1. **What is FbF, in a nutshell?**

Forecast-based Financing (FbF) is a mechanism to use climate, weather and/or hydrological forecasts and risk analysis to automatically disburse funding for early actions before a possible extreme event occurs, in order to reduce humanitarian suffering.

The goal of Forecast-based Financing is to reduce the impact of disasters.

In the precious window of time between a forecast and a potential disaster, FbF releases resources to take early action. Ultimately, we hope that this early action will be more effective at reducing suffering, compared to waiting until the disaster happens and then doing disaster response.

2. **How does FbF work in the Red Cross Red Crescent Movement?**

- We define **actions** in advance. These actions are not set in stone, but we realize that if people don’t think in advance, they often aren’t prepared to take action quickly. In order to be eligible for FbF funding, a Red Cross or Red Crescent National Society must write an Early Action plan, explaining what they will do when they receive the forecast trigger.

- We define forecast **triggers** in advance. The Early Action Protocol must explain why we think this forecast is credible in some way. Our scientific validation studies are not necessarily comprehensive (and in fact, we make a lot of compromises in places with very little data), but they show evidence that this forecast has historically had some ability to predict the disaster of interest.

- We only use international emergency funds for **unusual events**. The Forecast-based Action by the Disaster Relief Emergency Fund requires that FbF plans focus on events that don’t happen every year – only every 5 years or less frequently. The EAP must clearly explain how the forecasted event is linked to impact on the ground.

- We plan to work at the scale of the forecast and prioritize the most **vulnerable**. In our Early Action Protocols, we attempt to combine forecast information with vulnerability and exposure information, to identify those who are likely to be most affected by the extreme event. (We do not select these people in advance, but we wait to see what the forecast tells us.)
3. **What is a Trigger in Forecast-based Financing?**

A forecast that is issued, which exceeds a thresholds that indicates a probability of humanitarian impacts in the most vulnerable and at risk communities. A trigger leads to the initiation of predefined actions. For example, a forecast of a 50% chance that is likely to produce the destruction of 30% of houses in certain region, is a trigger to activate an Early Action Protocol.

4. **How are triggers defined?**

Triggers are defined based on an analysis of forecast and risk information. The FbF trigger methodology is inspired in the concept of Impact-based Forecasting. See the manual for more information

5. **Who is part of the design of Triggers for FbF?**

It is a multidisciplinary group of people, including scientists (climate and sometimes social science), disaster risk managers, information management experts and experts from different sectors such as agricultures, shelters, wash etc.

6. **How are Forecast-based actions identified?**

The selection process of forecast based actions starts with a sounds risk analysis, this helps to decide which are the priority impacts that could be tackled by the FbF system. Actions should: be consistent with Government and/or other Institutional Contingency Plans, aim at prevention, mitigation of Impacts and preparedness for effective response (not early response). They should be socially acceptable, and they should be feasible to implement by the respective National Society. For more information see the FbF Manual.

7. **What is the difference between FbF Early Action Protocols (EAP) and Contingency Planning?**

Contingency planning focus on actions for preparedness for response and early response, but not actions to mitigate and prevent risk. An EAP includes actions that aim at mitigating and preventing, such as distribution of veterinary kits to reduce the risk of mortality.

8. **Is FbF a substitute for Contingency Planning?**

No, FbF Early Action Protocols are interconnected with contingency planning. Some of the actions that might be included in a contingency plan, could be also included in an early action protocol, as soon as they are implemented in the window of time between the forecast and the potential disaster. These actions can be funded by the anticipatory funds. The risk analysis conducted in the framework of FbF, could help contingency planning to be more effective.

9. **Difference between IFRC’s Disaster Relief Emergency Fund (DREF) and the Forecast based Action (FbA) by the DREF ?**

The FbA by the DREF is a separate fund under the DREF, making use of specific procedures and templates. This means that normal DREF procedures and eligibility does not apply to applications for FbA allocations submitted through an EAP. In cases where the magnitude of the event surpasses the forecasted impact and humanitarian needs, the early action may be followed by response activities funded through a grant from the DREF or an emergency appeal with a start-up allocation from the DREF.

