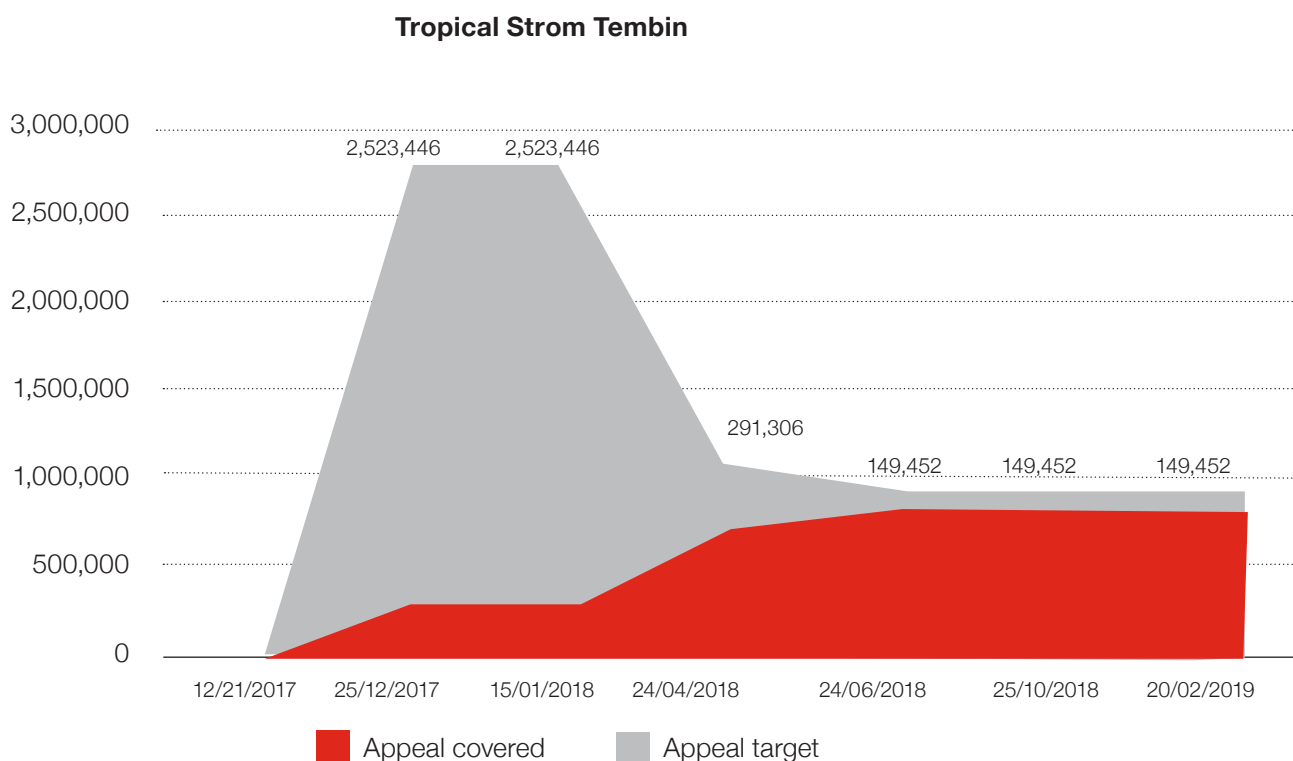
Philippines Red Cross: Financing disasters at different scales				
Return Period	Very High	Philippines Relief Fund + DREF	Philippines Relief Fund + PNS + DREF + Appeal Example: Typhoon Haiyan 100,000,000CHF	
	High	Local Chapter + Philippines Relief Fund + DREF	Philippines Relief Fund + PNS + DREF + Appeal Example: Typhoon Bopha, Typhoon MMangkhut 2,000,000 - 10,000,000 CHF	
	Medium	Local Chapter + Philippines Relief Fund	Philippines Relief Fund + PNS + DREF Example: SW Monsoon 400,000 CHF	
	Small	Local Chapter	Local Chapter + Philippines Relief Fund Example: Fire	
		Small: Municipality	Medium: Province	Large: Several Provinces / National
Geographical Impact				

Source: Authors. The blue box indicates hazard events that the PRC struggles to fundraise for, and where predictable, pre-arranged financing would add significant value.

According to PRC staff, the biggest challenge is in financing medium sized disasters (early action, relief, and recovery) and early action and recovery for large-scale disasters. PRC and IFRC staff pointed to inconsistent finance for appeals that ranged from 1 million to 5 million CHF. Inconsistent funding prevented PRC from being able to plan effectively, particularly for recovery period in which expenditure is higher. In some cases, it hampered collaboration with other partners that were responding in the same areas, as PRC had to revise downwards the number of people the response intended to reach, leaving a gap that other partners had not planned for.

Medium-sized disaster event

A recent example referenced in interviews was Tropical Storm Tembin, for which PRC launched an appeal of over 2.5 million CHF. As the response progressed, and the appeal remained significantly underfunded, the appeal was revised down to about half of the original target. The PRC had to prioritize on reach and funding support to chapters. The PRC was able to find cost savings in other areas, by grouping some assistance to the community-level rather than by household. In other cases of other underfunded disaster response, support for livelihood was reallocated to more urgent needs, such as covering shelter costs.



Source: Author, based on appeals and PRC financial data.

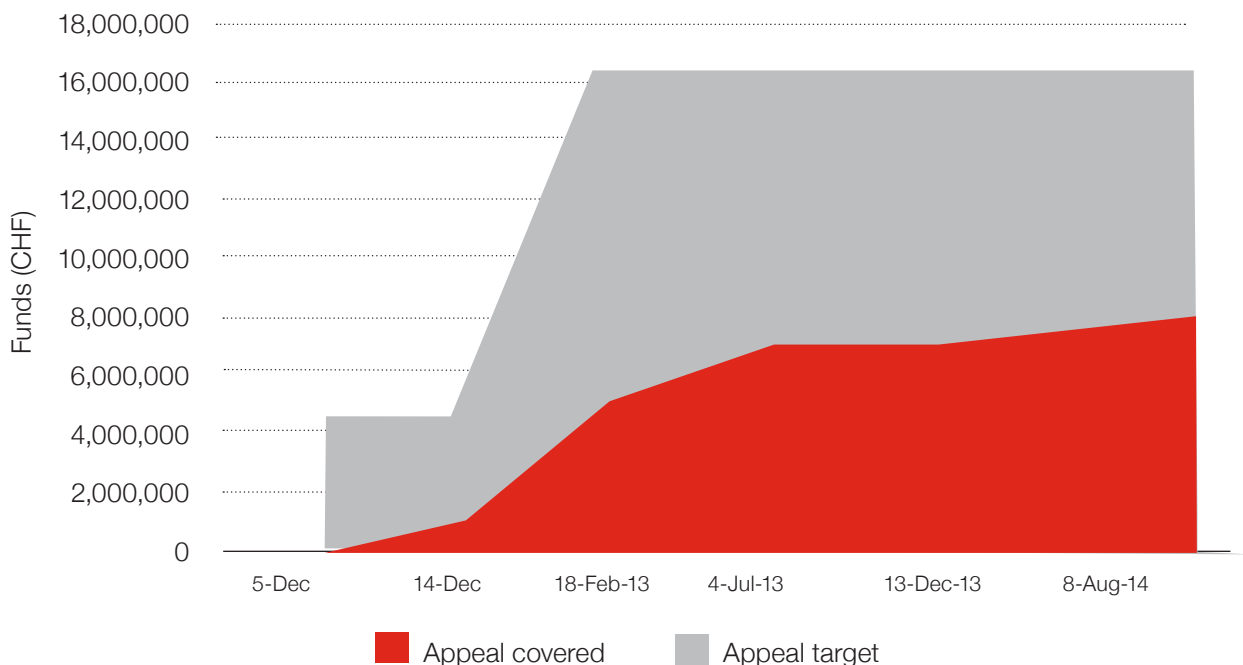
Though only some of the appeal was covered in early stages, the PRC was able to cover response using the Relief Fund in initial stages. PRC staff were not able to articulate how uncertainty and delay in financing changed response decisions, other than explaining that insufficient funding led the PRC to revise its targets. Because the underfunded appeal could not cover all recovery needs, PRC planned with other partners to divide shelter assistance. PRC provided roofing and labour costs, and other partners

agreed to provide other shelter materials. Unfortunately, in one badly affected province, the non-RC partners were unable to fulfill their end of the plan. The consequence for vulnerable people living in the area has been extreme; for nearly two years now, displaced people have been living in tents and evacuation centers. Had the PRC's appeal been sufficiently funded, PRC staff believed that the recovery would have been more comprehensive for these vulnerable people.

Large-scale disaster event

One significantly underfunded Typhoon response was for Bopha, a severe storm that lead to more than 1,200 fatalities and destroyed 230,000 homes. The shelter needs were particularly pronounced, but resources were not available to meet them.

Funding coverage for Typhoon Bopha



Six months after the appeal was launched, Bernd Schell, the former country representative of IFRC, lamented, “We have not received adequate donations to assist the very large number of vulnerable people. I’m making an ardent call to our partners for more donations to enable us to provide decent shelter solutions.” Finance did not arrive, and the final evaluation of the Typhoon Bopha response called for IFRC and PRC to “*prepare for underfunding in times of appeals*” (IFRC, 2015).³ PRC staff involved in planning and delivering recovery actions for Typhoon Bopha were no longer working with PRC and could not be interviewed for this study.

3 PRC/IFRC (2015) Final Evaluation Report – Typhoon Bopha/Pablo Operation.

Opportunities and Barriers for SEADRIF in RCRC: Philippines

Planning

Access to disaster risk finance is an opportunity to improve planning for disasters. If the key benefit of disaster risk finance is that it is predictable, the response should be predictable as well. Knowing when and how much resources will be made available for response can enable a more efficient response.

Currently, much of PRC's response relies not on written policy or protocol but on the vast experience of PRC in responding to typhoons and on memos passed down from PRC leadership. The PER process identified a need to finalize, publish, and share SOPs and ensure alignment with other response documents. The final component – sharing – is particularly important, as roles and responsibilities must be well understood by chapters.

Currently, the PRC is elaborating Early Action Protocols (EAPs) to access finance for early action through the Forecast-based Action by the DREF. These protocols, with triggers and pre-elaborated plans of action, are a strong basis for a larger, more detailed SOP that includes response and recovery, with suggested actions included (and requisite budget lines).

