

CREATING POWER FOR PEOPLE FACING RISK: THE ROLE OF PARTICIPATION IN DISASTER RISK FINANCING



GUIDANCE NOTE

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Date: October 2020



About the Centre for Disaster Protection

The Centre for Disaster Protection works to find better ways to stop disasters devastating lives by supporting countries and the international system to better manage risks. The Centre is funded with UK aid through the UK government.

Suggested citation

O'Sullivan-Winks D. (2020) 'Creating power for people facing risk: the role of participation in disaster risk financing', guidance note, Centre for Disaster Protection, London.

Disclaimer

This guidance note reflects the views of the Centre for Disaster Protection at the time of publication. This material has been funded by UK aid from the UK government; however, the views expressed do not necessarily reflect the UK government's official policies.

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Community feedback session, Bangladesh
Image: SIRCAR, RUFAS RAFI/International Federation of
Red Cross and Red Crescent Societies

● WHY IS COMMUNITY ENGAGEMENT SO IMPORTANT?

Successful disaster risk financing (DRF) demands a rigorous analysis of how protection will work for the most vulnerable—often the poorest in society and the least able to protect themselves against shocks. How can we effectively and comprehensively define the critical needs of the poorest, plus the assets and systems they rely upon in disaster situations, without engaging those very communities in shaping and influencing the DRF dialogue? Ensuring the inclusive participation of people in DRF is essential but challenging. It takes time and investment to build understanding and trust amongst DRF stakeholders with different and sometimes divergent priorities and incentives. In addition, the evidence base for community participation in DRF solutions is scarce, hence it is too early to conclude what best practice looks like. Nevertheless it is possible to draw on emerging examples to identify good practice, as highlighted in the following three key points.

Sustainability depends on a needs-driven approach that ensures the equity of affected people.

Exactly who is being protected? What are they being protected against? And who is responsible for paying for this protection? DRF programming that overlooks the nuances of vulnerability for at-risk communities results in mismatches between actual needs on the one hand and modelled risks and financing triggers on the other. This risks the perpetuation of inequality and disadvantage within certain sub-groups of at-risk communities, breeding lack of trust and little ownership of risk. Without inclusion of community voices, it is impossible to fully understand the complexity of dynamics affecting people's ability to cope with shocks, and thereby who needs the greatest protection.

For example, many women have different resilience to disasters than men based on the specifics of their daily realities: different work patterns; education levels; participation in village savings and loans schemes; perceptions of household-level risk; asset ownership; how and when they earn income from productive assets; and the levels of community voice they represent in local political life. Accessing disaster relief support is often more challenging for those who are marginalised due to cultural traditions, gender, disabilities or perceived social status (Vaughan and Hillier, 2019; CARE International (UK), 2019). Consulting and involving communities in decision-making that impacts their lives builds trust and empowers the public to demand greater accountability of governments and reward them for reliable disaster support.

Participation enhances transparency and increases legitimacy and ownership

Multi-stakeholder participatory planning processes enhance transparency, legitimacy and ownership. In particular, ex-ante DRF contingency planning takes place **before** the shock occurs, and enables communities to have more time and space to define their own risks, needs and anticipatory actions within specified windows of opportunity to act. It also provides more time to question and challenge the contingency plans designed to support them (Start Network, 2019a). ‘Who will pay for what’ becomes clearer, people understand what anticipatory actions they should take themselves and when, versus what actions governments, non-governmental organisations (NGOs) and others will take. In short, participatory pre-planning is crucial. Without it, anticipatory financing approaches such as the International Red Cross and Red Crescent Movement’s Forecast-based Financing (FbF) would fall down, since their success relies upon people positively acting on an early warning alert.

Gaps in protection can also be pre-identified through participatory planning and perhaps triangulated with complementary disaster risk management (DRM) programmes. For example, NGO-led disaster risk reduction (DRR) activities or shock-responsive national social welfare schemes.¹

Engaging communities in the design of DRF and insurance schemes increases the technical efficiency and effectiveness of these solutions.