10. **What is the difference between the FbA by the DREF and a DREF allocation for imminent crisis?**

A. When planning takes place: In preparation for a request for a DREF allocation for imminent crisis, the planning of the actions takes place only once a forecast has been issued, hence
limiting the time for planning and implementation of the action. With the FbA by the DREF, the planning and approval of allocation takes place before the forecast has been issued, based on the Early Action Protocol, giving the National Society additional time to include actions that may need more long-term work and pre-positioning of assistance. Additionally, the Forecast based Financing process that results in an EAP includes a much more rigorous analysis of the historical impacts and vulnerability of the population leading to a more targeted and potentially effective intervention.

B. Commencing the early actions: To initiate the early actions with an imminent DREF the National Society has to wait until an EPoA has been developed and approved as it does not have the certainty that it will comply with all the requirements for approval. With the FbA by the DREF the National Society can initiate the early actions stated in the EAP as soon as the forecast shows that the pre-defined trigger has been met. There is no need to go through any additional approval processes, thereby gaining valuable time in reducing the impact of a disaster. The financial support is automatically released.

11. The wider context: Where does Forecast-based Financing sit within the Early Warning System frameworks and within the wider remit of Disaster Risk Reduction and humanitarian response?

FbF is a mechanism that sits in wider DRR strategies. It contributes to the achievement of the targets agreed in the Sendai Framework for Disaster Risk Reduction (especially a, b, c, f and g - page 12), also contributing to the four Priorities of Action (1. Understanding Disaster Risk, 2. Strengthening disaster risk governance to manage disaster risk, 3. Investing in disaster risk reduction for resilience, 4. Enhancing disaster preparedness for effective response and to “Build Back Better” in recovery, rehabilitation and reconstruction). The goals of designing and activating an FbF mechanism are to reduce risks of disasters, to promote a better preparedness for response and potentially to take advantages of forecasts for prosperity (e.g. boost crop yields). Saying this, FbF is inherently linked to ongoing Early Warning Systems strategies, aiming at increasing the window of opportunity for early actions thanks to the detailed scientific analysis of possible impacts and use of forecasts, but also very importantly on the automatic activation of funding to be used in the window of opportunity between the forecast and the event. EWS are mainly focused on ensuring the right warning information at the right time to prepare and respond effectively, while FbF also focuses on getting the right information at the right time but with automatic triggers defined based on the potential humanitarian impact.

12. What kind of data do you need and who would collect and analyse it?

- Risk assessment (and socio-economic assessments): data about historical disasters, risks and historical/potential impact of disasters. This will contribute to the information necessary to develop triggers, as well as providing necessary information for the selection of actions.  
- Forecast: historical records of forecasts, this is relevant for the analysis of forecast skill. Ongoing strategies or plans for improve forecasts, given the growing interest of improving climate services, several actors/donors are supporting Hydro-Met agencies to improve their forecast capabilities.
- To determine which actions should be prioritised, a detailed analysis of already existing plans as well as innovative ideas that could be feasible to implement given the lead times, cost, capacity of implementation is carried out, for this a methodology has been developed and can be applied by any interested actor.
- The definition of responsibilities for gathering information depends on who is part of the design and implementation process of the mechanism, usually a collaboration between actors, including national government departments.

13. Would forecasting have to be more accurate than it is now to make FbF work?

The more skilful the forecast, the more actions can be taken with FbF. There is ongoing work promoted by the World Meteorological Organization and funded by several donors in order to
improve the quality of climate services of national hydro-meteorological agencies. Although there is still progress to be made, the state of the art of forecast capacities in many parts of the world already offers enough tools to be able to develop Forecast-based Financing systems. In places where the forecast capacities are still not advanced, there are many opportunities for improvements, and regional/global forecasts can often help fill the gap in the interim(e.g. GLOFAS, SERVIR).

14. How would you measure the success or otherwise of such a project?

Measurement of success is divided in two parts, we evaluate the process of activation of Early Action Protocols to determine lessons learnt, opportunities of improvement during the moment of the forecast and the finalisation of the early actions.

And we evaluate the impact of the actions to determine at what extend the early action reduced risks and helped communities/organisations to respond in a more efficient way. A comprehensive Theory of Change is conducted for each of the selected early actions. Also Cost-benefit Analysis are implemented. To be able to determine the impact, baseline and post implementation surveys are implemented. The Climate Centre has developed a comprehensive MEAL tool that any National Society can use to measure the impact of FbF.