Targeting

The PRC's policy is to reach 30% of the most vulnerable people affected in a disaster. As it stands, the PRC struggles to reach 30% of affected people, particularly during the recovery phase. More predictable finance could enable PRC to expand coverage during the recovery phase and have more certainty about what PRC could provide when planning with other partners involved in response.

The Social Protection systems of the Philippines Government have been evolving overtime, to identify the most vulnerable people that should receive social welfare support, one of this programmes is the 4Ps. There is potential to work closely with the Government, to utilise this existing SP systems to optimise targeting for response. During Typhoon Haiyan, WFP in cooperation with DSWD, used the 4Ps databases to target beneficiaries for their relief and recovery programmes.

PRC staff suggested using Vulnerability and Capacity Assessments (VCA) to plan for interventions through SEADRIF. Using VCAs to plan response comes with challenges; as not all chapters have completed VCAs and even in chapter with strong VCA implementation, the scale of the coverage is not enough large enough to have information from entire geographic 'catchment' of the chapter. For those that have, this information could be used by strong Chapters (A and B classification) in a Plan of Action to determine which people and what interventions they would prioritize in the event of a disaster, based on the assumption of an immediate disbursement of finance to the chapter from NHQ.

This would require retooling the VCA. The current goal of VCA is to develop DRR community plans, not necessarily identify priorities for response. The VCA could be used to understand which sectors are likely to be affected, and help the chapter know which response actions could be prioritised in an SOP for response and recovery. Integrating this information into other information systems, such as those used by Operation Center (OpsGen) or sharing between projects and departments is needed to ensure that VCA data is accessible across RC departments involved in planning and delivering early action and response.

Information Management

Though the PRC has a relatively sophisticated OpsGen, information is not always accessible between departments or shared into central databases. Departments have their own databases of information (e.g. volunteer, staff, trainings, deployments) which is collecting information in different manners, some incomplete, and updated without predictable frequency.

One challenge for PRC is the lack of forecast information about flooding. The Government maintains flood maps under former project NOAH and currently under PAGASA flood forecasting efforts. These flood maps show areas at risk of flooding but cannot be used for early warning. Anticipation information is needed so that OpsGen can check how many pre-positioned goods are available and alert stronger chapters that they may need to augment the capacity of a weaker chapter. Currently, PRC's knowledge of flooding comes first from a software called FloodTags, which allows PRC to track when people share information of photos about flooding on social media, and more recently from the work in FbF for floods for 4 provinces. With this information, PRC triangulates information of flood tags and verifies through chapters. PRC's access to FloodTags is due to expire in 2019, however; the OpsGen expressed that it was a priority for them to find a funder to help maintain their access to the platform. Other information management tools, including OpenStreetMap are a crucial asset for early action and response decisions making.

Financial Flows

An advantage of SEADRIF finance is that it could enable PRC to use the Relief Fund more effectively. Instead of using the Philippines Relief Fund to reimburse unaccounted for costs at the chapter level (that cannot be charged to DREF or IFRC appeals because they were not reported within project timeframes), PRC could use SEADRIF finance to deploy surge capacity to support financial reporting at the chapter level.

SEADRIF payouts are not currently based on an ex-ante trigger, but PRC staff mentioned the importance of having more money available for early action, both to prepare communities and to begin pre-positioning supplies and deploying caravan support from NHQ. The PRC is currently working to access FBA by the DREF, which would provide up to 250,000 CHF for early action. PRC staff involved in relief perceived that it may be difficult to absorb more money than that in the short lead times available for early action; however, experience of early action is still new, and if there is a large area at risk of typhoon and flood, more finance for early action would be needed to protect vulnerable communities that cannot be covered by the 250,000 CHF allocation from FbA by the DREF.

As mentioned earlier, the biggest challenge for PRC is accessing sufficient finance for smaller disasters, where appeals may require between 1 to 5 million CHF. In the last five years, some have been fully funded whereas others have been less than 70% financed, forcing PRC to revise their targets for recovery support downwards. A DRF instrument that provides predictable finance for events of this magnitude would be a major added value for PRC's operations.

Branch capacity

Chapter capacity varies significantly. PRC's chapters are equipped to manage small hazards, like fires, local accidents, or to provide support during local festivals or events. When it comes to larger hazards, better-equipped chapters are sent to provide support to affected chapters to manage response.

One major challenge for PRC is ensuring that chapters have the ability to report on their expenditure in time. When these records do not arrive in time to NHQ, the Relief Fund must cover the costs, even if the expenses could have been justified to a donor that contributed to an appeal. Equally, project management capacity is often lacking at the chapter level, which makes it necessary for NHQ to send in human resources to help manage the recovery stage of a disaster. Bolstering the chapters' project management and financial reporting capacity through trainings is a priority for PRC's Organizational Development team.

SEADRIF Value add: Potential types of interventions that could be supported by SEADRIF

How important is pre-arranged finance for the NS?

More so than the MRCS, the PRC emphasized that predictable, pre-arranged financing was a high priority for the National Society. Fundraising for disaster response is often a product of media attention; where there is more coverage, appeals are better funded. Predictable finance would help PRC plan effective and realistic disaster response plans, without needing to significantly revise downwards appeals to fit less ambitious targets.

At worse, underfunded appeals force PRC to revise down recovery needs, reaching fewer vulnerable people, reallocating from sectors to cover the most urgent needs, or relying on partners to provide support to meet gaps. In some cases, those partners are not able to meet these needs either, and vulnerable people are left without the support they need to recover. From PRC's perspective, even when finance has been committed by donors, it does not always arrive in a timely manner. When delivery of finance that PRC is waiting on is staggered throughout in disaster response, procurement, planning, and delivering support is often less efficient.

In terms of speed of delivering finance, procedures in HQ are a major bottleneck to faster response. Staff in DMS and Finance perceived pre-arranged financing as an opportunity to minimize procedural hold-ups, as plans could be articulated and agreed upon in more detail prior to the disaster event. The most common suggestion from interviewees about improving response was to simplify sign off and eliminate redundancies in procedures during emergencies.

What priority actions did the NS suggest if they had access to SEADRIF?

PRC staff report pressure to remain a partner of choice for donors in a crowded humanitarian space. As new private sector or international humanitarian organizations join disaster response efforts, PRC staff felt the organization should be innovating in the services provided (such as increasing forecast-based action) or expanding activities to cover more people. From IFRC's vantage point, engaging in DRF opportunities enables the RCRC movement to learn more about the value of DRF applications in different contexts. At this stage of engagement in DRF, learning is an explicit priority for new initiatives.

The main suggestions that PRC staff wanted to be able to undertake if they had access to SEADRIF finance:

Scale up cash programming

Though it is a relatively new modality, PRC is already disbursing cash as part of relief and early recovery efforts. However, PRC staff suggested that cash-based interventions could be expanded. Cash could be trialed for early action, in contexts where that is an appropriate intervention. PRC is improving their capacity for pre-positioning cash through an ongoing initiative, though their SOP for cash in emergencies was in draft form and PRC staff were not able to share it at the time of report writing.

One interviewee reiterated that cash programming cannot replace NFIs. In isolated contexts where access to markets is restricted, disbursing NFIs is a highly appreciated component of response. In the Southwestern Monsoon Relief Operations, 99% of respondents said that NFIs were useful, and from NFI recipients, 61% said they preferred NFIs over cash (among cash recipients, 80% said they preferred cash over NFIs, which may suggest that people generally state preferences the form of assistance they have already received).⁴ PRC staff interpreted this data as a sign that NFIs are an important component of disaster response even when cash is the primary disbursement modality.

Scale up early action

The PRC is trialing early action, with ongoing pilots with the German Red Cross and Finnish Red Cross (see section on Early Action), including advocacy efforts under the Partners for Resilience Programme. PRC staff suggested using disaster risk finance to expand early action for shelter strengthening, early harvesting, cash disbursements, and evacuation of livestock. To date, triggers have been tested during the 2019 typhoon season, however the experience of early action is still limited. The PRC is committed to expanding early action, however, and is in the process of elaborating Early Action Protocols to ensure that the PRC can access finance for early action through the DREF. In the event that PRC were to participate in a SEADRIF pilot, access to FbA by the DREF would likely still be necessary, as SEADRIF is structured to be an ex-post payout. However, it is also possible that PRC and partners could help SEADRIF develop ex-ante triggers or cover early action costs through the Relief Fund, and reimburse these when a SEADRIF payout is made. Crucially, the trigger developed through SEADRIF should be aligned, or at minimum not in competition with the PRC's existing FbF trigger, in order to minimize confusion at the operational level and potentially hinder timely action. An important opportunity to note, is the new Green Climate Fund of PAGASA, which aims at developing impact based forecasting services, this project has the potential to offer a trigger service for PRC for the activation of their Early Action Protocols, which in turn has the potential to be link to SEADRIF triggers.

Reach more beneficiaries, especially during recovery

PRC intends to reach 30% of beneficiaries during an emergency, focusing on the most vulnerable. In reality, reaching this target is challenging for medium-sized hazards, particularly during the recovery phase when costs are higher - repairing shelter and providing livelihood support is more expensive than the initial distribution of NFIs and provision of hot meals. In the past, when appeals have been underfunded, PRC has been required to revise their targets downwards, and either reallocate funding from one area to

⁴ PRC (November 2018) Southwest Monsoon Relief Operations. Presentation of Findings: PDM on NFI and Cash. Bataan, Bulacan, Marikina and Pangasinan.

another (i.e. reduce livelihood programming to meet shelter needs) or to not reach everyone that PRC would like to. Particularly for typhoons, when people's homes have been destroyed, people are reliant on support from organizations like PRC to recover.

What financial absorption capacity do NS have?

For a large appeal, the distribution of finance is split between IFRC and PRC, with IFRC managing more resources than PRC. The amount that PRC can spend is a function of what kind of response is needed; there is an understanding on what items IFRC will procure internationally and what are locally procured.⁵ For a major disaster response like Haiyan, about half of funding will be channeled through IFRC for procuring relief goods and providing cash grants. In the case of a medium-sized event, like the measles outbreak, PRC spends a greater proportion of funds as the costs are driven by activities by volunteers and PRC staff and for operation costs for care centers in hospitals.

Besides procuring relief goods, a large proportion of funding that goes through IFRC is for cash grants. According to IFRC and PRC respondents, IFRC financial system of disbursing funds to financial service provider is faster than that of PRC. However, during Haiyan, PRC handled cash transfer programming, indicating that PRC has significant competencies in this area. There is an ongoing initiative to improve PRC's cash preparedness with ambitious targets: "to be able to reach over 100,000 households in large-scale cash interventions."