The complexity, and often opaqueness, of the risk models underpinning ex ante national-level DRF mechanisms, such as parametric climate risk insurance products, can be challenging for country governments, let alone the poorest communities they are designed to protect (this challenge is discussed in more detail later in this paper).^{2,3} Critically, the development of intricate vulnerability metrics that feed into these models happens at a distance from the realities and nuances faced by at-risk households on the ground. This can lead to significantly increased basis risk (see Glossary) and lack of public buy-in for national DRF schemes. In humanitarian contexts, this can mean a matter of life or death. Risk models can overlook vital household economy indicators that influence the ‘who and what is at risk’ analysis, and the corresponding ‘when and where’ contingency planning process. For example, a drought risk model that only inputs the cash crop of a country as the reference crop, not the staple crop that the poorest communities rely on, means that the food security vulnerability of at-risk communities is not accurately reflected. As a result, the humanitarian assistance needs of affected people can be inaccurately skewed (Start Network, 2019b).

Empowered communities can ground truth risk models in this way and help to support the evolution of better models that actually deliver their stated objectives, reduce basis risk, and build more efficient and cost-effective DRF instruments.

- 1 An impact assessment of the role of mutual microinsurance in responding to Typhoon Haiyan in 2013 by The University of Cambridge Institute for Sustainability Leadership (CISL) found that community membership and participation in the operational and governance structures of their mutual microinsurance company empowered them at a time of crisis with knowledge of what to do when a disaster happens and the financial networks they could rely on, even when they received no payout. It also highlighted the interdependence of multiple financing options after the disaster—credit, insurance and humanitarian aid (CISL, 2019).
- 2 The risk modelling steering group of the Insurance Development Forum (IDF) intends to improve the transparency and accessibility of sector-wide modelling infrastructure by extending the use of, and enhancing capacities around, open source modelling platforms, such as Oasis (Insurance Development Forum, 2018).
- 3 In September 2019, the CCRIF SPC (formerly known as the Caribbean Catastrophe Risk Insurance Facility) launched a new set of web-based tools that aim to provide its members with greater visibility of the real-time data used as inputs to its parametric catastrophe insurance policy triggers (Evans, 2019).

● HOW IS IT USUALLY TACKLED?

The global landscape for DRF—and how vulnerable communities are participating in shaping DRF strategies and instruments—is evolving. Leading DRF practitioners increasingly acknowledge the importance of engaging communities. However, well-designed financial theory has so far failed to translate into systematic inclusive action.

International financial institutions (IFIs) such as the World Bank recognise how critical it is to engage people in delivering long-term development objectives.⁴ Participation has long been a mainstay of development

theory, and there are many examples of indicators that can be adapted and tailored for DRF strategies.⁵

We are beginning to see this concerted shift towards participation in DRF frameworks. More recently, notable progress has been made through the explicit integration of community inclusion and participation into the guiding principles and funding protocols of global multi-stakeholder platforms and DRF facilities such as the Global Risk Financing Facility (GRiF) and the InsuResilience Global Partnership.

Box 1: Principles and appraisal frameworks for participation in DRF

Launched in October 2018, the Global Risk Financing Facility (GRiF) provides grants and technical expertise to pilot and scale up pre-arranged financing instruments that support early action towards climate shocks, disasters, and crises. It is a multi-donor trust fund with over US\$200 million in pledges from Germany and the United Kingdom. The GRiF Secretariat is hosted by the World Bank.

‘The process to design the instrument and systems should aim for the inclusive, meaningful participation of all relevant stakeholders in the design, implementation and evaluation of instruments, especially communities, civil society and private sector, who can inform and champion these solutions’. Proposed projects should demonstrate how they will consult with civil society organisations and private sector partners for their design and implementation (GRiF, n.d.).

The InsuResilience Global Partnership on Climate and Disaster Risk Finance and Insurance Solutions launched in 2017. The Partnership aims to strengthen the resilience of developing countries and protect the lives and livelihoods of poor and vulnerable people against the impacts of disasters. To reach these objectives, the Partnership is taking a principled approach that puts people’s needs at the centre of climate and disaster risk finance and insurance.

The principles of partnership for the advancement of DRF and insurance solutions under the InsuResilience Global Partnership specifically promote the agency of end users (InsuResilience Secretariat, 2019). They also encourage increased ownership through community participation in the design, implementation and accompanying decision-making processes of DRF solutions. However there is still a long way to go in terms of translating aspirational values into embedded practical methodologies.

