

Pre-Financing Anticipatory Action

Lessons Learned from the Bangladesh Red Crescent Society



“Decentralized funds made available at unit (branch) level of BDRCS was very effective, especially in such a pandemic situation. [It was] efficient in utilizing the funds for preparedness. This decentralized approach was proven to be very effective in ensuring availability of funds at local level to implement immediate anticipatory actions [in] time.”

– Cyclone Amphan Lessons Learned Report, 2020

Anticipation within the Bangladesh Red Crescent Society

Starting in 2015, the Bangladesh Red Crescent Society (BDRCS) began to develop trigger models and design and test early action activities for cyclones, floods, and heatwaves. By 2024, BDRCS had developed and validated three Early Action Protocols (EAPs), targeting over 200,000 people, with an estimated activation cost of 940,000 CHF. Between 2019 and 2024, each protocol has been activated at least once, making Bangladesh the country with the greatest number of EAP activations in the Red Cross Red Crescent Movement to date.

This case study focuses on BDRCS's use of pre-financing solutions for a tropical cyclone. Donor pipelines, by default or design, are often not able to make funds instantly available to National Societies (NS), especially in sudden onset hazards with short lead times. Pre-financing refers to an NS arranging

its own temporary funding to carry out early actions before donor funds arrive in their account. Cyclones have one of the shortest or smallest windows of time (often less than 72 hours) to conduct early actions. Funding must be available within hours of the trigger activation to achieve all the early actions. This case study shows how BDRCS has overcome challenges to successfully move funds to coastal branch units for early actions ahead of a cyclone.

Bangladesh is highly vulnerable to natural disasters such as cyclones, associated storm surges, floods, tornadoes, droughts, earthquakes, and tsunamis due to its geographic location in the world's largest delta. Timely and effective early warning has proven to be lifesaving for Bangladesh's coastal areas, and BDRCS works in partnership with the Government of Bangladesh to provide this essential service.

Anticipatory Action

Anticipatory action (AA) is a set of actions taken to prevent or mitigate potential disaster impacts before a shock or before acute impacts are felt. It is increasingly recognized as a key solution to reducing the impacts of climate change and extreme weather events. National Societies pre-define early actions in formal plans, such as an Early Action Protocol or a Simplified Early Action Protocol. The window for anticipatory action is the critical period when humanitarian organizations can act to reduce the impact of an impending disaster. To ensure timely action, funding is typically needed early within this window.

The Evolution of BDRCS' Pre-financing for Anticipation

BDRCS first accessed IFRC's newly established Disaster Response Emergency Fund (DREF) for anticipatory action for its Cyclone Mora response in May 2017. Forecast data available through the Bangladesh Meteorological Department indicated the probability of an imminent disaster was high, and BDRCS requested DREF support to initiate early actions and preparedness. With a narrow 36-hour lead time, DREF funding did not reach BDRCS bank accounts until after Cyclone Mora had already made landfall. Although the funds arrived too late for early action activities, it reimbursed costs that BDRCS had already undertaken. To BDRCS and the Government of Bangladesh, Cyclone Mora underscored the time sensitivity of disaster events and the narrow window for anticipatory action.

Following Cyclone Mora, the Government of Bangladesh initiated mainstreaming anticipatory action into its Standing Orders on Disaster (SOD), involving BDRCS a key disaster management auxiliary. During this process, BDRCS realized two key challenges: 1) for short onset disasters, there is a significant risk that IFRC funds will not be received in time, and 2) if EAP triggers were unmet, the DREF funds would neither be released nor reimburse early costs. To address these gaps, BDRCS introduced two pre-financing solutions: a *decentralized Contingency Fund* at coastal branch units and a strengthened *centralized Contingency Fund* for emergencies. These funds ensure locally accessible resources and a clearer understanding of financing procedures during disasters.