Severity of event	NS	IFRC	PNS	Funding Source
Blue Alert (Very high priority) - considering the Typhoon Haiyan Appeal as an example	40% is absorbed according to current capacity of absorption	50% is absorbed for relief items, cash grants to beneficiaries, international surge teams, coordination etc.	10% is absorbed for global or regional ERU (logistics, WASH, shelter, health etc.)	Local chapter resources
Red Alert (High Priority)	40% is absorbed according to current capacity of absorption	60% is absorbed for relief items, cash grants to beneficiaries, international surge teams, coordination etc.		Local chapter resources, local donations, PRC Relief Fund
Orange Alert (Medium Priority) in the event a DREF operation is launched	50% is absorbed according to current capacity of absorption	50% by IFRC in case there is a need for relief items/cash grants and a DREF operation is launched		PRC Relief Funds, DREF, Bilateral / Multilateral agreements with RCRC Movement partners

In some disaster response, money is returned to the donor, though not a large percentage of the overall budget. For PRC staff operating in a dynamic environment, this was often a reflection of changing needs on the ground and not a sign that PRC was unable to manage financial flows coming in.

⁵ Items procured through IFRC include: CGI sheets, tarpaulins, jerry cans, hygiene kits, kitchen sets, etc.

Furthermore, PRC finance staff explained that the most common reasons that the PRC does not absorb money is not because it is not spent on response, but because the chapter does not report their financial transactions within the timeframe of the project. This results in funds being returned to the donor and PRC absorbing the costs in their Relief Fund. For major disaster response, like Typhoon Haiyan, there is surge capacity sent from HQ to reinforce financial reporting capacity. This is not the case for appeals which are in the range of 2-3 million CHF, which are typically those where mobilizing resources is more challenging.

PRC and IFRC partners were positive about PRC's ability to absorb finance, particularly with additional investments in NHQ's surge capacity to chapters to ensure they could effectively track and report financial transactions. Rather than disbursing less money to chapters, PRC's DM department suggested increasing auditing of expenditures afterwards, to ensure accountability but without compromising PRC's ability to deliver support to vulnerable people quickly. Accompanying chapters with additional HR capacity for managing finance should be accompanied with higher purchase limits and revised procedures to empower chapters; PRC's logistics office is reviewing the thresholds currently. The chapters' purchasing authority is limited to purchases of 25,000 PHP and below, and purchases of more than PHP 3,000 require three different quotations.

What design preferences does the NS have for SEADRIF finance? (triggers, financing arrangements)?

Trigger

PRC interest in a forecast-based trigger is high, to enable more early action. For floods, PRC is working in close cooperation with PAGASA and Universities for four river basins, but thresholds for action have not been defined yet. For typhoons, it would be possible to follow a similar protocol as one that activates the caravan (in which NHQ sends reinforcement and support close to the projected affected area two to three days before a typhoon makes landfall).

The PRC would prefer a parallel but correlated trigger with that of the Government. PRC staff unilaterally agreed that the NS could mobilize resources rapidly according to their procedure / capacity and prefers to maintain its autonomy in response operations to limit being dependent by government policies. If one of the benefits of disaster risk finance is to encourage cooperation between Red Cross and Government, then this role is probably best maximized in planning stages, as the response may differ between Red Cross and the Government. The Green Climate fund IbF project of PAGASA offer a significant opportunity to achieve a government lead trigger process that could provide a service to PRC.

The PRC is a permanent member of the government-led Disaster Risk Reduction and Management council at all levels. Through this council, PRC is able to collaborate and coordinate with government agencies on disaster preparedness, prevention and mitigation, response and recovery programs, projects and activities. During response operations, the government activates the response cluster where all member agencies, including PRC, shares their plans and accomplishments. On the case of FbF, the development of triggers for early action protocol are through key informant interviews and workshops with government and non-government agencies, and focused group discussions with most vulnerable communities. SEADRIF collaboration between PRC and government is essential to align respective activities, complement in areas and/or activities where possible, and have a joint learning on SEADRIF.

Premium payment

During interviews, PRC staff could not identify sustainable sources of finance for paying premiums, though they were interested in investigating this further. For PRC's DM staff, spending PRC's resources on premium payment rather than on the preparedness investments (which can be worthwhile for all types of hazards of different scales, rather than the large typhoons and floods which may be covered through SEADRIF finance) was not a priority. PRC staff were keen to learn about which donors might prefer to offer predictable funding through premium payment. In the SEADRIF design workshop, PRC staff suggested an advocacy campaign with institutional donors and aid agencies about pooling resources together to pay the premium and take advantage of more predictable costs.

Financing arrangements

In the event of a major disaster, the IFRC and PRC split finance between them, depending on what items are procured internationally (which IFRC pays for) and which items can be procured domestically. In the event of a SEADRIF payout, the PRC, IFRC, and PNS should establish an MOU or other agreement about how finance will be divided, based on SOPs and hazard-specific plans of action. This way, if PRC receives the payout directly from the SEADRIF company, some portion could be then allocated to IFRC / PNS. Alternatively, the payout could go through IFRC and be allocated to PRC and PNS as agreed, but this may slow the transfer of funds to PRC and undermine the intention of establishing a faster financing mechanism.

One option that was floated in discussions was the possibility of a payout through the Government, if the Government were to pay a premium to SEADRIF. The PRC was wary about receiving finance for response through this arrangement, as the Government operates on different timescales, due to their bureaucracy in transferring funds to non-government agencies, and there was a sense that this would slow response considerably.

Red Cross volunteers man the table for registration of residents affected by flood caused by Typhoon Koppu that will receive food items and sleeping mats at Barangay Delfin, Albano, Isabela, north of Manila on October 20, 2015. (Photo: Noel Celis / IFRC)



Priority Capacity Building Interventions for Disaster Risk Finance

PRC staff were asked about what kinds of capacity building investments they would prioritize if they were to access larger volumes of predictable funding for typhoon and flood response. Though departments had specific suggestions to improve technical capacity, the most common suggestion across the board was to improve the speed of decision-making and simplify procedures for financial approval, procurement, and rapidly recruiting staff when needed. Reviewing and updating these policies and procedures is a significant time burden on the NS, but it is relatively low-cost activity compared to more resource intensive interventions, like standardizing warehouse equipment and stocks or training chapters for cash prepositioning.

The PRC's existing SOPs are outdated, through there are a series of dialogues and workshops that have been held to update them. The revised document is still in draft form and have not yet been released by the DMS team and were not able to be shared for this study. When Early Action Protocols are finalized, typhoon and flood-specific Contingency Plans should be updated to link with EAPs. This should include suggested budgets for various phases of response that correspond to suggested actions, to enable rapid financial decision-making.

Though the PRC is in a relatively good position to expand its activities and absorb more finance for disaster response, PRC support services and PNS staff suggested that there is a need to strengthen project management capacity at the chapter level. For major disaster response, chapters should be equipped to manage finance and report back on budgets, capitalize on partnerships for more efficient response, and retain volunteers to conduct essential relief and recovery activities. Three recommendations focus on additional training and support for chapter-level response.

Though cash programming lessens the need for warehousing and pre-positioning supplies, strengthening regional warehouses (that are not already supported by IFRC or PNS) was a common recommendation. PRC currently has a regional hub initiative designed to improve warehousing strategy, though the plan has not been finalised and it does not include standardizing the content of the equipment in the warehouses. PRC staff were not able to share the details of the initiative, as PRC regulations forbid sharing internal project documents in draft form. Still, PRC's WASH hubs provide an example of how this could work; each of the 17 WASH hubs aim to support at least 5,000 people up to 40,000 people and has a minimum package of supplies available.

Though these actions focus specifically on the types of investments PRC staff wanted to prioritize for disaster response, they have significant overlaps with the high priority investments identified in the Preparedness for Effective Response Process. The recommendations from the PER process that are particularly relevant for SEADRIF are highlighted in this section.

Suggested investment strategy based on 1,000,000 CHF to be allocated for capacity building per year:

Year of SEADRIF implementation	Investment from GRIF	Suggested allocation of capacity-building investments
Year 1	1,000,000 CHF	<p>40% - Develop and disseminate hazard-specific SOPs with triggers for SEADRIF (with early actions integrated where possible) at national and state-level</p> <p>40% - Invest in branch-level project and financial management, including additional staff where deemed appropriate</p> <p>10% - Identify internal processes that lengthen hazard response timeframes and simplify administrative processes, rewriting internal protocols at HQ and chapter levels.</p> <p>10% - Develop and refine a disaster risk management strategy</p>
Year 2	1,000,000 CHF	<p>20% - Invest in RCAT and Needs assessment trainings for volunteers</p> <p>40% - Invest in branch level trainings for financial and project management, including additional staff where deemed appropriate</p> <p>30% - Improve cash-preparedness, building on existing initiatives and ensuring branches in vulnerable areas are prepared to handle cash</p> <p>10% - Develop / build on strategy for streamlining and standardizing warehousing</p> <p>10% - Develop and refine disaster risk financing strategy</p>
Year 3	1,000,000 CHF	<p>40% - Invest in branch-level training for financial and project management, including additional staff where deemed appropriate</p> <p>20% - Invest in RCAT and Needs Assessment trainings for volunteers</p> <p>10% - Continue working on regional warehousing strategy, investing into necessary equipment</p> <p>20% - Final dissemination of SOPs and refining thresholds and actions where deemed appropriate, based on four years experience. Also review and revise procedures for sending out support from NHQ level to chapters and for calling on federation tools, to ensure thresholds match PRC's capacity.</p> <p>10% - Develop and share learnings from SEADRIF engagement; sharing between IFRC / PRC, between branches, and with other non-federation disaster risk financing initiatives</p>

Priority capacity investments	Rationale	Cost (PHP and USD) ⁶
Revise SOPs for Typhoons and Floods to link with SEADRIF planning with FbF -Early Action Protocols	Develop streamlined SOPs that links early action and relief plans. The plans should integrate early action triggers and SEADRIF triggers into staged responses, with cost estimates that are pre-approved to reduce time for decision-making and disbursal. Disseminate these at NHQ between departments and at the Chapter level. For SEADRIF trigger, pre-agree on funding allocation to IFRC for relief item procurement / cash disbursement, and allocation to PRC NHQ / Chapter level.	To confirm: Costs of revising SOP – no typhoon or flood SOPs operational currently, but SOPs for FbA being developed
Simplify approval process for finance and procurement in emergencies	Primary bottleneck identified was not finance but procedure, sign off, and bureaucracy It is common that there are redundant sign offs for financial approval Minimum expenditure requires high-level approval	To confirm: Costs of revise procurement policy Cost of revise financial policy + minimum expenditure approvals
Improve capacity for pre-positioning cash for early action, rapid response, and recovery	Currently, chapters are not always confident on implementing cash-based interventions. The modality has been tested in various emergency responses, but it is still new. There is an ongoing initiative with IFRC for improving pre-positioning cash and there is a proposal to expand the effort. Currently there are bottlenecks between assessment, registration, and final listing that lengthen the time it takes for cash disbursement. Even with support from the Australian Embassy, the PRC's policy for cash interventions should be updated to ensure cash can be provided for early action and at the point of evacuation.	If proposal with Australian Embassy is sufficient, there may not be additional financing needs for improving cash preparedness. Ensure updated cash policy allows cash for early action or rapid response, if this aligns with Early Action Protocols and SOPs.
Support chapter financial capacity for managing disaster response	Support chapter administrative capacity strategically (reinforcing strong chapters OR improving capacity of weaker chapters) so that staff can be deployed quickly to disaster-affected areas. PRC staff suggested to expand NHQ surge capacity arrangements to help chapters track and manage financial reporting and budgets in aftermath of crisis.	Additional surge capacity for financial reporting (# additional staff deployed to disaster-affected chapters) Financial trainings / support

⁶ Note: It was not possible to acquire all the cost related information.