However, community engagement is often a formality rather than a core component of design, implementation, evaluation and refinement or reiteration. This needs to change, and participation needs to be mainstreamed in

DRF systems. Beyond the evaluation of community-based targeting in social protection systems, existing independent evaluations of participatory approaches in DRF are few and far between.⁶

- 4 Note the spectrum of citizen engagement as defined by the World Bank: an increasing degree of citizen engagement from ‘inform’ to ‘consult, collaborate, and empower’ (World Bank, 2014a).
- 5 Note a plethora of high-level, comprehensive frameworks for inclusion and participation exist in the development sector, from which indicators can be adapted for DRF. See Gender Equality and Social Inclusion (GESI) Working Group (2017) ‘A common framework for gender equality and social inclusion’ and example indicators in Oxfam (2018a) ‘An introduction to community engagement in WASH’.
- 6 See McCord, A. (2013) ‘Community-based targeting in the social protection sector’ and Watson, C. (2016) ‘Shock-responsive social protection systems research’.



Tropical cyclone shelter construction, the Philippines.

Image: Joey Reyna/ International Federation of Red Cross and Red Crescent Societies

● PRACTICAL GUIDANCE

This section explores the ‘how to’ options for engaging at-risk communities across the phases of a DRF initiative—from community capacity-building and concept design, to technical product development and implementation, monitoring, evaluation and learning, and finally to product refinement. There is currently insufficient experience and learning in the sector, however, to prove best practice. Hence, the following section highlights the emerging evidence.

Participation is not easy, especially when considering context-specific hurdles, such as financial literacy levels. Engagement will not provide all the answers to DRF challenges. A rich tapestry of complex dynamics affecting feasibility and intended outcomes and impacts is

continuously at play. Hence, adaptability is also an essential feature of any community participation programme.

Identify who should be involved, their motivations, and prioritisation

Anticipating and responding to disasters is a multidimensional and multi-stakeholder effort, involving governments, multilateral and bilateral agencies, the UN system, civil society organisations (CSOs) and NGOs, the private sector, and at-risk communities—albeit the depth of involvement of these parties varies by context. Prior to the development of a DRF approach, a stakeholder mapping exercise, with priorities and interests presented, is essential for a truly inclusive approach.



Tropical cyclone damage, Madagascar.
Image: Malagasy Red Cross

Table 1: Potential roles in DRF by stakeholder group

Stakeholder group	Relevant role in participatory DRF
<p>At-risk communities:</p> <ul style="list-style-type: none"> ● identified as individuals or at household level; ● identified by economic sub-sector (e.g. subsistence or smallholder farmers); ● other special interest community groups (such as village savings and loans groups); and ● socially excluded community sub-groups (for example, based on gender, age, or religion). 	<ul style="list-style-type: none"> ● The centre of DRF design, implementation, monitoring, and learning. ● Assessment of community needs and targeting. ● Contributors to monitoring, evaluation, and learning (MEL) systems, and ground-truthing. ● Recipients of assistance.
<p>Country governments and donor governments:</p> <ul style="list-style-type: none"> ● Policy specialists; ● technical specialists; and ● operational specialists. 	<ul style="list-style-type: none"> ● Design of DRF solutions. ● Implementation of DRF programmes. ● Pre-financing and budgetary allocations. ● Premium financing and concessional financing.
<p>International and national development and humanitarian partners:</p> <ul style="list-style-type: none"> ● CSOs such as international and local NGOs, and community-based organisations (CBOs);⁷ ● UN agencies; and ● multilateral and bilateral institutions such as development finance institutions (DFIs). 	<ul style="list-style-type: none"> ● Design of DRF solutions. ● Particular expertise in understanding and communicating at-risk community vulnerabilities (CSOs), building contingency plans, and providing or facilitating capacity building and training. ● Implementing partners for DRF solutions. ● Delivery of accompanying programmes, such as DRR, climate adaptation and resilience building, as part of a comprehensive DRM approach. ● Provision of first-line disaster response and recovery services. ● Provision of monitoring services for DRF instruments.⁸ ● Conveners and facilitators of international and national multi-stakeholder collaborations.
<p>Private sector and academia:</p> <ul style="list-style-type: none"> ● science and modelling specialists; ● technical specialists; and ● operational specialists. 	<ul style="list-style-type: none"> ● Design of DRF solutions. ● Particular expertise in complex risk mapping and modelling, insurance product design and regulation, and cutting-edge technologies and services. ● Provision of financing. ● Provision of technical expertise and capacity building support to other non-stakeholders.