Myanmar Red Cross Society Emergency Fund

The Myanmar Red Cross Society (MRCS) has built a strong reputation for providing rapid and effective relief to disaster-affected communities. To ensure independent financing for disaster response, MRCS established the Emergency Management Fund (EMF) in 2008, with subsequent revisions in 2011 and 2019. The EMF operates through two dedicated bank accounts: one for the capital investment and another for the interest generated from that investment. The interest is used to support pre-positioning of disaster non-food item stock, readiness training for MRCS volunteers, distribution of pre-positioned stock or Cash and Voucher Assistance, and deployment of volunteers for early action and relief efforts. While the EMF covers small-scale, localized disaster responses, larger events require external support. The fund undergoes annual external audits to ensure transparency and accountability. Despite challenges, the EMF has successfully operated for over 15 years with continued support from partners across the Red Cross and Red Crescent Movement.

Decentralizing Emergency Contingency Fund

In late 2019, BDRCS and the American Red Cross launched a pilot program to pre-position funds at BDRCS branches in coastal areas frequently impacted by tropical cyclones. Under the decentralized financing model, each branch received annual funding based on the average amount needed for early warnings and actions in their respective area. Between 2019 and 2024, BDRCS provided between 2,700 to 4,500 CHF to each branch, with the exact amount depending on the branch's exposure and the vulnerabilities of the communities it serves.

Throughout the pilot, BDRCS Headquarters monitored forecast data to determine whether approaching storms met the forecast trigger of the EAP or the Government of Bangladesh's trigger. If either was reached, BDRCS Headquarters alerted coastal branches, and with approval from the Disaster Management Director, branches could then access their funds to begin early actions. After the early action window closes and the cyclone makes landfall, the EAP activation would then shift to a response operation.

The decentralized funding model was quickly put to the test in November 2019 with Cyclone Bulbul forming over the Bay of Bengal. While the cyclone did not meet EAP's trigger criteria, BDRCS authorized branches to activate early action operations using decentralized funds. With this prepositioned funding, BDRCS was able to support volunteer mobilization and disseminate critical early warning messages.

Centralized Emergency Contingency Fund

To BDRCS, the experience from Cyclone Bulbul demonstrated that it needed to maintain its own emergency funds in the instance IFRC DREF funds were delayed or if BDRCS's EAP trigger threshold was not met, but early actions were still determined to be needed. After Cyclone Bulbul, BDRCS expanded the scope of its emergency contingency fund to support anticipatory action, in addition to response operations. Currently, the BDRCS contingency fund ranges between 77,350 to 109,200 CHF. BDRCS is in discussions with donors and partners to expand the fund to cover the potential costs of all three of BDRCS's EAPs, which would require an estimated 932,000 CHF to respond.

In 2020, BDRCS used its pre-financing solutions, including decentralized branch funds, to respond to Cyclone Amphan. Branches in 10 coastal areas carried out early actions with support from the Bangladesh's Cyclone Preparedness Program and Red Crescent Youth volunteers. Although branch-level funds helped, more funding was needed for operations and to pay suppliers. With partner and donor approval, BDRCS temporarily reallocated funds from ongoing grants and projects, knowing these would be reimbursed by IFRC DREF funds once the Cyclone EAP was activated. This temporary loan enabled early actions that helped protect 36,000 people, facilitating evacuations and reducing the immediate impact of the cyclone, such as loss of life and livestock.

After Cyclone Amphan, BDRCS updated its Tropical Cyclone EAP to include a pre-activation trigger based on weather forecasts within Bangladesh. This change allows for earlier action in cases where the full cyclone trigger is not met. For example, during Cyclone Mocha in May 2023, which brought winds up to 175 miles per hour, BDRCS was authorized to implement early actions despite the EAP not being activated. Heavy rains and landslides caused damage in Cox's Bazaar, and BDRCS was able to act quickly using resources from the IFRC and other Red Cross and Red Crescent (RCRC) partners.