The FbF investment is very relevant for the National Society organization development and their capacity to respond to crisis, therefore another measure of success is the increase on capacities, improved procedures and skills of the national society not only to deal with anticipation but with disaster response/crisis.

15. How does it all fit into the Sendai DRR framework, the Paris Agreement and the SDG’s?

Sendai
The FbF mechanism contributes to the targets and priorities defined in the SFDRR. Aiming to establish a new way to activate humanitarian/ development funding before a hazardous event happens, using the most reliable climate/weather information. It is important to highlight that this mechanism builds on pre-existing DRR strategies and the future DRR plans designed in line with the new SFDRR.

Paris Climate Agreement
Effective ways to ensure climate finance reaches the most vulnerable is very important in the context of the climate agenda. We will need many more efforts and investments to set up flexible finance mechanisms to reduce risks of the most vulnerable and to adapt locally. This FbF concept can strongly complement national and local adaptation planning processes, and the National Society can bring its wide range of experiences in community based climate-smart DRR to this dialogue.

SDGs
Shocks and extreme weather-related disasters can push a lot of people (back) into poverty. This was elaborately explained in the Shock Wave Report of the World Bank (2016). Under a changing climate it is very important that development investments (public and private) are made climate smart and shock sensitive. This concept of FbF can also contribute in the context of SDG discussions.

16. How FbF could be integrated in Social Protection systems?

One of the aims of FbF is to protect the most vulnerable population of possible negative impacts of natural hazards, and also to promote opportunities of prosperity given by a favourable forecast. The link between FbF and existing Social Protection systems lies in the fact that Social Protection systems could integrate the use of climate services, most specifically forecast information in order to promote early actions that will protect the development gains of several years of development interventions. FbF is one mechanism that can be used to make Social Protection systems more “shock-responsive”, scaling up delivery
mechanisms to allow people to reduce risks based on the forecast information. The implementation of early actions based on forecasts could be very effective given the existing pre-identified vulnerable population. This population can have rapid access to cash transfer programs once the FbF mechanism is activated, in order for them to protect their assets, livelihoods, and most vulnerable persons in their family. It is assumed also that when people have access to cash before the hazard hits, people will have more capacity to cope with possible impacts, minimizing the risk of requesting high interest loans, having financial capacities to procure medicines, food and other necessary items among other possible benefits. On the hand, if we look at FbF as a mechanism that promotes prosperity using favourable forecast information, vulnerable communities engaged in long term development strategies could use forecast to enhance their livelihoods, this is particularly relevant for the agriculture sector.

17. How FbF could benefit from Insurance?

Insurance companies develop robust and detailed risk models in order to determine the premiums that are paid by the insurance holders. This risk analysis process and understanding of risk factors such as exposure and vulnerabilities, including historical impacts are critical for the FbF mechanisms. Therefore, having access to insurance data in context where public data scarcity is a challenge could offer significant opportunities to set up a FbF mechanism.

18. What is the relation between Disaster Risk Finance and Forecast-based Financing?

Disaster Risk Finance is financing arranged in advance of a crisis, triggered by data indicators, to support pre-planned and coordinated assistance. The current focus of disaster risk finance tools is effective funding allocation/ availability for disaster relief, recovery, rehabilitation and reconstruction, but not for the management of risks across the timeframe from development to humanitarian action. However, the discourse is growing in order to see Forecast-based Financing as an additional tool within the overall framework of DRF. FbF being the tool to manage risks before the disaster happen, based on forecast and risk analysis. From the financial point of view, there are significative difference between traditional DRF tools (Insurance CATDDOs, CATBONs) and FbF. FbF funding mechanism is a humanitarian pull funding, while traditional DRF funding mechanism is private funding that can be accessed when there is a payment of a premium/ service.

19. What is the relation between Preparedness for Effective Response and Forecast-based Financing?

Preparedness for Effective Response (PER) is a cyclical approach for a National Society (NS) to systematically assess, measure, and analyse the strengths and weaknesses of its response system. A National Society that is well prepared for effective response, it is also a national society that is prepared to implement early actions. Any investments that are done in PER and FbF benefit both objectives, therefore there are opportunities to create synergies between these two approaches. For example, when the NS decides to prioritize improvement of their logistics department this can be supported through PER investments or/ and FbF investments.