⁷ See Vaughan and Hillier (2019) for further analysis of the role of CSOs in DRF.

⁸ Where service provider CSOs are embedded in communities, they can monitor whether DRF solutions are delivered in a timely manner on the ground. For example, Oxfam provided evidence for an insurance company to issue a payout to smallholder farmers in Sri Lanka. Initially, the product did not pay out despite a serious drought, due to sporadic rainfall observations. With its strong links to both communities and the insurance provider Sanasa, Oxfam conducted a swift assessment, which found that 70% of communities had lost over 50% of their crops (Oxfam, 2018b).

One of the above stakeholders can take the lead or a multi-stakeholder governance and operational structure can be set-up and effectively facilitated by all parties, in order to ensure an inclusive approach, centred around at-risk communities from the outset.

The ‘who should be involved?’ question should also prompt DRF stakeholders to participate in an open and realistic discussion about their expectations of at-risk community involvement and what this really involves. People who have never been involved in the complex nature of scientific triggers and risk models cannot be expected to engage in DRF design in a multi-faceted way. The introduction of DRF concepts can cause confusion, misunderstanding and a perceived failure to meet expectations.

Where vulnerable people cannot participate directly, they should be represented by CSOs that have been working collaboratively with their communities on targeting and engagement over the longer term. Despite needing to build the evidence base for the involvement of CSOs in strengthening outcomes, their suitability for this representative role is clear already. CSOs have long been both the representatives of at-risk communities and more importantly, the facilitators and enablers of community participation and engagement in national and sub-national public platforms. They foster increased community buy-in and high levels of trust, built over years of long-term development support. They also frequently work in the field of DRM in close collaboration with multiple stakeholders, including the private sector. For example, their long standing DRR and climate adaptation programmes that involve local governments, local businesses and supply chains. In addition, CSOs

have long championed communities at risk, their needs, and their contributions to the advancement of DRF instruments, such as microinsurance.⁹

Build the capacity of communities and involve them in design

DRF stakeholders should appreciate that the starting point for at-risk community engagement is very often exposure to, and education on, DRF concepts and instruments. Learning takes time: the translation of complex vulnerability and impact models, which are driven by intricate mathematical and scientific data, is a widespread and significant challenge for people at risk, as well as practitioners and decision makers. Many DRF practitioners express concerns over the lack of ability to overcome barriers to participation, such as low levels of financial literacy, which clearly affects the ability to question and challenge DRF approaches.

We are not, however, asking vulnerable people to design DRF solutions themselves. CSOs can build on their pre-existing relationships with communities to ensure that people can identify and validate the illustration of their own vulnerabilities in a DRF model. Then it is the responsibility of the DRF community to coalesce around this issue, develop collaborative ways to simplify and communicate the basic features of DRF models, so that transparency increases around risk-based decision-making and people can begin to challenge decisions (Start Network, 2019a). For example, some NGOs are leading the charge in piloting new approaches to ground-truthing private sector-led DRF mechanisms, such as the Start Network’s ARC Replica drought insurance policy.

Box 2: A comparative monitor approach to the African Risk Capacity drought insurance model (Africa RiskView)

The African Risk Capacity (ARC) is a sovereign disaster risk insurance pool that provides parametric insurance against drought. When a pre-agreed parametric trigger is met, ARC provides a payout to insured governments to implement pre-agreed contingency plans. The Start Network’s ARC Replica is a separate but linked approach that enables humanitarian organisations to also buy insurance coverage through ARC, thereby up to doubling the coverage provided within a specific country. When a pre-agreed and modelled trigger is

met, both the government and humanitarian agencies receive a payout to implement their pre-agreed contingency plans. This creates an innovative opportunity for government and CSOs to work together in shared planning processes as well as to share their understanding of vulnerability, models and triggers. It also has the potential to foster a deeper level of coordination and collaboration for more effective response to drought risk.