Priority capacity investments	Rationale	Cost (PHP and USD) ⁶
Conduct project management training anchored in recovery programming at the Chapter-level	<p>PRC operates 9 regional warehouses and one central warehouse. The PRC has identified recommended prepositioning of goods in PRC regional warehouses, but those supported by IFRC and PNS have achieved the recommended levels (Subic, Passi, Cebu) while others still need additional support. Multiple PRC staff interviewed recommended standardizing warehouse size, equipment and supplies as a priority.</p> <p>There is an ongoing regional warehouse strengthening initiative, though the details of which were not available to be shared for this study.</p>	Cost: Depends on priority interventions remaining after Regional Warehouse Strengthening Initiative has been completed. The documentation for this initiative could not be shared for the study.
Deploy procurement staff to disaster affected areas and enhance chapter procurement capacity	<p>Procurement can take up to two months for items not available in warehouses</p> <p>Rather than depending wholly on prepositioning items from warehouses, invest in more surge capacity from NHQ to ensure that people can procure items in cities locally, saving time and transportation costs. Currently 4 staff available for this, rotating out. Not sufficient for a large-scale hazard.</p> <p>Invest in improving chapter capacity for procurement for C – E chapters. PRC is currently updating SOP about minimal chapter coverage, but it is less than 500,000 PHP for Class A chapters, and for class E it's 50,000 PHP.⁷</p>	Cost: Short term recruitment of additional procurement staff to handle additional demands for 2 months
Invest in more RCAT and Needs Assessment training for volunteers	<p>Add relief needs assessment to standardized package of volunteer training. When assessments are poor quality, it slows response and it can make targeting difficult.</p> <p>Deploying teams from other chapters can add two weeks to assessment process</p> <p>RCAT training is relatively new (2013/14), but not all chapters have the minimum training which covers Relief, assessment, WASH, health. The trainings must be redone after every year.</p>	<p>RCAT training for all chapters, once per year –</p> <p>400,000 PHP through training of trainers methodology;</p> <p>10,000 USD</p>
Improve use of Vulnerability and Capacity Assessments (VCA) to create chapter-level Plan of Action for early action and rapid response	VCAs are conducted in chapters with ongoing projects but are not done systematically in each chapter. The information in VCAs can guide targeting and intervention choice for early action and rapid response; where it exists, this information could be integrated into Chapter-level plans.	Cost: to be defined -

⁷ Chapters are ranked according to their response capacity. Class A have the highest capacity, while Class E have the lowest.

Some secondary capacity building priorities were mentioned, though they were not as immediately critical for accessing SEADRIF finance. These include expanding PRC's capacity for health care facility rehabilitation and epidemic surveillance. Rather than prioritizing this long-term investment, these roles can be expanded periodically with fast-tracked HR processes to bring necessary expertise in in the aftermath of a major hazard. Equally, in the recovery phase of an emergency, PRC's human resources in Shelter are insufficient to manage the level of demand for technical expertise in the aftermath of a major disaster; there are currently six field staff, two HQ level staff, and two IFRC delegates supporting. These roles can be expanded as needed. Rather than focusing on retaining technical staff in NHQ, it would be sensible to focus on creating a fast-track HR processes so expertise can be brought in quickly and efficiently.

Another area where improvements could enable more efficient response is an improved information management system, which better integrates different kinds of data. Departments have their own databases of information (e.g. volunteer, staff, trainings, deployments) which is collecting information in different manners, some incomplete, and updated without predictable frequency. This is an overarching organizational need for PRC, and not one specific to SEADRIF readiness.

According to the PER process, timely access to information and data sharing from OpCen to other departments has been identified as a challenge. The OpCen has a sophisticated system for tracking volunteers, hospital beds, schools, evacuation centres, and some risk information. The system does not use impact-based forecast data about how people will be affected by a hazard, nor does it integrate the data from the PRC's vulnerability and capacity assessments (VCAs). With this information consolidated into the system, NHQ staff explained they would be able to send a caravan (with ERUs, Health, WASH, Water Tankers, Rescue Boats, and some supplies) in the days prior to landfall that is better tailored to typhoon response.



Red Cross volunteers man the table for registration of residents affected by flood caused by Typhoon Koppu that will receive food items and sleeping mats at Barangay Delfin, Albano, Isabela, north of Manila on October 20, 2015. (Photo: Noel Celis / IFRC)

Alignment with Preparedness for Effective Response (PER) process

The PRC began the PER process with a real-time evaluation of a disaster response (Tropical Storm Tembin). The PER Assessment Report has been completed, though the work plan has not yet been developed. The PER process envisions that the findings form the basis of a Capacity Enhancement Plan, which is used to develop Partner Agreements to invest in improving PRC ability to respond effectively to disasters.

The priority areas identified in the PER process for the Philippines are:

PRC Preparedness and Response System Component	Assessment Score	Importance Ranking
DM Policy	Partially exists	High
Quality and accountability	Partially exists	High
Risk management	Partially exists	High
Emergency Response Procedures (SOPs)	Partially exists	High
Information management	Partially exists	High
Staff and volunteer management	Partially exists	High
Mapping of NS capacities	Needs Improvement	High
Safety and Security Management	Needs Improvement	High
Emergency Needs Assessment	Needs Improvement	High
Safety and Security Management	Needs Improvement	High
Finance and Admin Policy and Emergency Procedures	Needs Improvement	High
Logistics, Procurement, and Supply Chain	Needs Improvement	High
Resource Mobilization	Needs Improvement	High
Hazard, Context, and Risk Analysis, Monitoring and Early Warning	Needs Improvement	High

The areas highlighted in yellow correspond to the priority areas identified for SEADRIF capacity building. The following are particularly relevant for SEADRIF, corresponding to findings from interviews:

Emergency response SOPs

- Finalize SOPs and ensure alignment with other response documents. Ensure SOPs and roles and responsibilities are well disseminated and understood by chapters. Clarify communication lines between Chapters and various HQ departments in SOPs.

Procurement and logistics

- Support implementation of the Logistics Capacity Enhancement workplan and ensure linkages between other relevant response components (e.g. finance and administration, mapping of capacities, Information Management).

Finance and Admin Policy and Emergency Procedures

- Draft Finance Manual contains emergency procedures. PRC has internal financial controls that are followed, but there is a need for a 'fast lane' to expedite procedures during emergencies
- Signing authority is very centralized, typically all approvals go to the SG which prevents timely operational response
- There is a bureaucratic and paperwork intensive approval process

Information management

- Departments have their own databases of information (e.g. volunteer, staff, trainings, deployments) which is collecting information in different manners, some incomplete, and updated without predictable frequency.
- Timely access to information and data sharing from OpCen to other departments has been identified as a challenge.

Procurement

- Process lead time appears long, up to 2 months as per some user experience, however no procurement follow up, data base or dashboard exist, therefore no information on the procurement follow up is provided along the process to the requester.
- Procurement Process has multiple and heavy approval process and the signatory rights are centralized to higher management.
- The financial procurement thresholds do not meet up with the current nominal value of Philippine peso, creating congestion to procurement department on processing large number of purchase orders with small financial values, creating essentially an administrative workload.
- There are no contracts/framework agreements in place for frequent or cyclic procurement.

Staff and Volunteer Management

- Appears there are no approved expedited recruitment procedures in emergency, including rapid scaling-up (i.e. fast lane).
- No consolidated and accessible database exists showing HR/VR information, trainings, capacities, etc. Data exists in many different locations among different departments.
- HR has a roster of all staff, containing general information (contact details, name, gender, religion), but database is incomplete, and only updated on an ad hoc basis upon request of management.
- Previous evaluation findings indicate long delays in issuing contracts, often leading to delays in staff getting paid.

These elements of the PER are crucial areas to improve for access to SEADRIF. Many involve procedure, which should be adapted to facilitate rapid decision-making based on pre-developed plans, or better consolidating of information about HR, volunteers management, etc. These investments are relatively low-cost, requiring leadership's buy-in and good dissemination of policy more than major investments in infrastructure or new skills.

Recommendations: The way forward for PRC and SEADRIF

Accessing insurance through SEADRIF represents a significant opportunity for PRC, as it can improve planning for large-scale disaster response and will provide access to a large pool of more predictable finance if a disaster occurs. SEADRIF engagement will require time and effort on the part of PRC, though much of the effort will be directed to capacity-building investments that are already part of PRC's priorities but that PRC may not currently have sufficient funding for. As an insurance facility for large-scale disaster events, SEADRIF will not cover all of the response that PRC struggles to fundraise for - medium sized hazards remain an important gap, and one that a comprehensive disaster risk management strategy should address.

On balance, however, PRC staff highly prioritised access to predictable and flexible finance. Being able to executively plan and execute a response, based on a clear trigger and with predictable finance attached, was universally agreed as a more efficient way of working than the status quo. However, the perceived value of SEADRIF was not only in being more predictable than funding from appeals. PRC staff value having autonomy over financial decisions about meet beneficiaries' needs, and staff mentioned that additional flexible finance from PRC could be allocated to chapters so that they are empowered to respond without constraints. Sometimes these constraints concern timing. The timelines of donors do not always correspond to the dynamic changes in the environment. Having flexible finance to use when it is most needed, rather than within the 3-month DREF timeline or an 18 month appeal timeline, was mentioned as a benefit of disaster risk finance.