Lesotho Red Cross – Bank Bridge Loan

While many National Societies benefit from RCRC partners in their countries, the Lesotho Red Cross does not host an IFRC office or Partner National Society. The only funding solutions available are those from the IFRC, including the DREF, Imminent DREF, and/or Anticipation funds through an EAP. To bridge the gap until the IFRC funds arrive, the Lesotho Red Cross leveraged its positive, long-standing relationship with its bank to create a pre-financing solution. Presently, the Lesotho Red Cross has an agreement with the bank that allows it to withdraw necessary funds from its checking account, often creating an "overdraw" on the account. The bank has agreed to a favorable interest rate for this short-term "overdraw" loan, guaranteed by the IFRC EAP funding agreement. This arrangement enables the Lesotho Red Cross to temporarily access the funds needed to conduct early actions in the event of a sudden onset hazard. The funds are replenished to the account once the IFRC DREF AA activation funds arrive. While the Lesotho Red Cross has yet to use this banking solution for an EAP, it has successfully utilized this approach for other sudden-onset disasters while waiting for the IFRC DREF funds to arrive.

Partner-Funded Emergency Funds

BDRCS collaborates with several RCRC partners, each with distinct programs and funding sizes. Many of these partner National Societies maintain emergency or discretionary funds at their country offices, which BDRCS can access through a straightforward proposal or request process. Typically, the funding amount available is around 50,000 CHF, but this can vary based on the specific partner and its donor source.

To accelerate response timelines, some RCRC partners pre-position and earmark emergency funds directly in the BDRCS bank account, allowing for quicker transfer and withdrawal. Others retain the funds in their own bank accounts within Bangladesh and transfer the money to BDRCS upon approval of a request. This arrangement eliminates the need for international bank transfers, significantly reducing the time it takes for funds to reach the BDRCS branches where funding is urgently needed.

Conclusion

The most crucial aspect of pre-financing is having funds available and accessible within the first 24-48 hours after a forecast activation trigger is reached in the areas where funds are needed most. BDRCS's experience shows that simply allocating funds for a project or maintaining a contingency fund at the headquarters level does not guarantee that they will be available at the branch level, where critical life-saving early actions are typically implemented. As noted above, BDRCS employs several pre-financing approaches for anticipatory action, including:

- Developing donor grants specifically for anticipation
- Establishing an independent centralized contingency fund and decentralized contingency fund at coastal branches
- Co-designing solutions with Partner National Societies to create discretionary funds for anticipation and response in Bangladesh, and
- With approval, temporarily reallocating funding from ongoing projects and budgets for early-action activities as part of anticipatory action

A National Society has several options to pre-finance its anticipatory actions. Not every solution is suitable for every activation, and some anticipatory action activations may require multiple solutions. National Societies should carefully consider their pre-financing strategies to ensure that funds are readily available where they are most needed.

Guatemala Red Cross – Partner NS Emergency Fund

The Guatemala Red Cross (GRC) recently signed a three-year project agreement for Disaster Response Readiness with the American Red Cross. The project budget includes a “Quick Action Fund,” which provides the GRC with financial support during crises or emergencies. Each year, the GRC can request up to 46,000 CHF to bridge incoming IFRC DREF funding, or for anticipatory actions or emergencies that may not qualify for IFRC DREF funding,

This money is pre-positioned in the GRC's bank account, but access requires approval from the American Red Cross. Typically, the GRC submits a short memo detailing the disaster, the number of people affected, the planned activities, and the requested amount. The American Red Cross country representative or manager can approve requests up to 23,000 CHF, which allows the funds to be released from the GRC's bank account. If the request exceeds 23,000 CHF, it must be sent to the American Red Cross headquarters for approval, which can extend the money transfer time to at least 3-5 days.

The American Red Cross is not the only NS with this type of bilateral emergency funding available to its NS partners. Several other NSs offer a similar fund for emergencies in the country that hosts their offices. These bilateral NS solutions are one of the most common ways the NSs support each other in times of crisis.



**American
Red Cross**