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⁹ For learnings about the nuances of establishing microinsurance programmes across multiple sectors and countries, including issues of power imbalances between perhaps unexpected stakeholders (local banks and national insurers) and unintended positive consequences, see CARE International UK (2019). For examples of participatory approaches and tools developed by CARE International to analyse resilience and vulnerability, plus nuanced learnings around vulnerability, as part of the BRACED programme to help 5 million people become more resilient and adapt to climate extremes, see BOND Resilience Learning Group (2019, pp19-21).

The Start Network in Senegal is piloting a **comparative monitor approach** using an alternative set of indicators developed through consultation with communities. Through regular semi-structured conversations with at-risk communities to gather community weather observations and indigenous knowledge on seasonality, Start Senegal has been able to ground truth the ARC risk model, called Africa RiskView or ARV. ARV combines rainfall data with vulnerable population data to estimate drought-related humanitarian response costs and define triggers for the parametric insurance products. The real-time, on-the-ground development of the forecasted drought is systematically monitored throughout the season and compared to the data that ARV outputs. Data collected from the community groups and the ARV model are combined to create a comparative risk monitoring tool. The engagement of communities has also been central to the Start Network's deployment of a contingency fund (with its

own formal governance structure) to cover the identified below-attachment point (see Glossary) needs of communities and any basis risk created by the ARV model (Vaughan and Hillier, 2019; Cruz Vermelha de Moçambique, 2019).

In addition, direct participation of the Start Network (thanks to ARC Replica insurance contract) enabled the evolution of the ARV model to include a supplementary reference crop (millet); a staple crop which represents much more closely the food security needs of the community than the cash crop (groundnut), which was originally the only crop referenced in the ARV model. Arguably, CSO participation in ARC's technical working groups (established by ministerial decree in Senegal) and a community-centric comparative monitor approach can help mitigate against future payout discrepancies. An evaluation of the comparative monitor approach is currently underway by Start.

Source: Interview with Start Network Senegal.

FbF is one innovative approach to anticipatory DRF that involves the engagement of at-risk communities. Developed and pioneered by the International Red Cross

and Red Crescent Movement, and now replicated by others, its early pilots demonstrate the effectiveness of the methodology.

Box 3: Community participation in Forecast-based Financing: forecasts and action plans

FbF is an approach that enables access to humanitarian funding for early action, based on meteorological forecast information and risk analysis. The goal of FbF is to anticipate disasters, mitigate their impact, and reduce human suffering and losses. Triggers are based on detailed risk analysis of relevant natural hazards, impact assessments of past events, and vulnerability data. Pre-defined actions that link to a triggering forecast are selected and implemented when that forecast automatically releases ex ante financing.

These components are summarised in an early action protocol (EAP). EAPs serve as action guidelines that delineate roles and responsibilities for quick action when a trigger is reached. EAPs and the prioritisation of forecast-based actions are developed by National Red Cross and Red Crescent Societies via a comprehensive community engagement process, with extensive

guidance given to facilitators in advance. This includes advice on using visual aids (for example, projectors to display images of different severity levels of drought) to help community members to understand model structures, uncertainties, resolutions and possible lead times. Methods can include interviews, focus group discussions and other research tools, and should be bold in brainstorming new actions with community members.

A recent evaluation on the impact of an FbF pilot in Bangladesh showed that the rate of people who had to take up loans and of those who had lost livestock during the flood was significantly lower in the FbF communities than in neighbouring areas (International Federation of Red Cross and Red Crescent Societies (IFRC), 2019; Red Cross Red Crescent Climate Centre, n.d.).

Where possible, at-risk communities can be trained and educated about risk and DRF approaches through pre-existing infrastructure. This is particularly advisable for private sector insurers seeking to develop people-centred insurance products but struggling to connect directly with communities. NGOs are experts in facilitating financial literacy training and outreach for communities, and this capacity building is already channelled through pre-existing community infrastructure, such as via village

savings and loans groups or other thematic committees, such as DRR implementation groups, which may also include ministerial representation via municipal government or local authority representation. An example of piggy-backing off pre-existing infrastructure, in order to connect communities to new DRF concepts, is WeltHungerHilfe's FbF work in Madagascar. It is also a case study of how to build an impactful multi-stakeholder and needs-driven approach to DRF.