Currently, SEADRIF is the main option available to deliver speed, scale and predictability. In the medium to long-term, IFRC and the NS might consider whether existing instruments, like the DREF, the PRC Relief Fund, and IFRC Appeals, can be restructured in such a way to deliver these same benefits but at potentially lower cost. As a next step, PRC should be supported to develop a comprehensive Disaster Risk Financing Strategy, to help manage risk and disaster impacts for small, medium, and large-scale disasters. Through having such a strategy, PRC can know well in advance what potential funds are available to deal with different scenarios of disasters and plan early action and response accordingly.

In the absence of these mechanisms, however, SEADRIF is a promising start and offers opportunity to develop fully-financed protocols for response that would offer important immediate benefits and opportunity for learning.

Potential role of Government

If the Government decides to adopt SEADRIF coverage, it will have implications for PRC's work. PRC would like to avoid coordination challenges during the recovery phase, as the Government operates on different budget cycles than PRC. Furthermore, the Government does not have experience in the kinds of early actions that PRC is trialing, but a SEADRIF payout could be an opportunity to introduce this concept to the Government and begin implementing at a national scale. By supporting Government's SEADRIF response planning, PRC can guide the Government to replicate and expand on the early action work PRC is already piloting and improve joint recovery planning.

One option that was floated in discussions was the possibility of a payout through the Government, if the Government were to pay a premium to SEADRIF. The PRC prefers to receive direct finance as they operate on different timescales from the government to assure rapid response.

Potential role of IFRC

If IFRC were to support NS to absorb and disburse finance, there would need to be additional clarity on what role the IFRC and PNS would play for disaster response. Circumstances in which finance goes through IFRC rather than NS depend on donor requirements. In some cases, donors prefer multilateral agreements in which IFRC takes accountability, but there are no pre-defined criteria for when IFRC should manage finance over the NS. From IFRC perspective, the preference is always to empower and respect the autonomy of NS to manage and disburse finance.

In both the PRC and MRCS, interviewees emphasized that the IFRC helps manage finance for response for major operations, citing Cyclone Nargis in Myanmar (68 million CHF) and Super Typhoon Haiyan in the Philippines (83.6 million CHF). These emergencies highlighted the importance of the additional human resource capacity from IFRC, including Regional Disaster Response Teams (RDRT) and IFRC Delegates specializing in Information Management, Logistics, Shelter, Health, etc. Still, even in these emergencies, the responders are primarily the NS staff and volunteers themselves. The implication from NS is that the ability to absorb funds for a major disaster response is not static with a hard-upper limit, but a product of the kinds of support received from IFRC and the timeframe allowed for recovery programming.

The NS does not report to IFRC on use of finance raised by the NS. If a premium were to be channeled to the NS, there would not necessarily be a financial reporting framework imposed by IFRC. In some cases use of DREF by National Societies is rejected by IFRC; for example, when leadership's salaries are covered in the response budget. For the most part, however, NS have the responsibility and autonomy to plan their own disaster relief and recovery budgets.

Next steps towards implementation

The PRC has expressed interest in SEADRIF, and consider participating in a pilot. PRC staff highly prioritized access to predictable and flexible finance. The ability to plan and execute a response, based on a clear trigger and with predictable finance attached, was universally agreed as a more efficient way of working than the status quo.

However, there are a range of activities and capacity-building investments that would be vital for PRC to expand their ability to productively manage payouts from SEADRIF insurance. This study was unable to fully cost and sequence activities, as this requires a more extensive negotiation with greater participation from the NS.

If the PRC decides to go forward with engaging in a SEADRIF pilot, we see the following next steps:

- PRC develops a comprehensive Disaster Risk Financing Strategy to identify how to cover gaps in financing medium-sized disaster events and ensure predictable financing for all types of hazards.
- If possible, PRC aligns triggers for action between SEADRIF and those articulated in Early Action Protocols for FbA by the DREF. At minimum, ensure that response planning and triggers are coherent between early action and response to minimize confusion and avoid creating parallel processes. (Including understanding of how Impact based Forecast by PAGASA will have an influence in the triggers development for future EAPs)

- As part of the pilot, finance is allocated to augment PRC's capacity for managing a large response (30% of overall investment in premium payments). This capacity is concentrated in a few critical areas (link to PER results): streamlining protocols to ensure rapid decision-making, developing SOPs with integrated early actions, supporting standardized regional warehousing and surge procurement capacity, and supporting chapter level capacity for financial reporting and project management.

World Bank and IFRC support with technical advice and support to the NS to do the contingency planning and pre-planning to take full advantage of the predictability of the finance and develop hazard-specific SOPs (linked to EAPs).

Develop chapter level capacity for project management and financial reporting. Standardize warehousing in regional warehouses (as per logistics capacity enhancement plan). Deploy more procurement staff to disaster-affected areas and procure locally where possible

- In the event of a major disaster during the pilot phase, the IFRC supports the PRC with cash programming, procurement and technical capacity as needed. Ideally, SEADRIF capacity building support can lessen this need over time. By year 3 of the pilot, PRC aims for a goal of manage 50% of disaster finance for a major event (blue alert) compared to current state of 40%.
- The IFRC supports PRC with advocacy to donors to fill remaining gaps in PRC's disaster risk financing strategy, as articulated in Disaster Risk Management Strategy.
- The IFRC supports PRC with generating donor interest in paying premiums beyond the pilot phase of SEADRIF.

Risks:

- Fiduciary and reputational risk; if money is not spent according to pre-determined purposes, could pose a reputational risk to the entire RCRC network. PRC cannot identify strategy for paying premium after pilot, and SEADRIF engagement ends after pilot.
- There is not a hazard of sufficient intensity in the length of the pilot, leaving PRC without evidence of the value or challenges associated with accessing disaster risk finance.
- Weak coordination between PRC and Government over SEADRIF response, causing duplication or gaps in response
- The NS has a limited amount of time and resources to spend focusing on improving their own response. Even if SEADRIF donors were to cover the costs of capacity building initiatives, there is an opportunity cost to the time spent building this capacity to access disaster risk finance for a scaled response to floods and typhoons. Myanmar and the Philippines are affected by diverse hazards – time spent on floods and typhoons is a priority, but it may also take away from time spent on responding to conflict, earthquake, fires, volcanic eruptions, and other crises. For MRCS, this risk was explicitly mentioned by the teams involved in the SEADRIF workshop. For PRC, typhoon and flood response absorb a large amount of PRC's time and comprise the

majority of their DREF appeals, so spending additional time on financing systems for these hazards was seen as a worthwhile time investment.

If PRC decides not to go ahead and purchase insurance, they may wish to consider other ways to engage through SEADRIF. For instance, the government does not have experience in the early actions that PRC is trialing; a SEADRIF payout could be an opportunity to introduce these concepts to Government and help scale up implementation at a national level. By supporting Government's SEADRIF response planning, PRC can guide government to replicate and expand on the early action work PRC is already piloting and improve joint recovery planning.



**View of flooded corn fields after Typhoon Haima brought massive rains strong winds to Ilagan, Isabela province.
(Photo: Noel Celis / IFRC)**

SEADRIF Feasibility Myanmar Red Cross: Current NS Financial Constraints for Early Action and Effective Disaster Response

Defining disaster intensity

MRCS defines the scale of the disaster based on the number of people affected and the geographic scope. A medium-sized disaster is one in which about 50,000 people are affected, and multiple states and regions are affected simultaneously. A large-scale disaster was described as a disaster in which IFRC global tools would be activated, but MRCS staff did not define quantitative thresholds for number of people affected.

Rapid Response

The first source of finance that MRCS draws on is from its Emergency Management Fund (EMF). MRCS owns the Emergency Management Fund (EMF) and draws on the fund's interest to have funds quickly available for rapid response before other sources of funding come in. Though it does not represent a major sum (500,000 CHF) it is an important source of finance for immediate action and small-scale response for MRCS because of the autonomy and flexibility it provides. Compared to funds from IFRC appeals, which (for the 2015 floods) could take between one and 43 days to arrive, it is a preferred option. If a scale-up is required, MRCS then requests for the DREF/Appeal and contributions from other Movement partners.

MRCS does not want to draw down on the capital and only use the interest for sustainability reasons. This limits the EMF's utility for large-scale disaster response. In practice, it is used for EOC activation and deployment costs and distribution and transportation of NFIs, and then replenished when DREF finance arrives. Money from EMF is not typically channeled to branches but is spent on operational costs at NHQ level. Though getting approval for decisions from MRCS leadership was considered by some staff to be a intensive paperwork process that could take too long, both the finance and DM departments emphasized that decisions to release money from the EMF could be made within a day. There are ongoing efforts to establish discrete EMF in some states/regions.

Relief

The MRCS relies primarily on the DREF and IFRC appeals to mobilise resources for major response. In the last five years, Myanmar has drawn on the DREF on four occasions. MRCS has not systematically mapped which resources are available to the NS for anticipating or responding to different kinds of hazards. They call on partner NS to share 'surplus' budget, especially the American Red Cross and Danish Red Cross. The Danish Red Cross has a Pre-Disaster Agreement with MRCS to release funds in the event of a disaster (see page 31). During the SEADRIF inception meeting, the Turkish Red Crescent mentioned they had a contingency fund which could be activated following a hazard affecting the country.

**MRCS: Funding sources for flood related disasters with humanitarian impacts
at small to very large scale: Emergency Response Stage**

Return Period	Very High	EMF Medium DREF Few PNS Funding	EMF Medium DREF Some PNS Funding	Large DREF/Appeal Several PNS Funding	Large DREF/Appeal Several PNS Funding
	High	Local Chapter Resources Interest from EMF	EMF Medium DREF	Large DREF/Appeal Several PNS Funding	Large DREF/Appeal Several PNS Funding
	Medium	Local Chapter Resources Regional Support	Interest from EMF PNS Support	Interest from EMF Medium DREF Some PNS Funding	EMF Large DREF Some PNS Funding
	Small	Local Chapter Resources	Local Chapter Resources Regional Support	Interest from EMF Small DREF	EMF Medium DREF Some PNS Funding
		Small: township	Medium: municipality	Large: state/region	Very large: several provinces/National
Geographical Impact					

MRCS' understanding of how to use the DREF has improved since the 2015 floods, when they were caught off guard when the DREF allocation became a loan when an international appeal was launched. According to DM department, some activities that had been funded in early stages were not in line with the appeal. As a result, intervention strategy was changed to a cash intervention to meet donor conditions.

The funds that flow from IFRC to MRCS are not always fast enough to be used for rapid response. Though the dates of request of funds and disbursement of funds were only available for 7 out of 15 disbursements, the time between request for finance and disbursement to MRCS ranged between one and 43 days for the 2015 floods.

Event	Year	Resources disbursed	Instrument used
Monsoon flooding	2018	297,116 CHF	DREF
Typhoon Mora	2017	83,397 CHF	DREF
Violence in Rakhine	2017	69,653 CHF	DREF
Floods	2015	3,234,984 CHF	DREF, IFRC Appeal

The Danish Red Cross (DRC) ⁸ and MRCS spoke of a Danish contingency fund that works as a "mini DREF" which can be drawn on during a time of an emergency. The Government of Denmark prepositions flexible funding with a pre-determined set of partners, including the DRC, so that they can use up to DKK 3 million [about 437,700 CHF] to respond to sudden onset crises without requiring permission from the Danish government. The fund has a high degree of flexibility for DRC to respond where they identify needs with MRCS.

⁸ This new flexible funding has started to work since 2019, as part of the global work of Danish Red Cross on anticipatory action.

MRCS is looking to mobilise funding from the private sector in Myanmar and is currently developing a corporate partnership framework. With this in place, however, private sector finance is not likely to replace the need for DREF allocations. Corporate partnership donations average about \$15,000 for major disaster events.

Early Action / Forecast-based Action

Because early action is a relatively new concept in the MRCS, there is a significant investment required in technical capacity at the branch, regional, and national level to develop a set of concrete actions that occur before a hazard strikes beyond mobilizing volunteers. As it stands, MRCS has an 'Early Warning Early Action' mechanism which consists of the mobilisation of volunteers and providing assistance with evacuation where appropriate. The capabilities for this are concentrated in townships where there is an on-going DRR project and volunteers have been trained on the evacuation of vulnerable people (elderly, young families, people with disabilities). In these areas, the Emergency Operations Manager (EOM) through the EOC, disseminates early warning messages to the branches at the township and State/Region level upon receiving a warning from the Department of Meteorology and Hydrology (DMH). If evacuations are needed, the EOM initiates the mobilization of volunteers to assist local authorities.

There is a new focal point for FbF in the MRCS' Disaster Management Department, and a forecast-based financing feasibility study funded by ECHO will begin in early 2020 with a scoping study conducted in late 2019. The Food and Agriculture Organisation of the UN (FAO) is piloting an Early Warning Early Action approach (for drought); information on mapping of vulnerability data and triggers for action were not available at the time of publication. MRCS could coordinate with FAO to establish a national-level platform for early action, to ensure information on vulnerability and triggers are shared and advocacy with Government counterparts is streamlined.

Attempting to engage with both SEADRIF and trial FbA for the first time is likely to be overwhelming for the MRCS; for both projects, the same staff members will be involved. MRCS suggested a sequenced approach may be more appropriate (i.e. trial FbA first, then engage with SEADRIF; focus on SEADRIF for response until FbA protocols have been sufficiently developed). However, given that the opportunity to participate in a SEADRIF pilot is limited to this year, whether engaging in SEADRIF later remains possible is unclear.

Forecast information

Though the Myanmar Department of Meteorology and Hydrology (DMH) could not be interviewed for this study, they play a major role in early warning dissemination and maintain close communication with the MRCS. The DMH maintains hydrological observation stations, and issue daily, tri-monthly, monthly, and seasonal water level forecasts for the 12 major rivers. During the monsoon period, they issue flood warning and flood bulletins. The MRCS DM department receives daily SMS messages from the DMH with flood information. According to DM staff, because this information does not suggest preventative actions or forecast *where* impacts will manifest, it is challenging to use and disseminate this information at branch level for effective early action. MRCS and PNS interviewees noted that the Department of Agriculture also maintains observation stations but that there is minimal information sharing between the DMH and Department of Agriculture.

Hydrology forecasts available in Myanmar relevant for SEADRIF:

Type of forecast	Time of issuance	Forecast validity
General long-range water level forecast	April 28	Monsoon season
Seasonal water-level forecast	April 28, June 28, August 28, October 28	Early, Mid, Late Monsoon, Winter Monsoon
Monthly water-level forecast	April 28, May 28, June 28, July 28, August 28, September 28, October 28	1 month
10 days water-level forecast	8th, 18th, 28th of every month	10 days
Daily forecast	Daily	1 day

According to DMH, in order to improve the existing forecast in the region, Department of Meteorology and Hydrology need to install more Automatic Water Level and Rainfall Stations, to develop more accurate flood forecasting models and to support technical assistance and exposure data for impact based flood forecast and risk based warning.

Recovery

Like PRC, MRCS does not tag finance according to when it is spent in the disaster, which limited the extent to which they could assess their expenditure needs. Though in general, recovery is more expensive than other phases of disaster management, MRCS staff in the finance and DM department did not believe there were problems with the timing or volume of funding for recovery. For a major disaster, recovery finance comes from IFRC appeals; for a medium-sized disaster, MRCS staff did not perceive that there were difficulties fundraising for recovery or rehabilitation, even though rehabilitation and recovery activities are not eligible for reimbursement through the DREF.

Where are financing gaps?

MRCS staff consistently identified 'preparedness' as the stage of disaster management in which they were unable to raise sufficient funds. Though MRCS staff in various departments had suggestions for how to improve response, most actions involved investing into MRCS capacity long before forecasts of a pending hazard: expanding warehouses and strategically pre-positioning, training volunteers, developing an emergency WASH and Health programme, and disseminating SOPs, for instance. MRCS is highly reliant on project-based funding, which affects MRCS' ability to build its operational capacity during 'normal' times.

SEADRIF presents the option of a payment in the event of a disaster, whereas to meet complementary 'preparedness' needs, the MRCS requires an additional source of financing for recurrent costs. This is an important part of ensuring the MRCS can deliver at the scale required by SEADRIF. This includes for example: 1) permanent staff with expertise in emergency health and WASH response, 2) recruiting warehouse managers for flood-prone areas, 3) expanding strategic warehouses / prepositioning, 4) more investment in skilled trainings and SOP dissemination at branch and regional levels. Financing this will require additional income-generation beyond project-based and relief finance. If MRCS is to develop a comprehensive disaster risk financing strategy, it should include provisions for financing recurrent and preparedness costs, to ensure the entire disaster management cycle is accounted for.

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Large-scale disaster event

Within MRCS, there is a perception that major hazard events receive enough donor attention to attract sufficient funding for disaster response and recovery. Cyclone Nargis was the biggest disaster in recent memory in Myanmar. Through the IFRC Appeal, MRCS raised 104% of the appeal target (68,500,000 CHF), 90% of which was spent within three years.

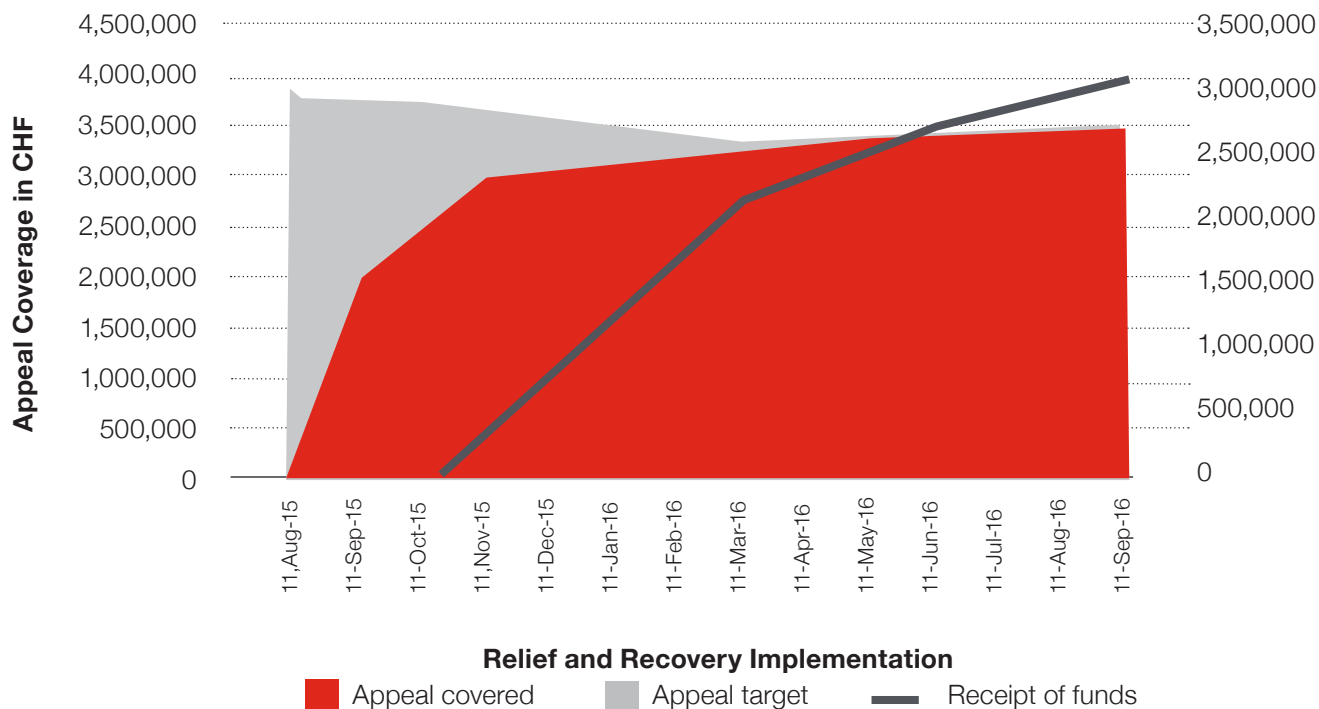
Due to the political context, Cyclone Nargis was an anomaly in terms of speed of finance arriving. Though for this research we were not able to obtain exact records of when finance arrived, the Government of Myanmar was wary of allowing international NGO support from all actors. This made sending surge capacity and relief supplies challenging in the first few weeks. During this time, MRCS strengthened its relationship with the Government significantly, demonstrating its value as an auxiliary during times of disaster response because of its ability to access communities through MRCS branches. For future disaster events, MRCS is currently advocating to reform the Government's disaster policy to ensure rapid activation of international federation tools if necessary.,

Myanmar 2015. Yay Dar Gyi village township of Kayaung Gone. Boat is the only possible way of transportation for many people in the flood-affected village of Yay Dar Gyi. (Emil Helotie / Finnish Red Cross)



Because Cyclone Nargis is an anomaly in terms of operational context and size, the review also considered another large-scale disaster to illustrate MRCS' financing. In 2015, Myanmar experienced major flooding that affected nearly 180,000 people across 12 states and regions. Though the flooding began in July, it worsened on July 30th, when Cyclone Komen brought further rain and winds to Western and Northern Myanmar. An appeal to the DREF was made on the 5th of August; and an emergency appeal was launched on the 11th of August.