Box 4: Leveraging pre-existing community engagement structures for Forecast-based Financing in Madagascar

The Government of Madagascar, WelthungerHilfe (with support from the Start Network) and UN agencies have established a national household economy analysis (HEA) baseline that can be used for national DRF approaches. HEA is a methodological framework that determines whether households have the food and cash they need to survive and prosper. The food and livelihood focus of HEA means that the approach is most useful in the design of interventions focused on household economy, and with events that primarily impact livelihoods and food security (such as droughts, floods, heatwaves and market prices). However, the methodology can be adapted for wider application. It can be interpreted and interrogated by non-expert users (Start Network, Save the Children, and KfW, 2019). The government has recently included HEA as a key component in its vulnerability framework for affected communities and is using data from HEA to ensure the effectiveness and relevance of the early warning system.

Now multiple development actors in-country are risk assessing and designing FbF and wider development solutions from the same baseline, facilitating communication and common perceptions of risk between stakeholders. WelthungerHilfe has leveraged district-level project committees supervised by the National Office for Risk and Disaster Management in order to engage local communities at the district level, such that they can input information and observations into the FbF model, which relies upon the HEA baseline. The committees meet every three months. Community representatives also verify the meteorological department's data to provide real-time observations on the status of the rice crop. A regional representative from the Ministry of Agriculture attends the meetings. Community representatives are both lead farmers (elected by the community) and smallholders.

Source: Interview with WelthungerHilfe Madagascar.

Engage communities in planning and implementation

Early action and multi-stakeholder contingency planning processes are the driving forces of today's DRF systems. They outline the data needed to support the implementation plans when triggered, how and where pre-planned activities will be delivered and by whom, plus how much it costs to deliver them. Some ex ante DRF systems offer the time and space to pre-plan disaster responses in anticipation of crises and based on forecasts. This gives at-risk communities greater opportunities for localised engagement and ownership of the process, leveraging years of experience of community-based DRR/ climate change adaptation activities. Through such engagement, communities can be empowered, as with involvement in vulnerability assessments, to influence what actions are taken by them and other stakeholders to mitigate and respond to disasters. There is time to co-

develop contingency plans with other DRF stakeholders and set up accountability and feedback systems for direct community participation.

When it comes to implementation, a comparative monitor approach (like that piloted by the Start Network in Senegal) specifically serves to keep contingency planning up to date (adjusting programming, timing and so on) through real-time assessments by and with communities throughout the season, in anticipation of forecasted droughts. As with all other stages of a participatory process, building the capacity of communities to enable enhanced input is key. Using existing infrastructure and the close connections between CSOs and at-risk communities to facilitate community voices in the process of planning disaster responses creates synergies and efficiencies, and can mitigate duplication in what is inherently a detailed and comprehensive process between multiple responding DRF stakeholders.

For example, with ARC Replica (see Box 3), NGOs can leverage the outputs from other participatory approaches used in DRR and resilience-building community committees they facilitate or partake in, where local and sub-national action plans are integrated with government and other aggregate planning platforms, such as food security clusters. In this way, a DRF instrument can both build on pre-existing infrastructure for community participation and also mitigate the duplication of actions by incorporating planning information from many more disaster response stakeholders than just those directly involved in the specific DRF instrument.

Engage communities in monitoring, evaluation and learning, and product refinement

Currently, there is a critical lack of monitoring and evaluation to prove the value and approaches of DRF strategies such as disaster and climate risk insurance (Le Quesne *et al.*, 2017). There is also insufficient evaluation from an impact and people-centred perspective in DRF. Existing monitoring, evaluation, accountability and learning (MEAL) frameworks do not incorporate sufficient approaches to disaggregating data based on how DRF interfaces with gender, socioeconomic, age, religion and ability dynamics. There is broad agreement on this issue however. This means there is now an opportunity to invest in this area of DRF, and deduce whether the solutions and instruments are really delivering the impact that stakeholder communities expect.