2015 Flood Response



Source: Author, constructed from MRCS finance department data. The receipt of funds exceeds the appeal coverage because it does not account for the initial DREF disbursement to MRCS that was returned to IFRC when the appeal was launched.

IFRC appeal money (in addition to the DREF) began coming in October, 2.5 months after the flooding began. According to MRCS DM staff, DREF funding was sufficient to cover financing needs until this point. Though IFRC and MRCS were not able to obtain complete data about when funds arrived, much of the funding did not arrive until March 2016, over six months after the appeal was made in July. According to MRCS, a priority for future funding is *speed*, though MRCS suggested that donors concerned with improving speed of response provide additional funding directly to the EMF, rather than paying premiums for disaster risk finance mechanisms.

Opportunities and Barriers for SEADRIF in RCRC: MRCS

Planning

Currently, anticipatory planning for hazards is relatively minimal. MRCS needs to strengthen capacity for disaster response and ownership of response planning outside of the DM department. There is a SOP for medium-sized disasters, though it is not hazard specific. The SOP for medium-sized disaster focuses only on the internal procedures to be followed, and does not include suggested actions to beneficiaries (besides dissemination of early warning

and assessments of needs), estimated budgets, or financing strategies. Currently, the SOP needs to be well-disseminated between horizontally between departments or vertically at regional / township levels to better understand who is responsible for actions and decisions. Many interviewees mentioned that plans exist 'on paper' rather than embedded into practice; this reflected similar concerns from the Philippines Red Cross staff.

In the Finance and Logistics departments, MRCS was transitioning human resources from a project-based to function-based roles. To date, people have been hired to work on specific projects (if sufficient admin costs are budgeted to fill the role). This meant staff time could be paid for, but resulted in teams in which people worked separately on their distinct projects. When there is a hazard, it is not immediately clear who can manage which roles as most people's primary responsibility was linked to a specific project. For logistics, for example, this means assigning certain staff to procurement, and others to warehouse management, etc. Ideally, these roles should be redundant, so there is always someone with the competencies to fill the role when a hazard occurs.

Targeting

Under the MRCS Disaster Management Policy, the MRCS currently aims to reach about 10% of the affected population. In practice, for small or medium sized flood events MRCS have managed to reach up to 20%, such as in the 2018 flood response. For big events, it is more challenging to attain 10% coverage. Though the MRCS prioritizes reaching the most vulnerable, branch-level volunteers involved in the 2018 flood response perceived that it was feasible and desirable to reach more people. Though MRCS states that appeals are fully funded, these funded appeals are only designed to be reaching 10% of the population; however, with more finance and more capacity (through SEADRIF or another instrument), the criteria for vulnerability used to select beneficiaries could be expanded to ensure more affected households are reached.

Financial flows

For normal, project-based spending, MRCS' financial absorption is about 70% on average across projects; for emergencies MRCS appears to have absorbed finance (i.e. there are not records of funding being returned to IFRC after an emergency appeal). For project-based funding, the remaining funds that are not spent must be returned to donors, unless the donor agrees to extend project timelines or re-allocate funding for other purposes.

The MRCS is dependent on external funds, limiting ability to make strategic cross-departmental investments in staff capacity and increasing short-term project-driven way of working. Though EMF finance is owned by MRCS, the initial capital came from donors, reflecting broader challenges with fundraising within Myanmar.

Branch capacity

MRCS is hampered by a lack of staff and board members at the branch level with the necessary administrative or technical capacities for DRM. The capacity of branches differs widely, but there is not an integrated volunteer management system for tracking where capabilities lie so that well-equipped branches can be systematically deployed to support weaker branches in times of crisis and strategic investments into branch capacity can be made in flood prone areas.

SEADRIF Value add: Potential types of interventions that could be supported by SEADRIF

How important is pre-arranged finance for the NS?

MRCS was interested in the concept of pre-arranged financing, particularly for early action, the priority for MRCS was *speed* more than predictability. Issues of speed are not only related to financial mechanisms, however; many interviewees mentioned that bureaucratic processes or paper-based sign off systems slow down decision-making and ultimately delivery of disaster relief. The high value MRCS places on its Emergency Management Fund, which is both fast and flexible, is the reason why MRCS to access contingent or reserve finance available for disasters events.

What priority actions did the NS suggest if they had access to SEADRIF?

Expand cash programming - From MRCS, expanding cash-based programming was the most common response. There is a Cash Working Group at the country-level led by WFP, which has pre-disaster feasibility information for six states and regions (Minimum Expenditure Basket, Market system information, and FSP availability). MRCS uses this and has Detailed Implementation Guidelines to support cash programming (the Cash SOP has been in draft form since 2016 and needs to be approved). Previous flood responses have used cash, but this is still a slow modality. MRCS is looking into developing agreements with financial service providers in 2019. MRCS believes this will enable a much faster response to more beneficiaries in the future. MRCS' recent experience of cash assistance in flood relief and PNS experience in cash programming in IDP camps provides a knowledge base for integrating cash programming into more ambitious recovery plans under SEADRIF. Currently cash assistance arrives 2 – 3 months after disaster event due to lengthy assessment periods and lack of agreements with suppliers.

Myanmar 2015. Kalay. Aye Thar Yar village. Myanmar Red Cross local volunteers distributing hygien kits and shelter kits to flood affected people in Aye Thar Yar village. Local volunteers have been helping around the Kalay township area since the monsoon floods hit the area end of July. (Photo: Emil Helotie / Finnish Red Cross)



Strengthened emergency Health and WASH response – There were few specific actions recommended by MRCS, because emergency health and emergency capacity is currently relatively weak. Currently, the MRCS ambition is to send one hygiene focal point to disaster prone areas in advance of a flood, but there is limited capacity for transportation. There are three people trained in WASH regional disaster response and one person trained in hygiene promotion in emergencies at the regional level. There is a need to procure new WASH equipment (including sanitation kits, hygiene promotion boxes, spare parts, consumables) and establish appropriate contingency stocks (water purification tabs, mobile water distribution system, water treatment units and spare parts, water quality testing facility). MRCS aims to provide more comprehensive support in these sectors during emergencies, without needing to activate federation tools.

Improve and expand pre-positioning key stocks - There is a strong logic to improving pre-positioning of key stocks in warehouses and assigning paid staff in hard-to-reach and flood prone regions, primarily because road access to communities is immediately compromised during flood events and warehousing for NFIs is not done strategically (i.e. storing additional NFIs / supplies in flood-prone areas that take longer to reach).

What financial absorption capacity do NS have?

For normal, project-based spending, MRCS' financial absorption is about 70% on average across projects; for emergencies MRCS appears to have absorbed finance (i.e. there are not records of funding being returned to IFRC after an emergency appeal). MRCS finance did not know why or under what circumstances finance is not absorbed; this depends on different departments' project management and activities. For project-based funding, the remaining funds that are not spent must be returned to donors, unless the donor agrees to extend project timelines or re-allocate funding for other purposes.

In emergencies, the activation of international federation tools offsets concerns about financial absorption. According to PNS, MRCS, and IFRC interviewees, in the event of a major disaster MRCS is able to absorb finance because of the additional surge support it receives.

What design preferences does the NS have for SEADRIF finance? (triggers, financing arrangements)?

Trigger

MRCS suggested aligning triggers with the Government. MRCS has a very strong relationship with the Government, and their interest in SEADRIF is largely a product of their desire to ensure a well-coordinated and streamlined approach that reinforces their auxiliary role.

Premium Payment

Like PRC, MRCS staff could not rapidly identify sustainable sources of finance for paying premiums.⁹ The opportunity cost of spending MRCS's resources on premium payments rather than on the preparedness investments (which can be worthwhile for all types of hazards of different scales, rather than the large typhoons and floods which may be

⁹ This was covered briefly in a SEADRIF workshop, but National Societies require more time and effort to consider sustainable sources of finance or interested donors.

covered through SEADRIF finance) makes spending MRCS resources on premiums unpalatable to MRCS staff. MRCS staff were keen to learn about which donors might prefer to offer predictable funding through premium payment. In the SEADRIF design workshop, MRCS staff suggested an advocacy campaign with institutional donors and aid agencies about pooling resources together to pay the premium and take advantage of more predictable costs.

Priority Capacity Building Interventions for Disaster Risk Finance

Alignment with Preparedness for Effective Response (PER) process

A scaled and faster disaster response entails managing greater sums of money and reaching more people. To enable MRCS to do this, they will require better access to prepositioned stocks, faster procurement, technical staff to design and deliver programmes, and volunteers prepared to manage relief supplies or cash disbursements, aspect that also apply to capacity to implement early action.

Some of these priority investments are included in Myanmar's Preparedness for Effective Response (PER) process. Preparedness for Effective Response (PER) is a systematic and cyclical approach to strengthen the response capacity of a NS. The approach brings together two previously established approaches within the RCM referred to as the DRCE (Disaster Response Capacity Enhancement) and WPNS (Well-Preparedness National Society). Over the last few years, the two approaches have been brought together to form a single RCM-wide approach based on decades of learning.

In Myanmar, the PER process began with an assessment in October 2018. It identified the following high priority areas for capacity development:

PER Priorities for Myanmar

NS Response Component	Prioritisation	Importance Rating	Component Rating
Safety and security management	1 - High Priority	12	2 - Partially exists
Resource Mobilization	1 - High Priority	12	2 - Partially exists
Hazard, Context and Risk Analysis, Monitoring and Early Warning	1 - High Priority	12	3 - Needs improvement
Risk management	1 - High Priority	12	3 - Needs improvement
Preparedness plans and budgets	1 - High Priority	12	3 - Needs improvement
Information Management (IM)	1 - High Priority	11	2 - Partially exists
Response and recovery planning	1 - High Priority	10	2 - Partially exists
DRM Strategy	1 - High Priority	10	3 - Needs improvement
DRM Policy	1 - High Priority	9	3 - Needs improvement

High priority capacity building needs from Preparedness for Effective Response assessment. Green are components that could be improved partially by access to SEADRIF. Yellow components demarcate those that become more critical if MRCS pursues a SEADRIF replica.