Monitoring and evaluating the outcomes of DRF solutions, and gathering and sharing learnings from pilots, needs to be a multifaceted and multi-stakeholder process. It should be ongoing, throughout the life of the DRF solution, starting with the active participation of communities in ground-truthing existing risk models designed to provide for their needs and protect them in the event of a disaster. Transparent and open platforms for the honest exchange of experiences and opinions are critical to adequately address successes and failures. This also requires learning from mistakes, and collaboratively refining DRF pilots for the future.

The international development community has developed and refined extensive and reliable monitoring and evaluation approaches over the long term and these can be adapted and tailored for DRF applications. For example, a working group of UN agencies, NGOs and independent consultants, led by the Start Network with the Red Cross Red Crescent Climate Centre, has recently published a sector-wide review of the development and use of methodologies and guidance for the monitoring and evaluation of Forecast-based Action (FbA), which uses forecasts to trigger interventions before the onset of disasters. The group found that, although MEAL activities are nascent in FbA, they provide significant scope for learning. The study reinforces the conclusion that all FbA practitioners recognise the importance of participatory approaches in evaluating FbA systems but many are

failing to include clear advice on how exactly to enable community participation in MEAL (Red Cross Red Crescent Climate Centre and Start Network, 2020). This learning is indeed reflective of the wider DRF sector, beyond FbA.

Additionally, an important distinction to make when evaluating DRF mechanisms is the stated objective of the scheme. If the founding objective is financial resilience of governments in the face of disasters, then certain sovereign-level DRF instruments can be judged as delivering their objectives and potentially having long-term sustainability. However, if an objective is to seek positive impact on the lives of vulnerable communities, substantially more work needs to be done to enhance current sovereign-level DRF evaluation frameworks in order to evidence this.

Ensure information flows openly and effectively to and from at-risk communities

The efficient and open flow of information between stakeholders underpins effective DRF design and implementation, as well as the monitoring and evaluation of intended impacts, outcomes and evolution of DRF approaches. Community engagement systems that are either set up especially, or that are leveraged from elsewhere in the landscape of DRM activities, are critical to the long-term viability of people-centred DRF mechanisms and the protection of those most adversely affected by risk. Most government DRF instruments do not actively engage communities, nor do they openly share information about financing flows or the scope of protection.

Where effective systems for engagement are present and operational—such as district-level multi-stakeholder DRM committees that involve both local authorities and vulnerable communities—these same systems can catalyse information flows both ways. Once there is inclusive participation of communities in defining their own risks and vulnerabilities to governments, insurers, NGOs and other stakeholders, there is also an opportunity for those stakeholders to share information in the opposite direction. An example of this is CARE International's participatory scenario planning (PSP) approach to seasonal climate forecast decision-making. It is about collaboratively designing and delivering seasonal user-centred climate information services between private sector, national and local governments, scientists, academics and NGOs. It is an example of building participatory structures to turn climate information into knowledge, and it creates space for interaction on a seasonal basis amongst multiple stakeholders who would not normally sit together and plan. This regular interaction between stakeholders can enable the co-development of user needs-driven information and services. It is precisely these two-way processes that the DRF community needs in order to further develop, evaluate and learn (CARE International, 2018).





A mosque remains amid tsunami damage, Indonesia.
Image: Yoshi Shimizu/International Federation of Red Cross and Red Crescent Societies

● TOOLS AND RESOURCES

Methodologies

CARE International's guide to PSP: <https://careclimatechange.org/practical-guide-to-participatory-scenario-planning-seasonal-climate-information-for-resilient-decision-making/>

The Red Cross Red Crescent Climate Centre, German Red Cross and Netherlands Red Cross guide to trigger methodology: http://fbf.drk.de/fileadmin/user_upload/FbF_Manual_-_A_guide_to_trigger_methodology.pdf

Frameworks

The GESI framework for gender equality and social inclusion:

http://www.undp.org/content/dam/nepal/docs/generic/GESI%20framework%20Report_Final_2017.pdf

GRI's guiding principles and appraisal framework for GRI grant support:

<http://globalriskfinancing.org/sites/default/files/2020-01/Guiding%20Principles%20and%20Appraisal%20Framework%20for%20GRI%20Grant%20Support%20-%20Dec2019.pdf>

InsuResilience Secretariat (June, 2019) Pro Poor Principles of the InsuResilience Global Partnership

Source: https://www.insuresilience.org/wp-content/uploads/2019/06/insuresilience_propoor_190529-2.pdf

Participation indicators

Oxfam's (2018a) introduction to community engagement in WASH: <https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620611/gd-introduction-community-engagement-wash-170119-en.pdf?sequence=1>

Practical guides

IFRC's practical information on Forecast based Action: https://media.ifrc.org/ifrc/wp-content/uploads/sites/5/2019/03/0097_19_003_Broschuere_National-Society_210x297_EN.pdf

The Red Cross Red Crescent Climate Centre, IFRC, German and Netherlands Red Cross guide to the prioritisation of Forecast based Action: http://fbf.drk.de/fileadmin/Content/Manual_FbF/05_Priorization/05_Priorization_of_Forecast-Based_Actionsguide_2.pdf

The Start Network, Save the Children and KfW guide to using HEA: <https://startnetwork.org/resource/disaster-risk-forecast-based-financing-guide-using-household-economy-analysis>

From the Start Network's Impact Before Instruments Series, 'People-centred and transparent risk analytics', and 'Accountability, transparency and participation': <https://startprogrammes.app.box.com/s/onpd3zj70vzghp6eocac6tzhOry5xi68>

● GLOSSARY

Attachment point

In non-proportional reinsurance, an amount over which a reinsurer agrees to start paying benefits (Reinsurance Glossary, 2020).

Ex ante

Latin for 'from before'. In the context of disaster events, ex ante instruments are arranged before the event, and ex ante decisions are made at that time as well (Clarke and Dercon, 2016).

Basis risk

Basis risk is the difference between an index and the shock that the index is supposed to be a proxy for. A payout triggered by an index may be higher or lower than the beneficiary's losses, leading to overpayment or shortfall respectively. Where there are differences of opinion amongst stakeholders over what the index is supposed to be a proxy for, the precise definition of basis risk can be contested. For example, disagreement may arise over whether an agricultural insurance product that uses a rainfall-based index covers drought-induced crop disease and pest damage (the Centre).

Disaster risk financing

Disaster risk financing covers the system of budgetary and financial mechanisms to credibly pay for a specific risk, arranged before a potential shock. This can include paying to prevent and reduce disaster risk, as well as preparing for and responding to disasters (Centre for Disaster Protection, 2019).

Disaster risk management

The systematic process of using administrative directives, organisations, and operational skills and capacities to implement strategies, policies, and improved coping capacities in order to lessen the adverse impacts of hazards and the possibility of disaster (Clarke and Dercon, 2016).

Index

In risk finance, an index is an indicator or measure that is chosen to be a good proxy for a type of shock, and used to determine payouts. For example, tropical cyclone categories used as an index for property damage, or rainfall as an index for drought-affected population. Modelled estimates of damage costs are also used as indices (the Centre).

International Financial Institution

In many parts of the world, international financial institutions play a major role in the social and economic development programmes of nations with developing or transitional economies. This role includes advising on development projects, funding them, and assisting in their implementation. Characterised by AAA-credit ratings and a broad membership of borrowing and donor countries, each of these institutions operates independently. All, however, share the following goals and objectives: to reduce global poverty and improve people's living conditions and standards; to support sustainable economic, social and institutional development; and to promote regional cooperation and integration (Government of Canada, 2020).

Parametric insurance

A type of insurance that does not indemnify the pure loss but ex ante agrees to make a payment upon occurrence of a triggering event. The triggering event is often a catastrophic natural event, which may cause a loss (Clarke and Dercon, 2016).

Trigger

A trigger is a predefined threshold of an index underlying a risk finance mechanism which, if exceeded, prompts a payout. A trigger may also leave an element of discretion to a designated party about whether or not to launch a response (the Centre).

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Cover image: Community housing reconstruction after flooding and landslides, Kenya.
Image: John Bundi/Kenya Red Cross