As part of participation in disaster risk financing programmes, such as SEADRIF, MRCS would require project funding in parallel to meet high-priority capacity building needs, which is improved 'preparedness plans and budgets', 'response and recovery planning' (cross-sectoral response plans, including cash preparedness), and 'information management / data preparedness' (specifically data quality controls and sharing between projects and departments).

Many capacity building needs of MRCS will be for recurrent costs. For example:

- 1) permanent staff with expertise in emergency health and WASH response,
- 2) recruiting warehouse managers for flood-prone areas, 3) expanding strategic warehouses / prepositioning, 4) more investment in skilled trainings and SOP dissemination at branch and regional levels. This will require additional income-generation beyond project-based and relief finance.

Based on discussions with MRCS staff, the capacity needs to implement SEADRIF are mostly but not entirely aligned with PER capacity building needs. The importance of improving logistics capacity is ranked as a low priority for PER. MRCS interviewees emphasized that improving procurement, warehousing, and stock management are very important for managing a larger disaster response. Equally, improving staff and volunteer management is a 'medium' priority in the PER process, whereas expanding key technical staff and training volunteers was the most common recommendation from MRCS staff for improving readiness for SEADRIF.

**Myanmar 2015. Kalay.
Aye Thar Yar village.
Men in Kalay township
area are rescuing boards
from the flood water -
the remaining pieces of
their houses.
(Photo: Emil Helotie /
Finnish Red Cross)**



Recommendations:

The way forward for MRCS and SEADRIF

Though Myanmar Red Cross would benefit from a more systematic disaster risk finance strategy, the Myanmar Red Cross is cautious about engaging with SEADRIF. In informal conversations after the SEADRIF workshop was completed, senior MRCS staff explained they would prefer to focus on expanding into forecast-based early action rather than on accessing SEADRIF or other insurance-based financial products. In terms of MRCS financing needs, insurance coverage for major hazards is a lower priority than having contingency finance or budget reserve available through the Emergency Management Fund (EMF). MRCS has expressed preference for donors to support them through the EMF directly rather than paying insurance premiums, as they would still like to have access to flexible finance without taking out a premium. Focusing energy on SEADRIF has opportunity cost for MRCS, as the NS could be spending time on developing FbF or on other disaster risks including conflict and earthquakes, both of which are major MRCS priorities.

When asked how they might change their minds about SEADRIF, MRCS staff said they would need to negotiate with the Government to have more clarity on the Government's SEADRIF strategy. MRCS is afraid of losing relevance to the Government by not engaging with SEADRIF. However, the prospect of eventually being contractually responsible for an insurance policy and premium payments was worrisome to a risk-adverse organization that struggles to fundraise for normal operations. Some PNS staff echoed these sentiments, adding that MRCS staff are regularly overstretched and adding a new financing modality is likely to prove to be a burden on the DM department.

MRCS contends that they need access to more flexible finance, and that MRCS absorbs about 70% of funding from ongoing projects. It's reasonable that a change of context merits returning some resources to the donor. Yet MRCS' relatively low financial absorption across planned projects¹⁰ points to a need for a stronger financing strategy within MRCS overall, and an audit of what areas of work are actually underfunded and why. Based on conversations with MRCS staff across the organization, MRCS needs to invest in their human resource capacity in order to be prepared for a payout from SEADRIF. Even if a SEADRIF pilot is accompanied by investments in MRCS capacity, however, MRCS may not be able to manage these investments more effectively than the current absorption rate of 70% for project finance.

10

i.e. Planned projects do not refer to disaster response, but DRR, resilience, and recovery projects.

Due to MRCS reluctance to participate in a SEADRIF pilot, this report recommends that MRCS support the Government engagement with SEADRIF in an effort to shape their disaster response strategy. This collaboration could entail aligning SOPs and joint contingency planning. If the Government is willing, MRCS could even eventually receive a payout through the Government's SEADRIF policy. If the government accepts this modality, SEADRIF could reinforce collaboration through joint planning, joint triggers for action, and potentially joint-payouts channeled from Government to MRCS. This could enable MRCS to reach more than 10% of most vulnerable people in the event of a disaster and help shape the speed of Myanmar's future disaster response.

For MRCS's further engagement with SEADRIF, we recommend the following steps:

- MRCS leadership to convene meetings with the Ministry of Finance and the Ministry of Disaster Management, to understand the Government's SEADRIF objectives and the state of planning and implementation for Government's SEADRIF policy.
- MRCS works with Government to develop SEADRIF SOPs that are aligned and, if possible, based on shared triggers. If the Government is interested and willing, MRCS to work towards receiving SEADRIF payouts under the Government's policy.
- MRCS develops a comprehensive Disaster Risk Financing Strategy to identify sources of early action finance, define more effective uses of the Emergency Management Fund, and better understand how to improve project-based financial absorption.
- Advocate with Partner National Societies and donors to support flexible finance through an expanded Emergency Management Fund, which could be used more strategically for early action or rapid response.
- MRCS finance team to audit past disaster response financing to understand speed and flexibility of finance. For future response, the MRCS finance team should develop a system that enables MRCS to systematically record how rapidly finance is available after a disaster and track how that impacts disaster response decisions, in order to better understand the gaps in their disaster risk financing. This should include the time between requests for finance (through appeals or bilateral PNS discussions), the disbursement of finance to MRCS, and spending finance for purchasing response materials. When finance is earmarked or can only be spent within a certain timeframe, MRCS should record how the conditionality hampers their decision-making. These instances can be used in donor advocacy efforts, as part of a broader DRF strategy.
- MRCS continues to build staff capacity to improve disaster response so MRCS is equipped to manage a larger flood and cyclone response in the future, by (link to PER results):
 - Investments to improve (and standardize) warehousing and pre-positioning in flood-prone regions;
 - Mapping out suppliers for essential response items during floods, develop pre-agreements where possible;
 - Technical support in development of flood and cyclone-specific SOPs, in partnership with the Government of Myanmar;
 - Investment into emergency health and WASH capacity, in terms of both human resources and equipment available during emergencies;
 - Improving cash preparedness, including finalizing agreement with financial service provider.

Risks of not engaging with SEADRIF pilot:

- MRCS misses the opportunity to have premiums subsidized during the SEADRIF pilot.
- MRCS loses some relevance to Government without engaging with SEADRIF by taking out their own policy;
- The Government is not willing to involve MRCS in their SEADRIF planning, and disaster response is disjointed between Government and MRCS;
- If the Government is willing to involve MRCS in SEADRIF planning, the payout is slow and undermines one of the core reasons to engage with SEADRIF;
- The Government could decide to withdraw SEADRIF coverage, and MRCS loses access to SEADRIF after spending time and resources developing plans and capacity.

Conclusion and overarching questions: Is SEADRIF the right instrument?

“Appeals are not far off from begging bowls, and governments and donors seem at times to resemble benefactors for a good cause and saviours coming to the rescue rather than participants in an organized system in which responses and routes to recovery are carefully planned beforehand using sound financial instruments.”

- Daniel J Clarke & Stefan Dercon, in “Dull Disasters”.

Disaster risk finance is a means to an end – to enable the RCRC movement to alleviate suffering in the aftermath of a disaster, providing essential relief and preventing the worst impacts where possible. Enhancing the Red Cross Red Crescent ability to utilize Disaster Risk Financing instruments offers a crucial opportunity to better manage the rising risks that a changing climate poses on vulnerable communities. Identifying and understanding financing alternatives to manage risks for low, medium and high impact climate related disasters is pivotal to ensure the RCRC is able to act early and respond in the most effective way.

Though any comprehensive disaster risk finance strategy would rely on layering a range of instruments to meet different needs – from contingency finance, budget reallocations, and appeals – this feasibility study focused on whether SEADRIF insurance would be a good fit for the National Societies and what investments in NS capacity would be necessary to ensure systems and staff are ready for a new modality with a large payout of fast, flexible finance.

This study attempts to reflect the sentiment of the NS and IFRC staff as accurately as possible, as well as review NS' capacity for insurance and the gaps in financing based on previous disaster response. While the study did not technically measure staff capacity in quantifiable units, it took into account their preferences, skills, and recommendations from other parallel initiatives to improve capacity across the RCRC movement. For any iteration of SEADRIF, no matter how much investment in NS preparedness, there will be an element of learning by doing. A SEADRIF pilot should be designed to capture these lessons and allow room for adaptation. The value of engaging with SEADRIF is not only providing resources to the NS, but in experimenting with more predictable sources of finance and how this predictability can in turn improve RCRC preparedness for disasters.

Because the MRCS expressed a preference not to take out an insurance premium or participate in a pilot in the immediate future, we recommend that MRCS work with the Government to ensure their SEADRIF contingency plans are aligned. Depending on the Government's willingness to consider heterodox uses of the payout, there may even be potential for MRCS to eventually receive a payout through the Government's coverage. In the meantime, MRCS can continue to focus on developing early action and supporting the Government's contingency planning for SEADRIF. MRCS could develop a sequenced approach, deciding to purchase coverage after a few years (but missing the opportunity to have premiums covered by GRIF donors).

The PRC was interested in the possibility of access to predictable finance through insurance, but was clear that this would be most useful for 'medium' sized hazards where donor funding is harder to come by. Whether SEADRIF insurance can cover these events is yet to be decided. It may not be value for money for the NS to negotiate a lower attachment point for SEADRIF, as it would mean higher cost per dollar of coverage. The design of a pilot should consider whether SEADRIF can cover these events that require roughly between 1 and 5 million CHF for response.

Lastly, this feasibility study raised questions that should be considered by IFRC and National Societies separately. Are there other methods of meeting financing gaps without engaging with SEADRIF? For instance, can the DREF be more predictable and work more effectively as a layer of contingent finance? Equally, could donors invest directly into the reserve and contingency budgets held by the National Societies? A comprehensive disaster risk management strategy should take into account these questions so that the national societies can move beyond the "begging bowl" of appeals and instead adopt a systematic and well-planned approach to financing disasters, in which appeals are only one of many financing options.

